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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2010

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September, 2010, the Group recorded the following operational results:

- Turnover was approximately HK\$3,011.44 million, an increase of approximately 21.7% over the same period last year;
- Profit attributable to the Group was approximately HK\$320.14 million, approximately 16.8% higher than the same period last year;
- After the adjustment of the weighted average number of ordinary shares from the top-up placing of shares in January and June 2010, respectively, and from the share repurchase in April 2010, the basic earnings per share were approximately HK6.75 cents, approximately 11.6% higher than the corresponding period last year;
- Sales of new products accounted for approximately 22.7% of the Group's total revenue; and
- Cash and bank balances as at 30 September, 2010 was approximately HK\$2,580.64 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK2 cents per share for the third quarter ended 30 September, 2010. Together with the quarterly dividend of HK2 cents per share paid in the first quarter and HK2 cents paid in the second quarter, the total dividend of the three quarters amounted to HK6 cents per share.

This announcement is made pursuant to Rule 13.09 (1) of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese 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 products in Yulin City, Shaanxi Province, the People’s Republic of China (the “PRC”).

The Group’s products can be grouped under the two major therapeutic categories of 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, Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tianqingning (Hydroxyethylstarch 130) injections, Spring (Purarin) injections
Hepatitis medicines:	Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebrionate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections
Hepatitis medicines:	Runzhong (Entecavir) dispersible tablets
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Zhiru (Palonosetron Hydrochloride) injections
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder
Parenteral nutrition medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections
Anorectal medicines:	Getai (Diosmin) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections

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 and 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 for export to Japan.

The Group’s several principal subsidiaries: Jiangsu Chia Tai – Tianqing Pharmaceutical Co., Ltd. (“JCTT”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Beijing Chia Tai Green Continent Pharmaceutical Co., Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd., Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. and Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. and jointly-controlled entity, Beijing Tide have been designated “High and New 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.

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

The Company has been selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

To enhance the competitiveness of its brand, the Group has continued to strengthen quality control to ensure its products are safe and reliable as well as efficacious during the period under review. The Group has also maintained its focus on new products development. With the PRC government adjusting the price of pharmaceutical products and the announcement of new policies such as the tender mechanism for the group procurement of pharmaceutical products at provincial level, the Group has launched various measures to ensure the sustained growth of sales revenue of the Group and thus maintain its leadership in the therapeutic categories of the principal products of the Group.

The Group recorded turnover of approximately HK\$3,011.44 million during the period under review, an increase of approximately 21.7% against the same period last year. Profit attributable to the Group was approximately HK\$320.14 million, approximately 16.8% higher than in the same period last year. After the adjustment of the weighted average number of ordinary shares from the top-up placing of shares in January and June 2010, respectively, and from the share repurchase in April 2010, the basic earnings per share were approximately HK6.75 cents, approximately 11.6% higher than the corresponding period last year. Cash and bank balances totaled approximately HK\$2,580.64 million.

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

The Group's principal profit contributors are JCTT, Beijing Tide, 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 20.7% 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. Beijing Tide was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the nine months ended 30 September, 2010, sales of Kaishi injections amounted to approximately HK\$808.97 million, an increase of approximately 42.5% 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 nine months ended 30 September, 2010, sales of the two products amounted to approximately HK\$42.87 million, a slight decrease of approximately 3.3% when compared with the same period last year.

The sales of Tianqinggan injections manufactured and sold by NJCTT have maintained the stable sales since launched in 2004. For the nine months ended 30 September, 2010, the product recorded sales of approximately HK\$38.62 million, a minor increase of approximately 0.4% as 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 nine months ended 30 September, 2010, the product recorded sales of approximately HK\$119.59 million, a large increase of approximately 53.9% when compared with the same period last year. Sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$109.35 million for the nine months ended 30 September, 2010, a remarkable increase of approximately 51.7% 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\$1,288.90 million for the nine months ended 30 September, 2010 and accounted for approximately 42.8% 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 into the market, resulting in intensified competition. For the nine months ended 30 September, 2010, its sales amounted to approximately HK\$157.92 million, an approximately 17.6% decrease when compared with the same period last year. After the protection period of Ganlixin expired, 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 to approximately HK\$149.62 million in the reviewing period, representing a growth of approximately 7.6% 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. During the period under review, the product has bright prospects and recorded the sales of approximately HK\$304.25 million, an increase of approximately 22.4% against the same period last year. The Group believes that 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 patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic medicine 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 nine months ended 30 September, 2010, its sales amounted to approximately HK\$483.35 million, a slight increase of approximately 0.2% as compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. For the nine months ended 30 September, 2010, sales amounted to approximately HK\$68.70 million, a decrease of approximately 22.9% when compared with the same period last year.

JCTT's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the production approval in February 2010, making JCTT the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market since March 2010. For the nine months ended 30 September, 2010, the sales amounted to approximately HK\$79.86 million. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine. The medicine is used for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines.

Oncology medicines

Tianqingyitai injections, Tianqingrian injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the nine months ended 30 September, 2010, sales of oncology medicines amounted to approximately HK\$199.70 million, a remarkable increase of approximately 40.9% 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 nine months ended 30 September, 2010 amounted to approximately HK\$207.38 million, approximately 43.2% significantly 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. There are more than 30 million diabetics in the PRC and Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilise a patient's blood sugar level. For the nine months ended 30 September, 2010, the sales of the product have amounted to approximately HK\$27.26 million, an increase by approximately 11.9% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

The Group continued to focus research and development ("R&D") efforts on new cardio-cerebral, hepatitis, oncology, analgesia and respiratory system medicines. During the period under review, it received 6 new product and production approvals and 2 clinical approvals. Also, a total of 49 cases had completed clinical research, or were under clinical trial or applying for production approval, out of which, 8 cardio-cerebral medicines, 9 hepatitis medicines, 8 oncology medicines, 4 respiratory system medicines, 1 diabetic medicine and 19 other medicines are being developed.

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 order to improve the R&D standard and progress. In light of the fact that R&D continues to be the foundation of the development of the enterprises and that the government encourages the direction of innovative development, the Group continues to focus on the injection of resources towards R&D. For the nine months ended 30 September, 2010, it invested approximately HK\$154.48 million in R&D, which accounted for approximately 5.1% of turnover.

The Group also emphasizes on the protection of intellectual property rights. It encourages the active initiation of patent application in order to enhance the Group’s core competitiveness. During the period under review, the Group has filed 23 invention patents and obtained 2 invention patent rights. Together, the Group has obtained 216 invention patent rights, 3 utility model patent rights and 21 apparel design patent rights.

INVESTOR RELATIONS

The Group is dedicated to maintaining a high level of corporate governance. To keep in close contact with investors, it provides timely updates of the latest information and business developments of the Group to inspire their confidence. Efforts have also been made to collect more information from investors and valuable opinion and feedback via clear communication channels with investors to further enhance corporate governance.

For the nine months ended 30 September 2010, the Group proactively undertook a variety of initiatives to announce the latest information about its business to investors. It attended several large investor conferences and roadshows in Europe, the US and Asia, including the “Morgan Stanley Global Healthcare Conference” and the “Bank of America Merrill Lynch Global Healthcare Conference”. Besides, the Group has arranged 16 plant visits in Mainland China for, and conducted 36 teleconferences with, more than 32 international and domestic institutional investors including Morgan Stanley Asia Limited, Goldman Sachs Gao Hua Securities Company Limited, Bank of America Merrill Lynch, Credit Suisse Group, JP Morgan, Value Partners Group Limited, Societe Generale Asia Limited, Bank of China Investment Management Company Limited, China Construction Bank International Asset Management Limited and ICBC (Asia) Investment Management Company Limited. These activities have served to strengthen their knowledge about the Group’s operations and its latest developments, and thus solidify the confidence of shareholders, investors and customers.

In addition, the Group also posts its annual and interim reports, and issues quarterly, interim and annual results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also periodically issues news releases and holds media briefings to inform shareholders and investors about its latest development, further maintaining a high degree of transparency on a continuous basis.

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 Listing Rules for the nine months ended 30 September, 2010.

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, disposal of Sino Concept Technology Limited in 2005 and top-up placing of existing shares in January and June 2010, respectively. As at 30 September, 2010, the Group’s bank balance and cash in hand was approximately HK\$2,580.64 million (31 December, 2009: approximately HK\$1,827.31 million).

CAPITAL STRUCTURE

As at 30 September, 2010, the Group had no short term loans (31 December, 2009: approximately HK\$1.14 million) and had long term loans of approximately HK\$69.56 million (31 December, 2009: Nil).

CHARGE ON ASSETS

As at 30 September, 2010, the Group had no charge on assets (31 December, 2009: Nil).

CONTINGENT LIABILITIES

As at 30 September, 2010, the Group and the Company had no material contingent liabilities (31 December, 2009: Nil).

ASSETS AND GEARING RATIO

As at 30 September, 2010, the total assets of the Group amounted to approximately HK\$5,525.60 million (31 December, 2009: approximately HK\$3,766.32 million) whereas the total liabilities amounted to approximately HK\$1,341.71 million (31 December, 2009: approximately HK\$738.38 million). The gearing ratio (total liabilities over total assets) was approximately 24.3% (31 December, 2009: approximately 19.6%).

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\$395,194,000 (2009: approximately HK\$293,296,000).

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

As the global economy gradually recovers, the PRC economy has resumed its sustainable growth which has driven both investment and consumption demand. Thus, the Group expects that the PRC government will escalate its efforts to support healthcare industry and the continuous expansion of the pharmaceutical market through policy measures and financial support. Capital investment will become a key driver of the future growth of the pharmaceutical market in the PRC, enabling the PRC pharmaceutical industry to retain a fast growth pace.

Nevertheless, the PRC's macro-economy is facing pressure of structural adjustment as well as uncertainties in the monetary policy. In addition, through the recently implementation of the "Pharmacopoeia 2010 edition", and the new edition of "GMP" to be issued and applied soon, the Government plans to more stringently monitor the industry, potentially escalating the operating costs for pharmaceutical enterprises. Affected by a series of measures such as the implementation of basic medicine systems, the Government's adjustment to prices of pharmaceutical products together with the introduction of a centralised tender mechanism for group procurement of pharmaceutical products at provincial level, the profit margin of pharmaceutical manufacturers may be squeezed further. This pressure is likely to accelerate the consolidation of the pharmaceutical industry through merger and acquisition with a motivation of integration.

In the coal-olefin segment, as the effects of the global financial crisis still linger, the Group expects to continue seeking a more cost effective source of material for producing olefin. This business is expected to bring stable, promising revenue and provide a new profit growth driver of the Group in the long run. Since it takes time to assess the impact of industrial production on the environment and water resources, the project is still at an early stage of preparation.

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 nine months ended 30 September, 2010 together with the comparative consolidated results for 2009 as follows:

Condensed Consolidated Income Statement

		For the nine months ended 30 September,	
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	3,011,443	2,473,835
Cost of sales		(617,403)	(533,860)
Gross profit		2,394,040	1,939,975
Other income and gains	3	62,838	49,096
Selling and distribution costs		(1,255,619)	(973,758)
Administrative expenses		(363,585)	(291,255)
Other expenses		(178,124)	(162,116)
Finance costs	4	(4,226)	(3,376)
Share of profits of an associate		(666)	–
PROFIT BEFORE TAX	5	654,658	558,566
Tax	6	(131,365)	(108,444)
PROFIT FOR THE PERIOD		523,293	450,122
Profit attributable to:			
Equity holders of the parent		320,144	274,023
Minority interests		203,149	176,099
		523,293	450,122
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		HK6.75 cents	HK6.05 cents
– Diluted		N/A	N/A

Details of the dividends payable and declared for the period are disclosed in note 7 to the financial statements.

Condensed Consolidated Statement of Comprehensive Income

	For the nine months ended 30 September,	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	523,293	450,122
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	21,753	83
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	21,753	83
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	545,046	450,205
Total comprehensive income attributable to:		
Equity holders of the parent	331,463	274,227
Minority interests	213,583	175,978
	545,046	450,205

Condensed Consolidated Statement of Financial Position

		30 September, 2010 <i>HK\$'000</i> (Unaudited)	31 December, 2009 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,108,571	895,289
Prepaid land lease payments		124,220	77,675
Goodwill		47,739	47,684
Other intangible assets		58,190	55,034
Interests in an associate		6,114	6,918
Available-for-sale investments		29,820	29,820
Deferred tax assets		14,072	14,072
TOTAL NON-CURRENT ASSETS		1,388,726	1,126,492
CURRENT ASSETS			
Inventories		275,373	211,368
Trade receivables		679,099	479,034
Prepayments, deposits and other receivables		188,617	64,916
Equity investments at fair value through profit or loss		408,391	53,898
Due from related companies		4,751	3,300
Cash and bank balances	9	2,580,638	1,827,313
TOTAL CURRENT ASSETS		4,136,869	2,639,829
CURRENT LIABILITIES			
Trade payables		183,928	123,092
Other payables and accruals		988,009	526,793
Interest-bearing bank borrowings		—	1,136
Tax payable		32,838	33,236
Due to related companies		1,565	2,747
TOTAL CURRENT LIABILITIES		1,206,340	687,004
NET CURRENT ASSETS		2,930,529	1,952,825
TOTAL ASSETS LESS CURRENT LIABILITIES		4,319,255	3,079,317
NON-CURRENT LIABILITIES			
Deferred government grants		7,667	10,581
Deferred tax liabilities		58,134	40,792
Interest-bearing bank borrowings		69,564	—
TOTAL NON-CURRENT LIABILITIES		135,365	51,373
NET ASSETS		4,183,890	3,027,944
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	10	123,916	113,198
Reserves		3,396,304	2,265,491
Proposed final dividend		—	95,659
MINORITY INTERESTS		3,520,220	2,474,348
TOTAL EQUITY		4,183,890	3,027,944

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Financial Reporting Standards, 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 2009 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, 2009.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September, 2010. 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 income, expenses and unrealized gains and losses resulting from inter-company transactions and balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

During the period under review, the Group has adopted certain revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which became effective on 1 January, 2010. The said adoption has no significant impact on the condensed consolidated financial statements of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments as follows:

- (a) the modernized Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of the modernized Chinese medicine products and chemical medicine products;
- (b) the investment segment is engaged in long term investment; and
- (c) the other segment comprises, principally, the Group’s R&D sector which provides services to third-party.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations.

Segment assets exclude deferred tax assets and interest in an associate as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The segment results for the nine months ended 30 September, 2010

	Modernized Chinese and chemical medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	3,006,065	–	544	3,006,609
Dividend income	–	4,834	–	4,834
Total	3,006,065	4,834	544	3,011,443
Segment results	684,592	(14,565)	(2,524)	667,503
Interest income and unallocated gains				29,995
Unallocated expenses				(42,174)
Share of profit of an associate				(666)
Profit before tax				654,658
Tax				(131,365)
Profit for the period				523,293
Assets and liabilities				
Segment assets	4,768,433	672,959	64,017	5,505,409
Interest in an associate				6,114
Other unallocated assets				14,072
Total assets				5,525,595
Segment liabilities	1,192,356	56,674	1,703	1,250,733
Other unallocated liabilities				90,972
Total liabilities				1,341,705
Other segment information:				
Depreciation and amortisation	61,394	9	1,962	63,365
Capital expenditure	300,478	208	9	300,695
Other non-cash expenses	568	–	–	568

The segment results for the nine months ended 30 September, 2009

	Modernized Chinese and chemical medicines <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	2,463,958	–	1,203	2,465,161
Dividend income	–	8,674	–	8,674
Total	<u>2,463,958</u>	<u>8,674</u>	<u>1,203</u>	<u>2,473,835</u>
Segment results	<u>581,068</u>	<u>8,721</u>	<u>(8,337)</u>	581,452
Interest income and unallocated gains				11,327
Unallocated expenses				<u>(34,213)</u>
Profit before tax				558,566
Tax				<u>(108,444)</u>
Profit for the period				<u>450,122</u>
Assets and liabilities				
Segment assets	3,598,161	38,717	57,340	3,694,218
Other unallocated assets				<u>3,405</u>
Total assets				<u>3,697,623</u>
Segment liabilities	772,887	–	3,708	776,595
Other unallocated liabilities				<u>82,317</u>
Total liabilities				<u>858,912</u>
Other segment information:				
Depreciation and amortisation	<u>34,817</u>	<u>–</u>	<u>2,034</u>	<u>36,851</u>
Capital expenditure	<u>266,058</u>	<u>–</u>	<u>365</u>	<u>266,423</u>
Other non-cash expenses	<u>9,702</u>	<u>–</u>	<u>–</u>	<u>9,702</u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is 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 nine months ended 30 September,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	3,006,609	2,465,161
Dividend income	4,834	8,674
	<u>3,011,443</u>	<u>2,473,835</u>
Other income		
Bank interest income	12,575	10,499
Government grants	11,919	1,959
Sale of scrap materials	2,691	16,579
Others	35,653	19,398
	<u>62,838</u>	<u>48,435</u>
Gains		
Gain on disposal of property, plant and equipment	—	661
	<u>—</u>	<u>661</u>
Total other income and gains	<u>62,838</u>	<u>49,096</u>

4. FINANCE COSTS

	For the nine months ended 30 September,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	<u>4,226</u>	<u>3,376</u>

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the nine months ended 30 September,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	617,403	533,860
Depreciation	60,108	34,980
Recognition of prepaid land lease payments	353	205
Amortization of other intangible assets	2,904	1,666
Research and development costs	154,484	136,345
Revaluation deficit of equity investment at fair value through profit or loss	22,408	–
Minimum lease payments under operating leases:		
Land and buildings	5,835	5,399
Auditors' remuneration	1,732	1,707
Staff costs (including directors' remuneration)		
– Wages and salaries	366,503	273,335
– Pension contributions	28,691	19,961
	<u>395,194</u>	<u>293,296</u>
Impairment of accounts receivable	300	6,663
Exchange differences, net	673	419
	<u><u>673</u></u>	<u><u>419</u></u>

6. TAX

	For the nine months ended 30 September,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Current – Mainland China income tax	113,137	92,591
Deferred tax	18,228	15,853
	<u>131,365</u>	<u>108,444</u>
Total tax charge for the period	<u><u>131,365</u></u>	<u><u>108,444</u></u>

Hong Kong profits tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

The new PRC Corporate Income Tax Law (effective from 1 January, 2008 onwards) introduced a wide range of changes including, but not limited to, the unification of income tax rate for domestic-invested and foreign-invested enterprises at 25% unless it is qualified as a “High and New Technology Enterprise” for which a more favourable effective corporate income tax rate of 15% is applied. Enterprises previously entitled to certain preferential tax rates will gradually move to applicable corporate tax rate of 25% within five years from 2008.

7. DIVIDEND

The Board has declared a third quarterly dividend of HK2 cents per ordinary share for the three months ended 30 September, 2010 (2009: HK1.5 cents). The dividend will be paid to shareholders on Friday, 17 December, 2010 whose names appear on the Register of Members of the Company on Wednesday, 8 December, 2010.

The Register of Members of the Company will be closed from Monday, 6 December, 2010 to Wednesday, 8 December, 2010, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the third quarterly 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, 3 December, 2010.

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the period of approximately HK\$320,144,000 (2009: approximately HK\$274,023,000), and the weighted average number of ordinary shares of 4,746,094,185 (2009: 4,527,937,473)(as adjusted to reflect the top-up placing and share repurchase in 2010) in issue during the period.

The calculation of basic earnings per share is based on:

	For the nine months ended 30 September,	
	2010	2009
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	320,144	274,023
	Number of shares	
	2010	2009
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation, as adjusted to reflect the top-up placing and share repurchase during the period	4,746,094,185	4,527,937,473

Diluted earnings per share amounts for the nine months ended 30 September, 2010 and 2009 have not been disclosed as there were no diluting events during these two periods.

9. CASH AND BANK BALANCES

	30 September, 2010 <i>HK\$'000</i> (Unaudited)	31 December, 2009 <i>HK\$'000</i> (Audited)
Cash and bank balances, unrestricted	1,945,153	408,542
Time deposits with original maturity of less than three months	599,640	1,330,438
Time deposits with original maturity of more than three months	35,845	88,333
	<u>2,580,638</u>	<u>1,827,313</u>

10. SHARE CAPITAL

	30 September, 2010 <i>HK\$'000</i> (Unaudited)	31 December, 2009 <i>HK\$'000</i> (Audited)
<i>Authorised:</i>		
8,000,000,000 ordinary shares of HK\$0.025 each (2009: 6,000,000,000 ordinary shares of HK\$0.025 each)	<u>200,000</u>	<u>150,000</u>
<i>Issued and fully paid:</i>		
4,956,645,473 ordinary shares of HK\$0.025 each (2009: 4,527,937,473 ordinary shares of HK\$0.025 each)	<u>123,916</u>	<u>113,198</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 had been set out in the 2009 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 nine months ended 30 September, 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the period from 1 January, 2010 to 30 September, 2010, the Company repurchased a total of 11,292,000 ordinary shares of HK\$0.025 each on the Stock Exchange at an aggregate consideration of HK\$34,087,336. All of the purchased shares were cancelled.

Date of the repurchase	Total number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
1 April, 2010	6,820,000	3.10	2.95	20,620,840
9 April, 2010	1,852,000	3.05	3.00	5,606,496
12 April, 2010	2,620,000	3.00	3.00	7,860,000
	<u>11,292,000</u>			<u>34,087,336</u>

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from 1 January, 2010 to 30 September, 2010.

By Order of the Board
Sino Biopharmaceutical Limited
Tse Ping
Chairman

PRC, 16 November, 2010

As at the date of this announcement, the Board of the Company comprises seven Executive Directors, namely Mr. Tse Ping, Mr. Zhang Baowen, Mr. Xu Xiaoyang, Mr. Tse Hsin, Ms. Cheng Cheung Ling, Mr. Tao Huiqi and Mr. He Huiyu and three Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui and Ms. Li Jun.