



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

Interim Report 2011



CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Mr. Tse Ping (*Chairman*)

Mr. Zhang Baowen (*Vice Chairman*)

Mr. Xu Xiaoyang (*CEO*)

Mr. Tse Hsin

Ms. Cheng Cheung Ling

Mr. Tao Huiqi

Mr. He Huiyu

Independent non-executive Directors

Mr. Lu Zhengfei

Mr. Li Dakui

Ms. Li Jun

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Li Jun

REMUNERATION COMMITTEE

Mr. Tse Ping (*Chairman*)

Mr. Lu Zhengfei

Ms. Li Jun

COMPANY SECRETARY

Ms. Leung Sau Fung, Fanny

QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping

Ms. Leung Sau Fung, Fanny

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

166 Hennessy Road

Wanchai

Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

Agricultural Bank of China, Lianyungang Branch

No. 43 North Tong-guan Road

Xinpu, Lianyungang

Jiangsu Province

PRC

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
P.O. Box 705
Butterfield House
Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
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1 Harbour Road
Wanchai
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LEGAL ADVISERS

As to Hong Kong Law:

Linklaters
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Chater Road
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As to Cayman Islands Law:

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Grand Cayman
British West Indies

As to PRC Law:

Navigator Law Office
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Oriental Plaza No. 1
East Chang An Ave
Dong Cheng Districts
Beijing
PRC

AUDITORS

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

INVESTOR RELATIONS CONSULTANT

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2011, the Group recorded the following operational results:

- Turnover was approximately HK\$2,707.37 million, an increase of approximately 40.8% over the same period last year;
- Profit attributable to the Group was approximately HK\$221.18 million, approximately 15% higher than the same period last year;
- The basic earnings per share were approximately HK4.46 cents, approximately 7.5% higher than the same period last year;
- Sales of new products accounted for approximately 23.5% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2011 was approximately HK\$2,189.62 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK2 cents per share for the second quarter ended 30 June, 2011. Together with the quarterly dividend of HK2 cents per share paid for the first quarter, the total dividend of two quarters amounted to HK4 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 modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. The Group has also entered into an agreement to establish a joint venture engaging in the refining of coal to olefin products in Yulin City, 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, diabetes, respiratory system diseases and other 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, Zhiruo (Palonosetron Hydrochloride) injections
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections
Anorectal medicines:	Getai (Diosmin) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections

CORPORATE PROFILE

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 Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd., Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. (“Qingdao Haier”) and Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) and a 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. In addition, JCTT was designated “2010 Best Research and Development of Product Line of Top Ten Industrial Enterprises in the PRC” from PRC Pharmaceutical Industrial Information Centre. NJCTT was awarded “2009 Advanced Technology Enterprise” from Nanjing Economic and Technological Development Zone in 2010.

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

INDUSTRY REVIEW

In the first half of 2011, while facing a more complicated global economic environment, the PRC's economy entered into a new stage of development. The PRC government strengthened macro measures as a means of stabilizing the price of consumer goods, which drove the domestic economy to grow steadily. Moreover, this year is the first implementation year of the Twelfth Five-Year Plan. Benefiting from favorable medical reform policies and increased resources from the government, the local pharmaceutical manufacturing industry maintained a rapid growth for the tenth consecutive year with more than 25% sales income growth resulted in the first half of 2011. However, with the pharmaceutical manufacturing industry facing a rise in production cost, coupled with the lower product prices and increasing tenders held, the selling price and margin were further reduced. Consequently, the increase in profit for the first six months was significantly lower than last year, revealing a typical situation of "high growth in sales, lower growth in profit and decline in margin".

BUSINESS REVIEW

During the period under review, although the Group was subject to constant and intense inflationary pressure in the PRC, as well as other external factors, it continued to be adhered to stringent quality control measures to ensure its products were safe and reliable. Also, it focused on the development of core operations, while establishing new sales models and entered into the new markets. By penetrating more deeply into the existing market segments, it sought to expand the scale of sales and profit from core products. Consequently, the sales income grew in stable pace. In addition, the Group continued to pursue a dual product development strategy to retain and innovate products at the same time. With enhanced investment in research and development ("R&D") and further emphasis on new product development, the sales of new products increased noticeably in the first half of 2011.

The Group recorded turnover of approximately HK\$2,707.37 million during the period under review, an increase of approximately 40.8% against the same period last year. Profit attributable to the Group was approximately HK\$221.18 million, approximately 15% higher than in the same period last year. The basic earnings per share were approximately HK4.46 cents, approximately 7.5% higher than in the same period last year. Cash and bank balances totaled approximately HK\$2,189.62 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..

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Cardio-cerebral medicines

Cardio-cerebral medicines are manufactured mainly by Beijing Tide and NJCTT and accounted for approximately 18.8% 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 six months ended 30 June, 2011, sales of Kaishi injections amounted to approximately HK\$658.07 million, an increase of approximately 27.2% 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, 2011, sales of the two products amounted to approximately HK\$25.65 million, a decrease of approximately 16% when compared with the same period last year.

For the six months ended 30 June, 2011, Tianqinggan injections manufactured and sold by NJCTT recorded sales of approximately HK\$25.05 million, a slight decrease of approximately 4.9% 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, 2011, the product recorded sales of approximately HK\$88.32 million, an increase of approximately 15.8% when compared with the same period last year. Sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$96.40 million for the six months ended 30 June, 2011, a remarkable increase of approximately 29.7% 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\$1,182.85 million for the six months ended 30 June, 2011 and accounted for approximately 43.7% of the Group's turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

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. For the six months ended 30 June, 2011, its sales amounted to approximately HK\$93.03 million, a decrease of approximately 7.3% decrease when compared with the same period last year. After the protection period of the product expired, many replicas have emerged into 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 to approximately HK\$112.87 million in the reviewing period, representing a growth of approximately 15.4% 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\$375.06 million, a largely increase of approximately 96% 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 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, 2011, its sales amounted to approximately HK\$350.14 million, an increase of approximately 7.6% when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. For the six months ended 30 June, 2011, sales amounted to approximately HK\$35.30 million, a decrease of approximately 20.1% when compared with the same period last year.

JCTT's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and 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 six months ended 30 June, 2011, the sales amounted to approximately HK\$193.19 million, a largely increase of approximately 403.3% against the same period last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Oncology medicines

Tianqingyitai injections, Tianqingrian injections, Zhiruo injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the six months ended 30 June, 2011, sales of oncology medicines amounted to approximately HK\$197.59 million, a significant increase of approximately 83.1% 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, 2011 amounted to approximately HK\$177.52 million, approximately 39.4% 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 the 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 stabilize a patient's blood sugar level. For the six months ended 30 June, 2011, the sales of the product have amounted to approximately HK\$21.23 million, an increase by approximately 18.8% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

The Group continued to focus R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the period under review, it received 1 new product certificate, 7 clinical approvals and 4 production approvals. Also, a total of 53 cases had completed clinical research, or were under clinical trial or applying for production approval, out of which, 10 cardio-cerebral medicines, 12 hepatitis medicines, 13 oncology medicines, 4 respiratory system medicines, 1 diabetic medicine and 13 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 six months ended 30 June, 2011, it invested approximately HK\$191.75 million in R&D, which accounted for approximately 7.1% of turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

RESEARCH AND DEVELOPMENT (continued)

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 25 invention patent rights and received 7 invention patents. Together, the Group has obtained 231 invention patent rights, 3 utility model patent rights and 24 apparel design patent rights.

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 placings of existing shares in January and June 2010, respectively. As at 30 June, 2011, the Group's bank balance and cash in hand was approximately HK\$2,189.62 million (31 December, 2010: approximately HK\$2,338.50 million).

CAPITAL STRUCTURE

As at 30 June, 2011, the Group had short term loans of approximately HK\$52.96 million (31 December, 2010: approximately HK\$28.24 million) and long term loans of approximately HK\$130 million (31 December, 2010: approximately HK\$127.06 million).

CHARGE ON ASSETS

As at 30 June, 2011, the Group had no charge on assets (31 December, 2010: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2011, the Group and the Company had no material contingent liabilities (31 December, 2010: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2011, the total assets of the Group amounted to approximately HK\$6,403.99 million (31 December, 2010: approximately HK\$5,620.84 million) whereas the total liabilities amounted to approximately HK\$2,107.68 million (31 December, 2010: approximately HK\$1,319.29 million). The gearing ratio (total liabilities over total assets) was approximately 32.9% (31 December, 2010: approximately 23.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 cost (including Directors' remuneration) for the period under review was approximately HK\$398,235,000 (2010: approximately HK\$254,532,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

OUTLOOK AND PROSPECT

The Group believes that the PRC's Gross Domestic Product growth of approximately 9.6% in the first half year reflects the underlying strength of the local economy and its ability to maintain a steady momentum of expansion. With the economy remaining healthy, sales income for the pharmaceutical manufacturing industry will continue to increase in the second half of the year. However, following the formal implementation of the revised "GMP Standards", the price-consciousness of pharmaceutical tenders carried out at various provinces, and with the government lowering the prices of pharmaceutical products on numerous occasions, combined with lingering inflation, the management expects the industry's ability to generate profitability will be further constricted. In the coming six months, profit growth for the pharmaceutical products sector may slow down. More merger and acquisition opportunities may arise, expediting consolidation of the pharmaceutical industry, and making competition further intensified. Therefore, the management will continue to seek appropriate acquisition opportunities that enable the Group to achieve sustainable business growth.

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, 2011 together with the comparative consolidated results for 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June,	
	<i>Notes</i>	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited) (Restated)
REVENUE	4	2,707,371	1,923,422
Cost of sales		(624,362)	(397,472)
Gross profit		2,083,009	1,525,950
Other income and gains	4	49,083	55,869
Selling and distribution costs		(1,144,078)	(806,283)
Administrative expenses		(260,741)	(246,954)
Other expenses		(257,567)	(131,362)
Finance cost	5	(8,326)	(3,104)
Share of loss of an associate		(3,671)	(666)
PROFIT BEFORE TAX	6	457,709	393,450
Income tax expense	7	(95,658)	(77,368)
PROFIT FOR THE PERIOD		362,051	316,082
Profit attributable to:			
Owners of the parent		221,181	192,352
Non-controlling interests		140,870	123,730
		362,051	316,082
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic		HK4.46 cents	HK4.15 cents
– Diluted		N/A	N/A

Details of the dividends payable and declared for the period are disclosed in note 8 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	362,051	316,082
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	57,608	19,216
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	57,608	19,216
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	419,659	335,298
Attributable to:		
Owners of the parent	253,302	201,972
Non-controlling interests	166,357	133,326
	419,659	335,298

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June, 2011	31 December, 2010
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	1,360,241	1,242,999
Prepaid land lease payments	143,435	140,907
Goodwill	67,376	67,308
Other intangible assets	65,980	65,156
Investment in an associate	25,920	29,338
Available-for-sale investments	39,590	29,820
Deferred tax assets	15,589	15,589
Total non-current assets	1,718,131	1,591,117
CURRENT ASSETS		
Inventories	410,162	369,158
Trade receivables	915,265	625,908
Prepayments, deposits and other receivables	336,460	97,693
Equity investments at fair value through profit or loss	479,351	491,223
Due from related companies	355,000	107,242
Cash and bank balances	2,189,620	2,338,495
Total current assets	4,685,858	4,029,719
CURRENT LIABILITIES		
Trade payables	235,873	159,515
Other payables and accruals	1,512,629	851,492
Interest-bearing bank borrowings	52,963	28,236
Tax payable	29,822	53,472
Due to related companies	8,963	2,845
Total current liabilities	1,840,250	1,095,560
NET CURRENT ASSETS	2,845,608	2,934,159
TOTAL ASSETS LESS CURRENT LIABILITIES	4,563,739	4,525,276

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June, 2011	31 December, 2010
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Deferred government grants		64,609	25,747
Interest-bearing bank borrowings		130,000	127,062
Deferred tax liabilities		72,817	70,919
Total non-current liabilities		267,426	223,728
Net assets		4,296,313	4,301,548
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>13</i>	123,916	123,916
Reserves		3,479,672	3,424,636
Proposed final dividend		–	99,133
		3,603,588	3,647,685
Non-controlling interests		692,725	653,863
Total equity		4,296,313	4,301,548

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent											
	Issued share capital	Share premium account	Asset			Exchange			Proposed	Non-		Total
	HK\$'000	HK\$'000	Capital revaluation reserve	Contributed reserve	Surplus	Reserve funds	fluctuation reserve	Retained profits	final dividend	controlling interests	equity	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January, 2010	113,198	225,247	16,622	34,726	20,743	219,655	79,667	1,668,831	95,659	2,474,348	553,596	3,027,944
Total comprehensive income for the period	-	-	-	-	-	-	9,604	192,352	-	201,956	133,326	335,282
Issue of shares	11,000	1,126,765	-	-	-	-	-	-	-	1,137,765	-	1,137,765
Cancellation of shares	(282)	(33,928)	-	-	-	-	-	-	-	(34,210)	-	(34,210)
Interim 2010 dividend	-	-	-	-	-	-	-	(194,340)	-	(194,340)	-	(194,340)
Final 2009 dividend declared	-	-	-	-	-	-	-	-	(95,659)	(95,659)	-	(95,659)
Transfer from retained earnings	-	-	-	-	-	16,284	-	(16,284)	-	-	-	-
At 30 June, 2010	123,916	1,318,084	16,622	34,726	20,743	235,939	89,271	1,650,359	-	3,489,860	686,922	4,176,782
Total comprehensive income for the period	-	-	-	23,651	-	-	62,695	374,545	-	460,891	191,368	652,259
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	43,824	43,824
Acquisition of non-controlling interests	-	-	(217,825)	-	-	-	-	-	-	(217,825)	(69,006)	(286,831)
Deemed contribution by shareholders to a jointly-controlled entity	-	-	22,872	-	-	-	-	-	-	22,872	-	22,872
Disposal of 1.4% equity interests in a jointly-controlled entity	-	-	(32)	-	-	(3,714)	623	(5,857)	-	(8,980)	-	(8,980)
Interim 2010 dividend	-	-	-	-	-	-	-	(99,133)	-	(99,133)	-	(99,133)
Proposed final 2010 dividend	-	-	-	-	-	-	-	(99,133)	99,133	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(199,245)	-	(199,245)
Transfer from retained earnings	-	-	-	-	-	78,524	-	(78,524)	-	-	-	-
At 31 December, 2010 and 1 January, 2011	123,916	1,318,084	(178,363)	58,377	20,743	310,749	152,589	1,742,457	99,133	3,647,685	653,863	4,301,548
Total comprehensive income for the period	-	-	-	-	-	-	32,121	221,181	-	253,302	166,357	419,659
Interim 2011 dividend	-	-	-	-	-	-	-	(198,266)	-	(198,266)	-	(198,266)
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(99,133)	(99,133)	-	(99,133)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(127,495)	-	(127,495)
As at 30 June, 2011	123,916	1,318,084	(178,363)	58,377	20,743	310,749	184,710	1,765,372	-	3,603,588	692,725	4,296,313

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June,	
	2011	2010
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	400,283	301,154
CASH FLOWS FROM INVESTING ACTIVITIES	319,229	851,510
CASH FLOWS FROM FINANCING ACTIVITIES	(509,082)	(208,902)
NET INCREASE IN CASH AND CASH EQUIVALENTS	210,430	943,762
Cash and cash equivalents at beginning of year	1,619,122	1,738,980
Effect of foreign exchange rate changes, net	57,878	4,936
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,887,430	2,687,678
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,288,501	1,055,839
Time deposits with original maturity of less than three months when acquired	598,929	1,631,839
	1,887,430	2,687,678

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of 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 (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial information should be read in conjunction with the 2010 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, 2010.

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 six months ended 30 June, 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interests; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

NOTES

2. CHANGES IN ACCOUNTING POLICES

The HKICPA has issued a number of new or revised HKFRSs, which term collectively included individual HKFRSs, HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in these condensed interim financial statements for the periods presented as a result of these developments.

3. 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 and short term investments; 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.

Segment assets exclude deferred tax assets and investment 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.

NOTES

3. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2011

	Modernized Chinese medicines and chemical medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	2,706,795	–	576	2,707,371
Total	2,706,795	–	576	2,707,371
Segment results	510,824	(52,671)	(5,971)	452,182
<i>Reconciliation:</i>				
Interest and unallocated gains				26,996
Unallocated expenses				(17,798)
Share of loss of an associate				(3,671)
Profit before tax				457,709
Income tax expense				(95,658)
Profit for the period				362,051
Assets and liabilities				
Segment assets	5,163,457	1,164,682	34,341	6,362,480
<i>Reconciliation:</i>				
Investment in an associate				25,920
Other unallocated assets				15,589
Total assets				6,403,989
Segment liabilities	1,598,857	401,065	5,115	2,005,037
<i>Reconciliation:</i>				
Other unallocated liabilities				102,639
Total liabilities				2,107,676
Other segment information:				
Depreciation and amortisation	54,105	32	1,165	55,302
Capital expenditure	177,781	75	–	177,856
Other non-cash expenses	125	–	–	125

NOTES

3. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2010 (*Restated*)

	Modernized Chinese medicines 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	1,922,886	–	536	1,923,422
Total	1,922,886	–	536	1,923,422
Segment results				
	419,335	683	(4,620)	415,398
<i>Reconciliation:</i>				
Interest and unallocated gains				13,930
Unallocated expenses				(35,212)
Share of loss of an associate				(666)
Profit before tax				393,450
Income tax expense				(77,368)
Profit for the period				316,082
Assets and liabilities				
Segment assets	4,934,319	299,254	67,370	5,300,943
<i>Reconciliation:</i>				
Investment in an associate				6,330
Other unallocated assets				14,072
Total assets				5,321,345
Segment liabilities	1,057,086	10,226	1,522	1,068,834
<i>Reconciliation:</i>				
Other unallocated liabilities				75,729
Total liabilities				1,144,563
Other segment information:				
Depreciation and amortisation	39,666	1	1,116	40,783
Capital expenditure	202,494	–	9	202,503
Other non-cash expenses	89	–	–	89

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are based in Mainland China.

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for six months ended 30 June, 2010 and 2011.

NOTES

4. 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.

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

	For the six months ended 30 June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Revenue		
Sale of goods	2,707,371	1,923,422
	2,707,371	1,923,422
Other income and gains		
Bank interest income	15,524	6,564
Dividend income	11,683	4,834
Sale of scrap materials	8,693	14,512
Others	13,183	29,959
	49,083	55,869

5. FINANCE COST

	For the six months ended 30 June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	8,326	3,104

NOTES

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Cost of sales	624,362	397,472
Depreciation	53,362	37,991
Recognition of prepaid land lease payments	384	987
Amortization of other intangible assets	1,556	1,805
Research and development costs	191,748	106,308
Bank interest income	(15,524)	(6,564)
Dividend income	(11,683)	(4,834)
Fair value loss, net:		
Equity investments at fair value through profit or loss – held for trading	56,119	17,870
Minimum lease payments under operating leases:		
Land and buildings	5,879	3,909
Auditors' remuneration	1,432	1,143
Staff cost (including directors' remuneration)		
Wages and salaries	369,246	235,440
Pension contributions	28,989	19,092
	398,235	254,532
Impairment loss of trade receivables recognised	9,576	2,113
Foreign exchange (gain)/loss, net	(14,873)	2,409

7. INCOME TAX

	For the six months ended 30 June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Group:		
Current – Mainland China income tax	81,495	68,861
Deferred tax	14,163	8,507
Total tax charge for the period	95,658	77,368

NOTES

7. INCOME TAX (continued)

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 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.

JCTT, Beijing Tide, Jiangsu Fenghai, Qingdao Haier and Shanghai Tongyong were subject to a corporate income tax rate of 15% for three years successively from 2008 because they qualified as a “High and New Technology Enterprise”.

NJCTT was subject to a preferential income tax rate of 15% for three years from 2009 onwards because it was qualified as a “High and New Technology Enterprise”. In addition, pursuant to the transition provisions of the New CIT tax law, NJCTT is entitled to a tax concession period between 2006 to 2010, NJCTT is entitled to a 50% tax exemption on corporate income tax rate in 2010. Hence, NJCTT is subject to a corporate income tax rate of 11% in 2010 (being the lower of 11% (due to a 50% tax exemption) and the preferential tax rate of 15%) and 15% in 2011, respectively.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2011.

8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared a second quarterly dividend of HK2 cents per ordinary share for the three months ended 30 June, 2011 (2010: HK2 cents). The dividend will be paid to shareholders on Monday, 26 September, 2011 whose names appear on the Register of Members of the Company on Friday, 16 September, 2011.

The Register of Members of the Company will be closed from Thursday, 15 September, 2011 to Friday, 16 September, 2011, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the second 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 Wednesday, 14 September, 2011.

9. 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\$221,181,000 (2010: approximately HK\$192,352,000), and the weighted average number of ordinary shares of 4,956,645,473 (2010: 4,638,036,278) (as adjusted to reflect the top-up placings in 2010) in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June, 2010 and 2011 have not been disclosed as there were no diluting events during these two periods.

NOTES

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the Group's trade receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	30 June, 2011 <i>HK\$'000</i> (Unaudited)	31 December, 2010 <i>HK\$'000</i> (Audited)
Current to 90 days	870,961	558,643
91 days to 180 days	38,799	60,329
Over 180 days	5,505	6,936
	915,265	625,908

11. CASH AND BANK BALANCES

	30 June, 2011 <i>HK\$'000</i> (Unaudited)	31 December, 2010 <i>HK\$'000</i> (Audited)
Cash and bank balances, unrestricted	1,288,501	920,947
Time deposits with original maturity of less than three months	598,929	698,175
Time deposits with original maturity of more than three months	302,190	719,373
	2,189,620	2,338,495

12. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of reporting period, based on invoice date, is as follows:

	30 June, 2011 <i>HK\$'000</i> (Unaudited)	31 December, 2010 <i>HK\$'000</i> (Audited)
Current to 90 days	206,098	138,569
91 days to 180 days	11,719	14,530
Over 180 days	18,056	6,416
	235,873	159,515

NOTES

13. SHARE CAPITAL

	30 June, 2011	31 December, 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Authorised:		
8,000,000,000 ordinary shares of HK\$0.025 each (2010: 8,000,000,000 ordinary shares of HK\$0.025 each)	200,000	200,000
Issued and fully paid:		
4,956,645,473 ordinary shares of HK\$0.025 each (2010: 4,956,645,473 ordinary shares of HK\$0.025 each)	123,916	123,916

14. RELATED PARTY TRANSACTION

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

	For the six months ended 30 June, 2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Purchase of raw materials from:		
– a Chinese joint venture partner of a subsidiary (note a)	–	3,784
Sales of antibiotics to:		
– companies wholly-owned by a connected person (note b)	1,234	–
Operating lease rentals payable to:		
– a Chinese joint venture partner of a subsidiary (note c)	–	339
– a company beneficially owned by a director (note c)	480	430
– a company beneficially owned by a director (note c)	1,785	1,708

Notes:

- (a) Purchases of raw materials were conducted with reference to the market prices.
- (b) Sales of antibiotics were conducted with reference to the market prices.
- (c) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.

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

As at 30 June, 2011, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follow:

Long positions in ordinary shares of the Company

Name of director	Notes	Capacity/Nature of Interest	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Through spouse		
Mr. Tse Ping	(1)	Beneficial owner	90,000,000	2,020,417,815	-	2,110,417,815	42.58%
Ms. Cheng Cheung Ling	(2)	Deemed interest	-	-	2,110,417,815	2,110,417,815	42.58%
Mr. Zhang Baowen		Beneficial owner	400,000	-	-	400,000	0.01%
Mr. Tse Hsin		Beneficial owner	44,384,000	-	-	44,384,000	0.90%
Mr. Tao Huiqi		Beneficial owner	3,599,999	-	-	3,599,999	0.07%

Notes:

- (1) Mr. Tse Ping held 2,020,417,815 shares through Remarkable Industries Limited and Validated Profits Limited. The entire issued share capital of these companies is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling is the spouse of Mr. Tse Ping and is therefore deemed to be interested in the same shares in which Mr. Tse Ping has an interest.

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

Long position in shares of an associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares	Percentage of shareholding
Mr. Tse Ping	Beijing Tide Pharmaceutical Co., Ltd. (北京泰德製藥股份有限公司) ("Beijing Tide")	Interest in a controlled corporation	120,000,000	24%
Ms. Cheng Cheung Ling	Beijing Tide	Interest in a controlled corporation	120,000,000	24%
Mr. Zhang Baowen	Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (江蘇正大豐海製藥有限公司)	Beneficial owner	32,333	0.35%
	Yancheng Suhai Pharmaceutical Co., Ltd. (鹽城蘇海製藥有限公司)	Beneficial owner	32,027	0.35%
	Jiangsu Chia Tai-Tianqing Pharmaceutical Co., Ltd. (江蘇正大天晴藥業股份有限公司) ("JCTT")	Beneficial owner	229,250	0.18%

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

Long position in shares of an associated corporation of the Company (continued)

Name of director	Name of associated corporation	Capacity	Number of shares	Percentage of shareholding
	Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (南京正大天晴製藥有限公司) ("NJCTT")	Beneficial owner	26,583	0.53%
	Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (江蘇正大清江製藥有限公司)	Beneficial owner	151,335	0.31%
	Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. (青島正大海爾製藥有限公司) ("Qingdao Haier")	Beneficial owner	22,680	0.3%
Mr. Xu Xiaoyang	Qingdao Haier	Beneficial owner	7,560	0.1%
Mr. Tse Hsin	JCTT	Beneficial owner	229,250	0.18%
	NJCTT	Beneficial owner	26,583	0.53%

Save as disclosed above, as at 30 June, 2011, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June, 2011, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in shares and/or underlying shares

Name	Notes	Capacity/Nature of interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	1,590,977,815	32.09%
Remarkable Industries Limited	(1)	Beneficial owner	429,440,000	8.67%

Notes:

- (1) Each of Validated Profits Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse Ping who is also the sole director of each of these companies and a Director.

Save as disclosed above, as at 30 June, 2011, no person (not being a Director or chief executive of the Company) had an interests and/or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

INVESTOR RELATIONS

The Group pays intense attention to corporate governance and is dedicated to maintaining high standards as it also strongly understands the keen interest in and importance of corporate governance to investors. As in previous years, it has strived to keep close contact and maintain good communication with investors via a variety of communication channels. To further enhance corporate governance, efforts have also been undertaken to collect more pertinent information and opinions from investors.

During the period under review, the Group proactively launched initiatives to communicate the latest information about its business to investors. It has also participated in 22 large investor conferences and roadshows across Europe, the US and Asia. These events include the 29th Annual J.P. Morgan Healthcare Conference, the Goldman Sachs 32nd Annual Global Healthcare Conference and Nomura China Investor Forum. Besides, the Group has arranged for a number of factory site visits, teleconferences and one-to-one meetings with more than 82 foreign and domestic institutional investors. This outreach has served to increase the knowledge of these potential investors about the Group's operations and its latest developments, thus solidifying 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 issues news releases and organises media briefings to inform shareholders and investors about its latest developments, further facilitating a high degree of transparency.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June, 2011, with the exception of a deviation from Code Provision E.1.2:–

Code Provision E.1.2 – The Code Provision provides that the Chairman of the Board should attend the annual general meeting of the Company. Due to illness, Mr. Tse Ping, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 31 May, 2011. Mr. Xu Xiaoyang, Chief Executive Officer and an Executive Director, was elected in accordance with the Company's Articles of Association to act as the chairman of the annual general meeting and together with other Directors present at the meeting, answered questions raised by the shareholders.

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.

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 2010 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, 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2011 to 30 June, 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises 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.

By Order of the Board

Sino Biopharmaceutical Limited

Tse Ping

Chairman

PRC, 29 August, 2011