



# **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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE, 2008**

### **FINANCIAL HIGHLIGHTS**

For the six months ended 30 June, 2008, the Group recorded the following operational results:

- Turnover was approximately HK\$1,052.46 million, an increase of approximately 108.9% over the same period last year;
- Profit attributable to the Group was approximately HK\$134.22 million, approximately 56% higher than the same period last year;
- Basic earnings per share were approximately HK5.93 cents, approximately 56.1% higher compared with the same period last year;
- Sales of new products accounted for approximately 29% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2008 was approximately HK\$1,856.78 million.

The Board of Directors (the "Directors") declared an interim dividend payment of HK1.5 cents per share for the second quarter ended 30 June, 2008. Together with the quarterly dividend of HK1.5 cents paid in the first quarter, the total dividend of the two quarters amounted to HK3 cents per share.

## CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries 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 (“CTRC”), 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 (Zolebronate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

### Products with great potential:

Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections, Tianqingning (Hydroxyethylstarch 130) injections
Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Oncology medicines:	Renyi (Pamidronate Disodium) injections
Respiratory medicines:	Tianqingzhengshu (Loratadine) tablets
Diabetic 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 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 jointly-controlled entity, Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), has received the GMP certification for foreign pharmaceutical company from the Public Welfare & Health Ministry of Japan in February 2008. Thus, the Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide, and also export to Japan.

The Group's principal subsidiary: Jiangsu Chia Tai – Tianqing Pharmaceutical Co. Ltd. ("JCTT") and jointly-controlled entity, 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".

Named by the Ministry of Personnel of the PRC as a "Postdoctoral Research & Development Institute", the research center of JCTT is also the only "New Hepatitis Medicine Research Center" in the country.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Overview**

The first half of 2008 saw the continuation on the path as laid down in 2007. The pharmaceutical industry in the PRC advanced and grew steadily within the government regulatory framework. Benefiting from favorable governmental policy and investment guided by the principles of "access to medical protection is the basic right of the people" and "building a healthcare system for people in urban and rural areas", and the rising living standard of population as a result of continuous economic growth, spending on pharmaceutical products by consumers has been increasing. Income and profit of the industry both grew significantly during the review period when compared with the same period last year. However, affected by various factors such as rising raw material prices, production cost of the industry also climbed, requiring players to work hard for sales growth whilst at the same time boosting cost effectiveness by capping internal cost and expenses.

### **Business Review**

During the period under review, with the strategy of strengthening and expansion, the Group continued to grow steadily. Besides the strengthening of the quality control management so as to ensure that its products are safe and effective, the Group also stepped up sales network construction and management. In addition, by promoting on both the academic perspective and innovative technologies of the main products, the Group can further enhance its corporate image and product brands. Furthermore, through the corporate management of JCTT together with the integration of resources on the research and development ("R&D") of products, manufacturing and sales channels, the Group's operating effectiveness can be improved and thereby facilitated the continuous growth on the Group's performance.

In 2006, the Company, through its wholly-owned subsidiary CTRC, signed a joint venture agreement with three companies to establish Shaanxi Xinxing Energy Chemical Industry Limited (“SSEC”), which it has 43% interest. SSEC will be engaged in the refining of 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 stage to make sure it will abide by the requisite environmental protection and water resources standards for such projects.

The Group recorded turnover of approximately HK\$1,052.46 million during the period under review, an increase of approximately 108.9% against the same period last year. Profit attributable to the Group was approximately HK\$134.22 million, approximately 56% higher than in the same period last year. Basic earnings per share were approximately HK5.93 cents, representing an increase of approximately 56.1% when compared with the corresponding period last year. Cash and bank balances totaled approximately HK\$1,856.78 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 medicines 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***

Cardio-cerebral medicines are manufactured mainly by Beijing Tide and NJCTT and accounted for approximately 19.2% 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 used by the Group enhances the product to have more apparent effect than similar products in the market, which allows it to enjoy majority market share. The product has received many national prizes and Beijing Tide received the title of “High and New Technology Enterprise in Beijing” again in 2007 and was awarded GMP medicine certification by the Public Welfare & Health Ministry of Japan in February 2008. For the six months ended 30 June, 2008, sales of Kaishi injections amounted to approximately HK\$283.72 million, an increase of approximately 33.3% as compared with the same period last year.

The Spring PVC-free soft bags for intravenous injections and the Spring injections manufactured by NJCTT are known for their stable quality since launched. NJCTT was named “Model Enterprise for Establishment of Quality and Trustful Medicines” by the PRC Pharmaceutical Quality Control Association in 2007. For the six months ended 30 June, 2008, sales of the two products amounted to approximately HK\$24.28 million, an increase of approximately 19.6% when compared with the same period last year.

The sales of Tianqinggan injections manufactured and sold by NJCTT have had satisfactory growth since launched in 2004. For the six months ended 30 June, 2008, the product recorded sales of approximately HK\$19.96 million, an increase of approximately 46.9% when compared with the same period last year.

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 six months ended 30 June, 2008, the product recorded sales of approximately HK\$24.10 million, an increase of approximately 400.3% when compared with the same period last year.

### *Hepatitis medicines*

Hepatitis medicines is one of JCTT's main product series which recorded sales of approximately HK\$504.39 million for the six months ended 30 June, 2008 and accounted for approximately 47.9% 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 number 1 hepatitis medicine brand in the PRC. After the protection period of the product expired, many replicas have emerged in the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine continued to increase in the reviewing period, representing a growth of approximately 47% when compared with the same period last year. In 2005, JCTT launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. The product has bright prospects. During the reviewing period, it recorded growth in sales of approximately HK\$60.17 million, an increase of approximately 204.8% against the same period last year. The Group believes medicine series 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 launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the six months ended 30 June, 2008, its sales amounted to approximately HK\$206.99 million, an approximately 150.2% growth when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. As a result of intense market competition, its price dropped and its sales amounted to approximately HK\$50.45 million, a slight drop of approximately 1.7% when compared with the same period last year.

### ***Oncology medicines***

Tianqingyitai injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the six months ended 30 June, 2008, sales of oncology medicines amounted to approximately HK\$44.96 million, an increase of approximately 66% as compared with the same period last year.

### ***Analgesic medicines***

Launched in 2005, the analgesic medicine Kaifen injections is developed and manufactured by Beijing Tide. It is a Flurbiprofen Axetil 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 launched. Sales of the product for the six months ended 30 June, 2008 amounted to approximately HK\$52.71 million, approximately 134.4% higher than that as compared with the same period last year.

### ***Diabetic medicines***

The main diabetic medicine of the Group Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by JCTT. Taking into account that there are more than 30 million diabetics in the PRC and Taibai sustained release tablets has sustained release capability for keeping a patient's blood sugar level steady, the product is expected to record remarkable sales in future. For the six months ended 30 June, 2008, the sales of the product have increased by approximately 63.2% as compared with the same period last year.

### **R&D**

The Group emphasizes on “development of proprietary innovative medicines and generic drugs by itself as well as through coordination with other domestic and foreign parties” in its R&D endeavours. To enhance its R&D capabilities and accelerate product development, the Group conducts joint development projects with local and international R&D institutes. During the period under review, the Group received 4 production approvals and 2 clinical research approvals. Also, a total of 60 cases had completed clinical research, or were under clinical trial or applying for production approval. Currently, 16 cardio-cerebral medicines, 9 hepatitis medicines, 4 oncology medicines, 4 respiratory system medicines and 4 diabetic medicines are being developed.

During the period under review, the Group owns a total of 185 invention patents, 3 utility model patents and 15 apparel design patents. Moreover, it has filed 34 patent applications and announced 125 invention patent applications.

## **INVESTOR RELATIONS**

The Group believes that maintaining communication and operational transparency is vital in building good investors relations. To this end, during the period under review, the management actively met or conducted teleconferences with analysts and fund managers from internationally renowned institutions in Singapore, PRC and Hong Kong, such as DBS Vickers (Hong Kong) Ltd., Beijing Gaohua Securities Company Limited, Somerset Capital Group Ltd., Galaxy Asset Management (HK) Ltd. and China Alpha Fund, to keep them up to date with the latest development of the Group. 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.

In addition, the Group 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. At the same time, the Group also actively dispatched new releases and held press conference to maintain a high degree of transparency to shareholders, media and public in the aspect of disclosure of financial and other information of the Company.

## **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 (the "Code Provisions") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the six months ended 30 June, 2008 with the exception of the following deviation:—

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 (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 period under review, the Group's primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited in 2005. As at 30 June, 2008, the Group's bank balance and cash in hand was approximately HK\$1,856.78 million (31 December, 2007: approximately HK\$1,775.75 million).

## **CAPITAL STRUCTURE**

As at 30 June, 2008, the Group had short term loans of approximately HK\$124.58 million (31 December, 2007: approximately HK\$36.98 million) and long term loans of approximately HK\$22.75 million (31 December, 2007: approximately HK\$21.38 million).

## **CHARGE ON ASSETS**

As at 30 June, 2008, certain of the Group's buildings with a net book value of approximately HK\$16,279,000 (31 December, 2007: approximately HK\$16,279,000) were pledged to secure bank borrowings granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June, 2008, the Group and the Company had no contingent liabilities (31 December, 2007: Nil).

## **ASSETS AND GEARING RATIO**

As at 30 June, 2008, the total assets of the Group amounted to approximately HK\$3,132.10 million (31 December, 2007: approximately HK\$2,595.66 million) whereas the total liabilities amounted to approximately HK\$737.87 million (31 December, 2007: approximately HK\$375.36 million). The gearing ratio (total liabilities over total assets) was approximately 23.6% (31 December, 2007: approximately 14.5%).

## **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 approximately HK\$116,560,000 (30 June, 2007: approximately HK\$86,388,000).



## **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**

The Group is positive about the outlook of Chinese economy in 2008. It believes that the pharmaceutical industry in the country will maintain stable growth in a market laden with huge development potential. However, the industry will also continue to face challenges resulting from certain critical factors. Presented with opportunities and challenges, the Group will strive to boost competitiveness through innovation and R&D in the areas of technological and product development, and keep introducing quality products that meet market needs and improve the Group's core competitiveness. Efforts to raise cost effectiveness will include aiming for stable development, an optimum governing structure and resources allocation, and reduction in operating costs.

Over the years, building on its capabilities and position in the pharmaceutical industry in the PRC and with a strong capital base, the Group has continuously been approached by large domestic and foreign enterprises regarding potential cooperation. The Group will also look for business partners with strong growth prospects and speed up merger and acquisition plans and restructuring to effect growth and consolidate its businesses so as to enhance the strength and scale of its operation.

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 impressive revenue to the Group. The business will become a new profit growth driver of the Group in the long run.

## **JCTT SPIN OFF**

During the period under review, the Company has made announcements regarding JCTT spin off. On 20 March, 2008, the Company announced that JCTT has completed six months' of guidance by a securities firm in the PRC as required by the relevant PRC rules and regulations. On 28 March, 2008, the Company further announced that JCTT has made a formal application to the China Securities Regulatory Commission ("CSRC") for the listing of its shares on the Shenzhen Stock Exchange (the "Proposed Domestic Listing"). The CSRC had officially accepted JCTT's application. Under Practice Note 15 of the Listing Rules, the Company had submitted the application to the Hong Kong Stock Exchange. Further to the above announcements, on 12 June, 2008, the Board announced that it has decided to withdraw its application to the Hong Kong Stock Exchange for such approval. The Board has also taken steps to withdraw the formal application to the CSRC with respect to the Proposed Domestic Listing.

## **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, 2008 together with the comparative unaudited consolidated results for 2007 as follows:

### Condensed Consolidated Income Statement

	<i>Notes</i>	For the six months ended	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	3	<b>1,052,456</b>	503,823
Cost of sales		<b>(236,650)</b>	(96,584)
Gross profit		<b>815,806</b>	407,239
Other income and gains	3	<b>48,854</b>	42,760
Selling and distribution costs		<b>(389,049)</b>	(213,559)
Administrative expenses		<b>(128,026)</b>	(63,436)
Other expenses		<b>(70,942)</b>	(34,836)
Finance costs	4	<b>(6,076)</b>	(227)
Share of profit of an associate		–	38
<b>PROFIT BEFORE TAX</b>	5	<b>270,567</b>	137,979
Tax	6	<b>(63,902)</b>	(20,924)
<b>PROFIT FOR THE PERIOD</b>		<b>206,665</b>	117,055
Attributable to:			
Equity holders of the parent		<b>134,220</b>	86,057
Minority interests		<b>72,445</b>	30,998
		<b>206,665</b>	117,055
<b>DIVIDENDS</b>			
– quarterly	7	<b>67,919</b>	56,599
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
– Basic		<b>HK5.93 cents</b>	HK3.80 cents
– Diluted		<b>N/A</b>	N/A

## Condensed Consolidated Balance Sheet

	<i>Notes</i>	<b>30 June, 2008</b>	31 December, 2007
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		444,506	339,400
Prepaid land lease payments		32,406	29,282
Goodwill		44,481	44,322
Other intangible assets		29,845	29,804
Available-for-sale investments		53,570	63,895
Deferred tax assets		20,850	15,076
<b>TOTAL NON-CURRENT ASSETS</b>		<b>625,658</b>	<b>521,779</b>
<b>CURRENT ASSETS</b>			
Inventories		159,784	70,125
Trade receivables		326,516	199,751
Prepayments, deposits and other receivables		161,543	26,238
Due from related companies		1,820	2,020
Cash and bank balances	9	1,856,777	1,775,751
<b>TOTAL CURRENT ASSETS</b>		<b>2,506,440</b>	<b>2,073,885</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		68,851	36,167
Other payables and accruals		452,607	227,608
Interest-bearing bank borrowings		124,578	36,980
Tax payable		31,551	18,292
Due to related companies		4,062	4,553
<b>TOTAL CURRENT LIABILITIES</b>		<b>681,649</b>	<b>323,600</b>
<b>NET CURRENT ASSETS</b>		<b>1,824,791</b>	<b>1,750,285</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,450,449</b>	<b>2,272,064</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		22,754	21,376
Deferred government grants		7,587	7,551
Deferred tax liabilities		20,189	13,993
Due to a related company		5,687	8,841
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>56,217</b>	<b>51,761</b>
<b>NET ASSETS</b>		<b>2,394,232</b>	<b>2,220,303</b>
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Issued capital	10	56,599	56,599
Reserves		2,023,023	1,917,370
Proposed final dividend		—	45,279
<b>MINORITY INTERESTS</b>		<b>2,079,622</b>	<b>2,019,248</b>
		<b>314,610</b>	<b>201,055</b>
<b>TOTAL EQUITY</b>		<b>2,394,232</b>	<b>2,220,303</b>

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards 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.

The condensed consolidated financial information should be read in conjunction with the 2007 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, 2007.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June, 2008. 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.

## 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, 2008 and 2007:

Six months ended 30 June, 2008	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>
<b>Segment revenue:</b>					
Sales to external customers	1,042,589	–	442	–	1,043,031
Dividend income	–	9,425	–	–	9,425
Total	<u>1,042,589</u>	<u>9,425</u>	<u>442</u>	<u>–</u>	<u>1,052,456</u>
<b>Segment results</b>	<u>251,638</u>	<u>(10,732)</u>	<u>5,460</u>	<u>–</u>	<u>246,366</u>
Interest income and unallocated gains					48,854
Unallocated expenses					(18,577)
Finance costs					(6,076)
Profit before tax					270,567
Tax					(63,902)
Profit for the period					<u>206,665</u>
<b>Assets and liabilities</b>					
Segment assets	1,620,853	1,442,659	47,736	–	3,111,248
Other unallocated assets					20,850
Total assets					<u>3,132,098</u>
Segment liabilities	599,740	74,291	12,095	–	686,126
Other unallocated liabilities					51,740
Total liabilities					<u>737,866</u>
<b>Other segment information:</b>					
Depreciation and amortisation	<u>20,962</u>	<u>1,778</u>	<u>1,336</u>	<u>–</u>	<u>24,076</u>
Capital expenditure	<u>50,092</u>	<u>557</u>	<u>22,258</u>	<u>–</u>	<u>72,907</u>
Other non-cash expenses	<u>12</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12</u>

Six months ended 30 June, 2007	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>
<b>Segment revenue:</b>					
Sales to external customers	498,774	–	–	–	498,774
Dividend income	–	5,049	–	–	5,049
Total	<u>498,774</u>	<u>5,049</u>	<u>–</u>	<u>–</u>	<u>503,823</u>
<b>Segment results</b>	<u>108,707</u>	<u>3,225</u>	<u>(2,137)</u>	<u>–</u>	<u>109,795</u>
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					<u>117,055</u>
<b>Assets and liabilities</b>					
Segment assets	710,241	1,595,357	54,315	–	2,359,913
Interest in an associate	–	4,819	–	–	4,819
Other unallocated assets					4,244
Total assets					<u>2,368,976</u>
Segment liabilities	267,881	40,911	14,273	–	323,065
Other unallocated liabilities					20,079
Total liabilities					<u>343,144</u>
<b>Other segment information:</b>					
Depreciation and amortisation	<u>10,706</u>	<u>1,041</u>	<u>455</u>	<u>–</u>	<u>12,202</u>
Capital expenditure	<u>12,885</u>	<u>1,852</u>	<u>482</u>	<u>–</u>	<u>15,219</u>
Other non-cash expenses	<u>435</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>435</u>

### 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:

	<b>For the six months ended</b>	
	<b>30 June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sale of goods	1,043,031	498,774
Dividend income	9,425	5,049
	<u>1,052,456</u>	<u>503,823</u>
<b>Other income</b>		
Bank interest income	26,032	40,851
Government grants	277	273
Sale of scrap materials	5,044	1,119
Others	17,501	516
	<u>48,854</u>	<u>42,759</u>
<b>Gains</b>		
Gain on disposal of property, plant and equipment	–	1
	<u>–</u>	<u>1</u>
<b>Total other income and gains</b>	<u>48,854</u>	<u>42,760</u>

### 4. FINANCE COSTS

	<b>For the six months ended</b>	
	<b>30 June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans wholly repayable within five years	<u>6,076</u>	<u>227</u>



## 5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended	
	30 June,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	236,650	96,584
Depreciation	21,852	11,551
Amortization of intangible assets	2,224	651
Research and development costs	60,814	32,465
Minimum lease payments under operating leases:		
Land and buildings	4,234	1,982
Auditors' remuneration	562	398
Staff costs (including directors' remuneration)		
– Wages and salaries	108,285	80,873
– Pension contributions	8,275	5,515
	<u>116,560</u>	<u>86,388</u>
Provision for doubtful debts	10,116	1,936
Exchange (gain)/loss, net	(4,301)	589
	<u><u>116,560</u></u>	<u><u>86,388</u></u>

## 6. TAX

	For the six months ended	
	30 June,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Current – Mainland China income tax	63,902	20,924
Total tax charge for the period	<u><u>63,902</u></u>	<u><u>20,924</u></u>

No Hong Kong profits tax has been provided for the six months ended 30 June, 2008 as there was no assessable profit arising in or derived from Hong Kong during the period (2007: 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 PRC Corporate Income Tax Law with effect on 1 January, 2008, the income tax rate for domestic-invested and foreign-invested enterprises are unified at 25%. Consequently, the Group's principal operating subsidiaries will be subject to a statutory corporate tax rate of 25% for the year ending 31 December, 2008. Pursuant to the New Corporate Income Tax Law, the applicable tax rate of the Group's principal operating subsidiaries will be progressively increased to 25% over a five years period beginning from the year ending 31 December, 2008.

## 7. DIVIDENDS

The Board has declared a second quarter dividend of HK1.5 cents per ordinary share for the three months ended 30 June, 2008 (2007: HK1.5 cents). The dividend will be paid to shareholders on Wednesday, 8 October, 2008 whose names appear on the Register of Members of the Company on Wednesday, 24 September, 2008.

The Register of Members of the Company will be closed from Monday, 22 September, 2008 to Wednesday, 24 September, 2008, 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 Friday, 19 September, 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 of approximately HK\$134,220,000 (2007: approximately HK\$86,057,000) and the weighted average number of 2,263,968,736 (2007: 2,263,968,736) ordinary shares in issue during the period.

The calculation of basic earnings per share is based on:

	<b>For the six months ended 30 June,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>134,220</u>	<u>86,057</u>
	<b>Number of shares</b>	
	<b>2008</b>	<b>2007</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>2,263,968,736</u>	<u>2,263,968,736</u>

## 9. CASH AND BANK BALANCES

	<b>30 June, 2008 HK\$'000 (Unaudited)</b>	31 December, 2007 HK\$'000 (Audited)
Cash and bank balances, unrestricted	351,262	265,107
Time deposits with original maturity of less than three months	1,449,854	1,415,180
Time deposits with original maturity of more than three months	55,661	95,464
	<u>1,856,777</u>	<u>1,775,751</u>

## 10. SHARE CAPITAL

	<b>30 June, 2008 HK\$'000 (Unaudited)</b>	31 December, 2007 HK\$'000 (Audited)
<b>Authorised:</b>		
4,000,000,000 ordinary shares of HK\$0.025 each (31 December, 2007: 4,000,000,000 ordinary shares of HK\$0.025 each)	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
2,263,968,736 ordinary shares of HK\$0.025 each (31 December, 2007: 2,263,968,736 ordinary shares of HK\$0.025 each)	<u>56,599</u>	<u>56,599</u>

## 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 has been 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 unaudited condensed consolidated financial statements of the Company for the six months ended 30 June, 2008.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the period from 1 January, 2008 to 30 June, 2008, 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, 2 September, 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. Zhang Baowen and Mr. Tse Hsin and three Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui and Ms. Li Jun.*