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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](http://www.sinobiopharm.com)*

**(Stock code: 1177)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH, 2012**

**FINANCIAL HIGHLIGHTS**

For the three months ended 31 March, 2012, the Group recorded the following operational results:

- Turnover was approximately HK\$1,975.59 million, an increase of approximately 59.6% over the same period last year;
- Before and after accounted for fair value (gains)/losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$183.14 million and approximately HK\$204.00 million, respectively, approximately 53.9% and approximately 97.5% higher than the same period last year, respectively;
- Based on the profit attributable to the Group before and after accounted for fair value (gains)/losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK3.71 cents and approximately HK4.13 cents, respectively, approximately 54.6% and approximately 98.6% higher than the same period last year, respectively;
- Sales of new products accounted for approximately 24% of the Group's total revenue; and
- Cash and bank balances as at 31 March, 2012 was approximately HK\$2,460.77 million.

The Board of Directors (the "Directors") of the Company declared a quarterly dividend payment of HK1 cent per share for the three months ended 31 March, 2012.

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

## **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 strategically entered into the related healthcare and hospital business through the acquisition of Chia Tai Shaoyang Orthopedic Hospital located in Hunan Province of 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,  
Runzhong (Entecavir) dispersible tablets

Oncology medicines: Tianqingyitai (Zolebronate Acid) injections

Analgesic medicines: Kaifen (Flurbiprofen Axetil) injections

### **Products with great potential:**

Cardio-cerebral medicines: Tianqinggan (Glycerin and Fructose) injections

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

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. (“Jiangsu Qingjiang”), 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”. JCTT was designated “2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises” from the PRC Pharmaceutical Industry Information Centre. Beijing Tide was awarded “Drug Delivery System Preparation Technology and Research and Development Centre of Beijing City” by The Science and Technology Committee of Beijing City. In addition, NJCTT, Jiangsu Qingjiang and Jiangsu Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province”, “Orthopedic Medicines Preparation Research Centre” and “Engineering Technology Research Centre for Anorectal Nutritious Medicines” by The Science and Technology Committee of Jiangsu Province respectively.

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.

In September 2011, JCTT has received the first certificate of new edition GMP (Certificate No.20110001) issued by the State Food and Drug Administration of the PRC for its small volume parenteral solution (injection) dosage.

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

During the period under review, the price adjustment of medicines combined with the ongoing launching of the medical reform policy have had a widespread impact and imposed immense pressure on the pharmaceutical industry. In addition to a strong endeavor of keeping product quality, the Group has also enhanced its comprehensive management during the period to boost its sales volume and income in order to ensure that its major products maintain a leading position within their therapeutic markets. Although the growth of the pharmaceutical industry has slowed down in the first quarter of 2012, the Group's overall business experienced significant growth. Furthermore, the Group also actively explored merger and acquisition opportunities with an aim to maintain sustainable growth in the industry.

The Group recorded turnover of approximately HK\$1,975.59 million during the period under review, an increase of approximately 59.6% against the same period last year. Before and after accounted for fair value (gains)/losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$183.14 million and approximately HK\$204.00 million, respectively, approximately 53.9% and approximately 97.5% higher than in the same period last year, respectively. Based on profit attributable to the group before and after accounted for fair value (gains)/losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK3.71 cents and approximately HK4.13 cents, respectively, approximately 54.6% and approximately 98.6% higher than in the same period last year, respectively. Cash and bank balances totaled approximately HK\$2,460.77 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 17.1% 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 three months ended 31 March, 2012, sales of Kaishi injections amounted to approximately HK\$401.02 million, an increase of approximately 35.7% 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 three months ended 31 March, 2012, the product recorded sales of approximately HK\$56.67 million, an increase of approximately 28.4% when compared with the same period last year. Sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$76.56 million for the three months ended 31 March, 2012, a remarkable increase of approximately 52.2% 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\$834.31 million for the three months ended 31 March, 2012 and accounted for approximately 42.2% 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. For the three months ended 31 March, 2012, its sales amounted to approximately HK\$48.74 million, an approximately 7.9% increase 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\$72.10 million in the reviewing period, representing a growth of approximately 34.8% 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\$273.90 million, a largely increase of approximately 79.2% 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 three months ended 31 March, 2012, its sales amounted to approximately HK\$203.72 million, an increase of approximately 14.5% when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. For the three months ended 31 March, 2012, sales amounted to approximately HK\$19.03 million, an increase of approximately 9.8% 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 three months ended 31 March, 2012, the sales

amounted to approximately HK\$202.09 million, a largely increase of approximately 136.8% 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.

### ***Oncology medicines***

Tianqingyitai injections, Tianqingrian injections, Zhiruo injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the three months ended 31 March, 2012, sales of oncology medicines amounted to approximately HK\$122.50 million, a significant increase of approximately 38.7% 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 three months ended 31 March, 2012 amounted to approximately HK\$124.12 million, approximately 61.3% 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 stabilise a patient's blood sugar level. For the three months ended 31 March, 2012, the sales of the product have amounted to approximately HK\$7.89 million, a decrease by approximately 25.9% as compared with the same period last year.

### ***Respiratory system medicines***

The main product of respiratory system medicines is Tianqingsule (Tiotropium Bromide) inhalation powder. For the three months ended 31 March, 2012, the sales was amounted to approximately HK\$17.40 million, a sharp increase by approximately 118% as compared with the same period last year.

### ***Anorectal medicines***

The main product of anorectal medicines is Getai (Diosmin) tablets. For the three months ended 31 March, 2012, the sales was amounted to approximately HK\$36.54 million, a remarkable increase by approximately 60.9% as compared with the same period last year.

## *Anti-infectious medicines*

The main product of anti-infectious medicines is Tiance (Biapenem) injections. For the three months ended 31 March, 2012, the sales was amounted to approximately HK\$98.14 million, a largely increase by approximately 101% as compared with the same period last year.

## **RESEARCH AND DEVELOPMENT(“R&D”)**

The Group continued to focus R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesia and respiratory system medicines. During the period under review, it received 8 clinical approvals. Also, a total of 65 cases had completed clinical research, or were under clinical trial or applying for production approval, out of which, 12 cardio-cerebral medicines, 12 hepatitis medicines, 22 oncology medicines, 4 respiratory system medicines, 1 diabetic medicine and 14 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 three months ended 31 March, 2012, it invested approximately HK\$162.11 million in R&D, which accounted for approximately 8.2% 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 4 invention patent rights and received 5 invention patent rights. Together, the Group has obtained 257 invention patent rights, 3 utility model patent rights and 31 apparel design patent rights.

## **INVESTOR RELATIONS**

The Group is committed to maintaining high standards in corporate governance and corporate transparency. During the period under review, the Group has strived to maintain close contact and good communications with both local and overseas investors via a variety of channels so as to increase their knowledge of the Group. To further enhance corporate governance, efforts have also been undertaken to collect opinions from investors and what they consider as pertinent information.

During the period under review, the Group has proactively embarked on initiatives to communicate the latest information about its business to investors. It has participated in two large investor conferences and roadshows. They are “JP Morgan 30th Annual Healthcare Conference” and the “UBS Greater China Conference 2012”. Besides, the Group has arranged for a number of factory site visits, teleconferences and one-to-one meetings with more than 60 international and domestic institutional investors. This outreach has served to increase the knowledge of these investors about the Group’s latest operations and 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.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the three months ended 31 March, 2012.

## **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 placings of existing shares in January and June 2010, respectively. As at 31 March, 2012, the Group’s bank balance and cash in hand was approximately HK\$2,460.77 million (31 December, 2011: approximately HK\$2,110.15 million).

## **CAPITAL STRUCTURE**

As at 31 March, 2012, the Group had short term loans of approximately HK\$174.67 million (31 December, 2011: approximately HK\$50.59 million) and long term loans of approximately HK\$34.55 million (31 December, 2011: approximately HK\$34.55 million).

## **CHARGE ON ASSETS**

As at 31 March, 2012, the Group had no charge on assets (31 December, 2011: Nil).

## **CONTINGENT LIABILITIES**

As at 31 March, 2012, the Group and the Company had no material contingent liabilities (31 December, 2011: Nil).

## **ASSETS AND GEARING RATIO**

As at 31 March, 2012, the total assets of the Group amounted to approximately HK\$7,039.28 million (31 December, 2011: approximately HK\$6,295.50 million) whereas the total liabilities amounted to approximately HK\$2,015.03 million (31 December, 2011: approximately HK\$1,519.13 million). The gearing ratio (total liabilities over total assets) was approximately 28.6% (31 December, 2011: approximately 24.1%).

## **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\$170,612,000 (2011: approximately HK\$123,075,000).

## **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**

Following the continuous implementation of the deepened medical reform policies launched by the Government, it is expected to result in a more complicated effect on the pharmaceutical industry. During the first quarter of this year, a number of directives issued by the Government indicated that the price adjustment of medicines would continue to be one of the key tasks assigned for the year. As a result, the cumulative effect of these price changes will impose the greatest pressure on the development of the entire industry. In addition, as reform of payment methods for medical insurance is initiated, a stronger regulatory authority over medical insurance premium is set to become a fundamental focus of the reform policies. As such, the Group believes that 2012 would mark a year of pivotal adjustment for the pharmaceutical industry which is poised to undergo transformation and an upgrade in its professionalism. Growth of the pharmaceutical industry may slow down and competition within the industry may further polarize. Nevertheless, the Group remains optimistic about the prospects of the industry in the long run.

## **APPRECIATION**

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all staff for their dedication and diligence.

## RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March, 2012 together with the comparative condensed consolidated results for 2011 as follows:

### Condensed Consolidated Income Statement

	<i>Notes</i>	<b>For the three months ended 31 March,</b>	
		<b>2012 HK\$'000 (Unaudited)</b>	<b>2011 HK\$'000 (Unaudited)</b>
REVENUE	3	<b>1,975,588</b>	1,237,653
Cost of sales		<b>(403,392)</b>	(280,015)
Gross profit		<b>1,572,196</b>	957,638
Other income and gains	3	<b>59,101</b>	24,672
Selling and distribution costs		<b>(880,698)</b>	(523,137)
Administrative expenses		<b>(198,535)</b>	(137,958)
Other expenses		<b>(188,360)</b>	(93,130)
Finance cost	4	<b>(823)</b>	(5,354)
Share of loss of an associate		<b>(333)</b>	(3,671)
PROFIT BEFORE TAX	5	<b>362,548</b>	219,060
Income tax expense	6	<b>(73,802)</b>	(62,115)
PROFIT FOR THE PERIOD		<b>288,746</b>	156,945
Profit attributable to:			
Owners of the parent		<b>203,998</b>	103,281
Non-controlling interests		<b>84,748</b>	53,664
		<b>288,746</b>	156,945
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		<b>HK4.13 cents</b>	HK2.08 cents
– Diluted		<b>N/A</b>	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

	<b>For the three months ended 31 March,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
PROFIT FOR THE PERIOD	<b>288,746</b>	156,945
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<b>(841)</b>	22,722
Available-for-sale investment:		
Changes in fair value, net of tax	<b>7,177</b>	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>6,336</b>	22,722
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>295,082</b>	179,667
Attributable to:		
Owners of the parent	<b>209,736</b>	119,971
Non-controlling interests	<b>85,346</b>	59,696
	<b>295,082</b>	179,667

## Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>31 March, 2012 HK\$'000 (Unaudited)</b>	31 December, 2011 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,694,583</b>	1,687,824
Prepaid land lease payments		<b>147,466</b>	147,454
Goodwill		<b>78,651</b>	78,651
Other intangible assets		<b>73,579</b>	75,726
Investment in an associate		<b>25,179</b>	25,512
Available-for-sale investments		<b>76,286</b>	68,657
Long term prepayments		<b>306,247</b>	306,247
Deferred tax assets		<b>34,244</b>	34,244
		<hr/>	<hr/>
Total non-current assets		<b>2,436,235</b>	2,424,315
<b>CURRENT ASSETS</b>			
Inventories		<b>502,246</b>	451,730
Trade receivables		<b>1,189,958</b>	914,286
Prepayments, deposits and other receivables		<b>373,412</b>	262,957
Equity investments at fair value through profit or loss		<b>76,144</b>	131,135
Due from related companies		<b>516</b>	922
Cash and bank balances	9	<b>2,460,767</b>	2,110,151
		<hr/>	<hr/>
Total current assets		<b>4,603,043</b>	3,871,181
<b>CURRENT LIABILITIES</b>			
Trade payables		<b>280,807</b>	220,683
Other payables and accruals		<b>1,331,746</b>	1,023,627
Interest-bearing bank borrowings		<b>174,674</b>	50,590
Tax payable		<b>68,370</b>	57,770
Due to related companies		<b>17,628</b>	17,850
		<hr/>	<hr/>
Total current liabilities		<b>1,873,225</b>	1,370,520
<b>NET CURRENT ASSETS</b>			
		<hr/> <b>2,729,818</b> <hr/>	<hr/> 2,500,661 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>5,166,053</b> <hr/>	<hr/> 4,924,976 <hr/>

## Condensed Consolidated Statement of Financial Position (Continued)

		<b>31 March, 2012</b>	31 December, 2011
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred government grants		<b>45,486</b>	62,539
Interest-bearing bank borrowings		<b>34,549</b>	34,549
Deferred tax liabilities		<b>61,765</b>	51,523
		<hr/>	<hr/>
Total non-current liabilities		<b>141,800</b>	148,611
		<hr/>	<hr/>
Net assets		<b>5,024,253</b>	4,776,365
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	<i>10</i>	<b>123,536</b>	123,536
Reserves		<b>3,872,790</b>	3,663,054
Proposed final dividend		–	49,415
		<hr/>	<hr/>
		<b>3,996,326</b>	3,836,005
Non-controlling interests		<b>1,027,927</b>	940,360
		<hr/>	<hr/>
Total equity		<b>5,024,253</b>	4,776,365
		<hr/> <hr/>	<hr/> <hr/>

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all 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 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 2011 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, 2011.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for three months ended 31 March, 2012. 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest 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 interest; 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.

## 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 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 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 three months ended 31 March, 2012**

	<b>Modernized Chinese medicines and chemical medicines HK\$'000</b>	<b>Investment HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>				
Sales to external customers	1,928,211	–	47,377	1,975,588
Total	<u>1,928,211</u>	<u>–</u>	<u>47,377</u>	<u>1,975,588</u>
<b>Segment results</b>	<u>343,949</u>	<u>527</u>	<u>7,561</u>	<u>352,037</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				50,583
Unallocated expenses				(39,739)
Share of loss of an associate				(333)
Profit before tax				362,548
Income tax expense				(73,802)
Profit for the period				<u>288,746</u>
<b>Assets and liabilities</b>				
Segment assets	6,132,877	635,884	211,094	6,979,855
<i>Reconciliation:</i>				
Investment in an associate				25,179
Other unallocated assets				34,244
<b>Total assets</b>				<u>7,039,278</u>
Segment liabilities	1,770,794	12,058	102,038	1,884,890
<i>Reconciliation:</i>				
Other unallocated liabilities				130,135
<b>Total liabilities</b>				<u>2,015,025</u>
<b>Other segment information:</b>				
Depreciation and amortisation	<u>36,102</u>	<u>–</u>	<u>4,018</u>	<u>40,120</u>
Capital expenditure	<u>61,859</u>	<u>40</u>	<u>76</u>	<u>61,975</u>
Other non-cash expenses	<u>448</u>	<u>–</u>	<u>–</u>	<u>448</u>

**The segment results for the three months ended 31 March, 2011**

	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>
<b>Segment revenue:</b>				
Sales to external customers	1,237,080	–	573	1,237,653
Total	<u>1,237,080</u>	<u>–</u>	<u>573</u>	<u>1,237,653</u>
<b>Segment results</b>	<u>241,043</u>	<u>3,370</u>	<u>(520)</u>	<u>243,893</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				13,857
Unallocated expenses				(35,019)
Share of loss of an associate				(3,671)
Profit before tax				219,060
Income tax expense				(62,115)
Profit for the period				<u>156,945</u>
<b>Assets and liabilities</b>				
Segment assets	4,960,585	813,891	34,056	5,808,532
<i>Reconciliation:</i>				
Investment in an associate				25,778
Other unallocated assets				15,589
<b>Total assets</b>				<u>5,849,899</u>
Segment liabilities	1,313,065	29,618	3,910	1,346,593
<i>Reconciliation:</i>				
Other unallocated liabilities				121,224
<b>Total liabilities</b>				<u>1,467,817</u>
<b>Other segment information:</b>				
Depreciation and amortisation	<u>27,695</u>	<u>15</u>	<u>599</u>	<u>28,309</u>
Capital expenditure	<u>92,911</u>	<u>–</u>	<u>–</u>	<u>92,911</u>
Other non-cash expenses	<u>24</u>	<u>–</u>	<u>–</u>	<u>24</u>

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 contributed to over 10% of the Group's revenue for three months ended 31 March, 2012 and 2011.

### 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.

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

	For the three months ended 31 March,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	1,975,588	1,237,653
	<u>1,975,588</u>	<u>1,237,653</u>
<b>Other income and gains</b>		
Bank interest income	12,841	7,441
Dividend income	5,313	7,491
Sale of scrap materials	2,223	2,456
Government grant	2,969	–
Others	35,755	7,284
	<u>59,101</u>	<u>24,672</u>

### 4. FINANCE COST

	For the three months ended 31 March,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	823	5,354

## 5. PROFIT BEFORE TAX

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

	For the three months ended 31 March,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Cost of sales	403,392	280,015
Depreciation	39,090	27,364
Recognition of prepaid land lease payments	168	167
Amortization of other intangible assets	862	778
Research and development costs	162,110	82,431
Bank interest income	(12,841)	(7,441)
Dividend income	(5,313)	(7,491)
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss		
– held for trading	(20,860)	15,723
Minimum lease payments under operating leases:		
Land and buildings	3,621	2,371
Auditors' remuneration	876	700
Staff costs (including directors' remuneration)		
Wages and salaries	160,305	114,694
Pension contributions	10,307	8,381
	<hr/>	<hr/>
	170,612	123,075
Impairment loss of trade receivables recognised	25,311	3,734
Foreign exchange differences, net	290	171

## 6. INCOME TAX

	For the three months ended 31 March,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Group:		
Current – Mainland China income tax	64,011	55,227
Deferred tax	9,791	6,888
	<hr/>	<hr/>
Total tax charge for the period	<b>73,802</b>	<b>62,115</b>

Hong Kong profits tax has been provided at a rate of 16.5% (2011: 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.

NJCTT, JCTT, Beijing Tide, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier and Shanghai Tongyong were subject to a corporate income tax rate of 15% for three years successively from 2011 because they qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2012.

## 7. DIVIDEND

The Board has declared a first quarterly dividend of HK1 cent per ordinary share for the three months ended 31 March, 2012 (2011: HK2 cents). The dividend will be paid to shareholders on Monday, 25 June, 2012 whose names appear on the Register of Members of the Company on Friday, 15 June, 2012.

The Register of Members of the Company will be closed from Thursday, 14 June, 2012 to Friday, 15 June, 2012, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the first 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, 13 June, 2012.

## 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\$203,998,000 (2011: approximately HK\$103,281,000), and the weighted average number of ordinary shares of 4,941,461,473 (2011: 4,956,645,473)(as adjusted to reflect the shares repurchase in 2011) in issue during the period.

Diluted earnings per share amounts for the three months ended 31 March, 2012 and 2011 have not been disclosed as there were no diluting events during these two quarters.

## 9. CASH AND BANK BALANCES

	<b>31 March, 2012</b>	31 December, 2011
	<i>HK\$’000</i>	<i>HK\$’000</i>
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances, unrestricted	<b>1,480,746</b>	1,241,816
Time deposits with original maturity of less than three months	<b>936,360</b>	775,922
Time deposits with original maturity of more than three months	<b>43,661</b>	92,413
	<b>2,460,767</b>	2,110,151

## 10. SHARE CAPITAL

	<b>31 March, 2012</b>	31 December, 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<i>Authorised:</i>		
8,000,000,000 ordinary shares of HK\$0.025 each (2011: 8,000,000,000 ordinary shares of HK\$0.025 each)	<b>200,000</b>	200,000
<i>Issued and fully paid:</i>		
4,941,461,473 ordinary shares of HK\$0.025 each (2011: 4,941,461,473 ordinary shares of HK\$0.025 each)	<b>123,536</b>	123,536

### INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Group has complied with Rules 3.10 and 3.10(A) 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 four INEDs including one with financial management expertise, details of their biographies had been set out in the 2011 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 three months ended 31 March, 2012.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2012 to 31 March, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board  
**Sino Biopharmaceutical Limited**  
**Tse Ping**  
*Chairman*

Hong Kong, 16 May, 2012

*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 four Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Li Jun and Mr. Mei Xingbao.*