



Interim Report
2012



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)

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

Mr. Mei Xingbao

Executive Board Committee

Mr. Tse Ping (*Chairman*)

Mr. Zhang Baowen

Mr. Xu Xiaoyang

Mr. Tse Hsin

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Li Jun

REMUNERATION COMMITTEE

Mr. Mei Xingbao (*Chairman*)

Mr. Lu Zhengfei

Ms. Li Jun

NOMINATION COMMITTEE

Mr. Tse Ping (*Chairman*)

Mr. Lu Zhengfei

Ms. Li Jun

Mr. Mei Xingbao

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

CORPORATE INFORMATION

Agricultural Bank of China, Lianyungang Branch
No. 43 North Tong-guan Road
Xinpu, Lianyungang
Jiangsu Province
PRC

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
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong Law:
Linklaters
10th Floor, Alexandra House
Chater Road
Hong Kong

As to Cayman Islands Law:
Conyers Dill & Pearman, Cayman
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

As to PRC Law:
Navigator Law Office
308A, Tower C2
Oriental Plaza No. 1
East Chang An Ave
Dong Cheng Districts
Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
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, 2012, the Group recorded the following operational results:

- Turnover was approximately HK\$3,919.46 million, an increase of approximately 44.8% 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\$324.17 million and approximately HK\$345.35 million, respectively, approximately 21.7% and approximately 56.1% 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 HK6.56 cents and approximately HK6.99 cents, respectively, approximately 22.2% and approximately 56.7% higher than the same period last year, respectively;
- Sales of new products accounted for approximately 23.4% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2012 was approximately HK\$2,485.45 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK1 cent per share for the second quarter ended 30 June, 2012. Together with the quarterly dividend of HK1 cent per share paid for the first quarter, the total dividend of two quarters amounted to HK2 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 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, Tianqingfluxin (Marine) injections and capsules, Runzhong (Entecavir) dispersible tablets
Oncology medicines:	Tianqingyitai (Zolebrionate 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

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. (“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. CN20110001) 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

INDUSTRY REVIEW

In the first half of 2012, under the impact of prolonged global economic instability and the Government's macro-regulation, the PRC economy has recorded a Gross Domestic Product ("GDP") growth of less than 8% for the first time in three years. The operation of the pharmaceutical industry has to confront many challenges, including the standardization of price control on medicines, in-depth reform of the medical insurance system and the implementation of GMP, aiming to achieve higher industrial standards and stricter supervision. Furthermore, exports of the pharmaceutical industry continued to shrink which placed more intense pressure on production costs and thus, dragged down profitability of the industry. In the first half of 2012, growth of both sales income and profits of the pharmaceutical industry began to slow down in comparison to the corresponding period last year.

BUSINESS REVIEW

During the period under review, in response to the severe economic conditions and the complicated industry environment, the Group imposed stringent innovative management, proactively looked for technology advancement and adhered to strict quality control throughout production to ensure the product safety. While focusing on brand innovativeness and enhancing competitiveness of our core business, the Group has also continued to increase its research and development ("R&D") investment to create new products through replication of successful practices combined with innovation so as to upgrade our corporate brand and image. At the sales performance perspective, the Group continued its development strategies to strengthen its foothold in expertise area and to increase its market share by developing the new markets identified lately. As a result, the Group recorded fruitful results with stable growth in revenue during the review period.

The Group recorded turnover of approximately HK\$3,919.46 million during the period under review, an increase of approximately 44.8% 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\$324.17 million and approximately HK\$345.35 million, respectively, approximately 21.7% and approximately 56.1% higher than in 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 HK6.56 cents and approximately HK6.99 cents, respectively, approximately 22.2% and approximately 56.7% higher than in the same period last year, respectively. Cash and bank balances totaled approximately HK\$2,485.45 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, anorectal medicines and anti-infectious 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 17% 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, 2012, sales of Kaishi injections amounted to approximately HK\$818.18 million, an increase of approximately 24.3% 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 six months ended 30 June, 2012, the product recorded sales of approximately HK\$108.78 million, an increase of approximately 23.2% when compared with the same period last year. Sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$142.58 million for the six months ended 30 June, 2012, a remarkable increase of approximately 47.9% 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\$1,662.71 million for the six months ended 30 June, 2012 and accounted for approximately 42.4% 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 six months ended 30 June, 2012, its sales amounted to approximately HK\$87.04 million, a slightly decrease of approximately 6.4% 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\$142.55 million in the reviewing period, representing a growth of approximately 26.3% 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\$580.17 million, a large increase of approximately 54.7% 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.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Hepatitis medicines (continued)

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, 2012, its sales amounted to approximately HK\$373.81 million, an increase of approximately 6.8% 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 six months ended 30 June, 2012, the sales amounted to approximately HK\$416.17 million, a large increase of approximately 115.4% 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 six months ended 30 June, 2012, sales of oncology medicines amounted to approximately HK\$267.13 million, an increase of approximately 35.2% 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, 2012 amounted to approximately HK\$276.76 million, approximately 55.9% significantly higher than that as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

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, 2012, the sales of the product have amounted to approximately HK\$16.29 million, a decrease by approximately 23.3% 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 six months ended 30 June, 2012, the sales was amounted to approximately HK\$32.78 million, a sharp increase by approximately 103.3% as compared with the same period last year.

Anorectal medicines

The main product of anorectal medicines is Getai (Diosmin) tablets. For the six months ended 30 June, 2012, the sales was amounted to approximately HK\$73.10 million, a remarkable increase by approximately 40.9% as compared with the same period last year.

Anti-infectious medicines

The main product of anti-infectious medicines is Tiance (Biapenem) injections. For the six months ended 30 June, 2012, the sales was amounted to approximately HK\$184.36 million, a large increase by approximately 80.7% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

The Group continued to focus its R&D efforts on creating new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the period under review, it received 2 new product certificates, 8 clinical approvals and 3 production approvals. Also, a total of 63 cases of clinical research had been completed, or were under clinical trial or applying for production approval, out of which 12 were for cardio-cerebral medicines, 10 for hepatitis medicines, 22 for oncology medicines, 4 for respiratory system medicines, 1 for a diabetic medicine and 14 more for other medicines.

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, 2012, it invested approximately HK\$285.08 million in R&D, which accounted for approximately 7.3% of turnover.



MANAGEMENT DISCUSSION AND ANALYSIS

RESEARCH AND DEVELOPMENT (continued)

The Group also emphasizes the protection of intellectual property rights, actively initiating patent applications in order to enhance the Group's core competitiveness. During the period under review, the Group has filed applications for 15 invention patents and 7 apparel design patents, and has received 19 invention patents. Altogether, the Group has obtained 271 invention patents, 3 utility model patents and 31 apparel design patents, reflecting its innovative capability.

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, 2012, the Group's bank balance and cash in hand was approximately HK\$2,485.45 million (31 December, 2011: approximately HK\$2,110.15 million).

CAPITAL STRUCTURE

As at 30 June, 2012, the Group had short term loans of approximately HK\$172.81 million (31 December, 2011: approximately HK\$50.59 million) and long term loans of approximately HK\$31.74 million (31 December, 2011: approximately HK\$34.55 million).

CHARGE ON ASSETS

As at 30 June, 2012, the Group had no charge on assets (31 December, 2011: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2012, the Group and the Company had no material contingent liabilities (31 December, 2011: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2012, the total assets of the Group amounted to approximately HK\$7,209.49 million (31 December, 2011: approximately HK\$6,295.50 million) whereas the total liabilities amounted to approximately HK\$2,284.29 million (31 December, 2011: approximately HK\$1,519.13 million). The gearing ratio (total liabilities over total assets) was approximately 31.7% (31 December, 2011: approximately 24.1%).

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\$343,430,000 (2011: approximately HK\$256,416,000).

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

During the period under review, the PRC economy has emerged into an adjustment stage, in which various policies and factors had caused the operating environment to be more complicated, resulting in increasing challenges for enterprises. In the second half of this year, growth of the pharmaceutical industry is expected to slow down. Consolidation within the industry may accelerate, which in turn would set into motion of more mergers or restructuring initiatives. In this light, the Group will continue to explore acquisition and merger opportunities to sustain its growth within the industry. On the other hand, due to the growing demand of medical service derived from aging population with a longer lifespan and the increasing incidence of chronic diseases, as well as the continuous improvement of the medical insurance system, the PRC Government has enlarged its investment every year to implement the medical policies and reform. These expenditure has increasing importance attributable to the country's GDP and the initiatives behind will support the long-term growth of the pharmaceutical industry. Hence, the Group believes that the pharmaceutical industry will maintain its growth momentum at a relatively fast pace, and remains optimistic about the prospects of the industry in 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 consolidated results of the Group for the six months ended 30 June, 2012 together with the comparative consolidated results for 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June,	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
REVENUE	4	3,919,463	2,707,371
Cost of sales		(808,181)	(624,362)
Gross profit		3,111,282	2,083,009
Other income and gains	4	84,133	49,083
Selling and distribution costs		(1,740,181)	(1,144,078)
Administrative expenses		(392,390)	(260,741)
Other expenses		(323,076)	(257,567)
Finance cost	5	(6,181)	(8,326)
Share of profit/(loss) of an associate		970	(3,671)
PROFIT BEFORE TAX	6	734,557	457,709
Income tax expense	7	(208,519)	(95,658)
PROFIT FOR THE PERIOD		526,038	362,051
Profit attributable to:			
Owners of the parent		345,354	221,181
Non-controlling interests		180,684	140,870
		526,038	362,051
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic		HK6.99 cents	HK4.46 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,	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
PROFIT FOR THE PERIOD	526,038	362,051
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(41,858)	57,608
Available-for-sale investment:		
Changes in fair value, net of tax	3,360	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(38,498)	57,608
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	487,540	419,659
Attributable to:		
Owners of the parent	315,117	253,302
Non-controlling interests	172,423	166,357
	487,540	419,659

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June, 2012	31 December, 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,715,937	1,687,824
Prepaid land lease payments		146,629	147,454
Goodwill		78,618	78,651
Other intangible assets		77,434	75,726
Investment in an associate		26,414	25,512
Available-for-sale investments		73,127	68,657
Long term prepayments		367,562	306,247
Deferred tax assets		34,244	34,244
Total non-current assets		2,519,965	2,424,315
CURRENT ASSETS			
Inventories		513,246	451,730
Trade receivables	10	1,270,289	914,286
Prepayments, deposits and other receivables		323,523	262,957
Equity investments at fair value through profit or loss		95,790	131,135
Due from related companies		1,234	922
Cash and bank balances	11	2,485,445	2,110,151
Total current assets		4,689,527	3,871,181
CURRENT LIABILITIES			
Trade payables	12	259,160	220,683
Other payables and accruals		1,605,579	1,023,627
Interest-bearing bank borrowings		172,806	50,590
Tax payable		64,194	57,770
Due to related companies		17,439	17,850
Total current liabilities		2,119,178	1,370,520
NET CURRENT ASSETS		2,570,349	2,500,661
TOTAL ASSETS LESS CURRENT LIABILITIES		5,090,314	4,924,976

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June, 2012	31 December, 2011
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES			
Deferred government grants		66,916	62,539
Interest-bearing bank borrowings		31,738	34,549
Deferred tax liabilities		66,461	51,523
Total non-current liabilities		165,115	148,611
Net assets		4,925,199	4,776,365
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	123,536	123,536
Reserves		3,879,341	3,663,054
Proposed final dividend		–	49,415
		4,002,877	3,836,005
Non-controlling interests		922,322	940,360
Total equity		4,925,199	4,776,365

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent												
	Issued share capital	Share premium account	Capital reserve	Available- for-sale			Reserve funds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Non- controlling interests	Total equity	
				Asset	investment	Contributed							
				revaluation reserve	revaluation reserve	surplus							
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 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
Profit for the period	-	-	-	-	-	-	-	-	221,181	-	221,181	140,870	362,051
Other comprehensive income for the period													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	32,121	-	-	32,121	25,487	57,608
Total comprehensive income for the period	-	-	-	-	-	-	-	32,121	221,181	-	253,302	166,357	419,659
Interim 2011 dividends	-	-	-	-	-	-	-	-	(198,266)	-	(198,266)	-	(198,266)
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(99,133)	(99,133)	-	-	(99,133)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(127,495)	(127,495)
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
Profit for the period	-	-	-	-	-	-	-	-	241,620	-	241,620	225,568	467,188
Other comprehensive income for the period													
Change in fair value of available-for-sale investment, net of tax	-	-	-	-	(5,821)	-	-	-	-	-	(5,821)	-	(5,821)
Surplus of revaluation of buildings	-	-	-	72,799	-	-	-	-	-	-	72,799	40,339	113,138
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	55,427	-	-	55,427	19,785	75,212
Total comprehensive income for the period	-	-	-	72,799	(5,821)	-	-	55,427	241,620	-	364,025	285,692	649,717
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	54,560	54,560
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(92,617)	(92,617)
Cancellation of shares	(380)	(32,640)	-	-	-	-	-	-	-	-	(33,020)	-	(33,020)
Interim 2011 dividend	-	-	-	-	-	-	-	-	(98,588)	-	(98,588)	-	(98,588)
Proposed final 2011 dividend	-	-	-	-	-	-	-	-	(49,415)	49,415	-	-	-
Transfer from/(to) retained earnings	-	-	-	-	-	-	96,391	-	(96,391)	-	-	-	-
At 31 December, 2011 and 1 January, 2012	123,536	1,285,444	(178,363)	131,176	(5,821)	20,743	407,140	240,137	1,762,598	49,415	3,836,005	940,360	4,776,365
Profit for the period	-	-	-	-	-	-	-	-	345,354	-	345,354	180,684	526,038
Other comprehensive income for the period													
Change in fair value of available-for-sale investment, net of tax	-	-	-	-	3,360	-	-	-	-	-	3,360	-	3,360
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(33,597)	-	-	(33,597)	(8,261)	(41,858)
Total comprehensive income for the period	-	-	-	-	3,360	-	-	(33,597)	345,354	-	315,117	172,423	487,540
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,221	2,221
2012 interim dividends	-	-	-	-	-	-	-	-	(98,830)	-	(98,830)	-	(98,830)
Final 2011 dividend declared	-	-	-	-	-	-	-	-	(49,415)	(49,415)	-	-	(49,415)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(192,682)	(192,682)
Transfer from/(to) retained earnings	-	-	-	-	-	-	21,539	-	(21,539)	-	-	-	-
At 30 June, 2012	123,536	1,285,444	(178,363)	131,176	(2,461)	20,743	428,679	206,540	1,987,583	-	4,002,877	922,322	4,925,199

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June,	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	628,934	400,283
CASH FLOWS FROM INVESTING ACTIVITIES	(28,895)	319,229
CASH FLOWS FROM FINANCING ACTIVITIES	(177,377)	(509,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS	422,662	210,430
Cash and cash equivalents at beginning of year	2,017,738	1,619,122
Effect of foreign exchange rate changes, net	1,851	57,878
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,442,251	1,887,430
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,543,182	1,288,501
Time deposits with original maturity of less than three months when acquired	899,069	598,929
	2,442,251	1,887,430



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 (“HKAS”) 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 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 six months ended 30 June, 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.

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, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

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, 2012

	Modernized Chinese medicines and chemical medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	3,820,056	–	99,407	3,919,463
Total	3,820,056	–	99,407	3,919,463
Segment results	720,717	(17,964)	3,386	706,139
<i>Reconciliation:</i>				
Interest and unallocated gains				47,973
Unallocated expenses				(20,525)
Share of profit of an associate				970
Profit before tax				734,557
Income tax expense				(208,519)
Profit for the period				526,038
Assets and liabilities				
Segment assets	5,791,658	1,078,393	278,783	7,148,834
<i>Reconciliation:</i>				
Investment in an associate				26,414
Other unallocated assets				34,244
Total assets				7,209,492
Segment liabilities	2,044,955	11,113	97,570	2,153,638
<i>Reconciliation:</i>				
Other unallocated liabilities				130,655
Total liabilities				2,284,293
Other segment information:				
Depreciation and amortisation	71,717	356	7,544	79,617
Capital expenditure	141,961	–	932	142,893
Other non-cash expenses	19	–	234	253

NOTES

3. OPERATING SEGMENT INFORMATION (continued)

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

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, 2012 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,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue		
Sale of goods	3,919,463	2,707,371
	3,919,463	2,707,371
Other income and gains		
Bank interest income	30,093	15,524
Dividend income	5,445	11,683
Sale of scrap materials	4,803	8,693
Government grants	4,587	–
Others	39,205	13,183
	84,133	49,083

5. FINANCE COST

	For the six months ended 30 June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	6,181	8,326

NOTES

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Cost of sales	808,181	624,362
Depreciation	77,427	53,362
Recognition of prepaid land lease payments	424	384
Amortization of other intangible assets	1,766	1,556
Research and development costs	285,076	191,748
Bank interest income	(30,093)	(15,524)
Dividend income	(5,445)	(11,683)
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss – held for trading	(21,183)	56,119
Minimum lease payments under operating leases:		
Land and buildings	6,857	5,879
Auditors' remuneration	1,774	1,432
Staff cost (including directors' remuneration)		
Wages and salaries	322,344	238,822
Pension contributions	21,086	17,594
	343,430	256,416
Impairment loss of trade receivables recognised	35,380	9,576
Foreign exchange (gain)/loss, net	5,178	(14,873)

NOTES

7. INCOME TAX

	For the six months ended 30 June,	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Group:		
Current – Mainland China income tax	189,459	81,495
Deferred tax	19,060	14,163
Total tax charge for the period	208,519	95,658

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.

JCTT, NJCTT, 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.

8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared a second quarterly dividend of HK1 cent per ordinary share for the three months ended 30 June, 2012 (2011: HK2 cents). The dividend will be paid to shareholders on Tuesday, 25 September, 2012 whose names appear on the Register of Members of the Company on Friday, 14 September, 2012.

The Register of Members of the Company will be closed from Thursday, 13 September, 2012 to Friday, 14 September, 2012, 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, 12 September, 2012.

NOTES

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\$345,354,000 (2011: approximately HK\$221,181,000), and the weighted average number of ordinary shares of 4,941,461,473 (2011: 4,956,645,473) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during these periods.

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, 2012 HK\$'000 (Unaudited)	31 December, 2011 HK\$'000 (Audited)
Current to 90 days	1,194,175	774,413
91 days to 180 days	63,671	127,969
Over 180 days	12,443	11,904
	1,270,289	914,286

NOTES

11. CASH AND BANK BALANCES

	30 June, 2012 <i>HK\$'000</i> (Unaudited)	31 December, 2011 <i>HK\$'000</i> (Audited)
Cash and bank balances, unrestricted	1,543,182	1,241,816
Time deposits with original maturity of less than three months	899,069	775,922
Time deposits with original maturity of more than three months	43,194	92,413
	2,485,445	2,110,151

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, 2012 <i>HK\$'000</i> (Unaudited)	31 December, 2011 <i>HK\$'000</i> (Audited)
Current to 90 days	199,700	212,214
91 days to 180 days	48,104	2,853
Over 180 days	11,356	5,616
	259,160	220,683

NOTES

13. SHARE CAPITAL

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

14. RELATED PARTY TRANSACTION

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

	For the six months ended 30 June, 2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Sales of antibiotics to:		
– companies wholly-owned by a connected person (note a)	1,056	1,234
Operating lease rental payable to:		
– a company beneficially owned by a director (note b)	480	480
– a company beneficially owned by a director (note b)	1,841	1,785

Notes:

- (a) Sales of antibiotics were conducted with reference to the market prices.
- (b) 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, 2012, 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			Percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Total	
Mr. Tse Ping	(1)	Beneficial owner	90,000,000	1,320,417,815	1,410,417,815	28.54%
Ms. Cheng Cheung Ling	(2)	Beneficial owner	-	700,000,000	700,000,000	14.17%
Mr. Tse Hsin		Beneficial owner	37,320,000	-	37,320,000	0.76%
Mr. Tao Huiqi		Beneficial owner	3,599,999	-	3,599,999	0.07%

Notes:

- (1) Mr. Tse Ping held 1,320,417,815 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 held 700,000,000 shares through Chia Tai Bainian Holdings Limited, the entire issued share capital of which is wholly-owned by Ms. Cheng Cheung Ling.

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, 2012, 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, 2012, 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
Remarkable Industries Limited	(1)	Beneficial owner	908,265,880	18.38%
Validated Profits Limited	(1)	Beneficial owner	412,151,935	8.34%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	700,000,000	14.17%

Notes:

- (1) Each of Remarkable Industries Limited and Validated Profits 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.
- (2) Chia Tai Bainian Holdings Limited is an investment holding company wholly-owned by Ms. Cheng Cheung Ling, who is its director and a Director.

Save as disclosed above, as at 30 June, 2012, 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 is dedicated to maintaining high standards of corporate governance. During the period under review, the Group has strived to maintain close contact, clear communications and good relations with domestic and overseas investors via a variety of communication channels so as to increase their knowledge of the Group and its business. The Group also understands the contribution and importance of good investor relations to corporate management, hence, efforts have also been undertaken to collect opinions and obtaining pertinent information through periodic contact with investors.



INVESTOR RELATIONS

During the period under review, the Group has proactively embarked on a number of initiatives to communicate the latest information about its business to investors in a timely fashion. It has participated in 13 major investor conferences and roadshows across Europe, the US and Asia. These events included the “J.P. Morgan China Conference 2012”, “Goldman Sachs 33rd Annual Global Healthcare Conference”, “Morgan Stanley 3rd Annual Hong Kong Investor Summit”, “3rd Annual dbAccess Asia Conference” etc. Besides, the Group has arranged for a number of factory site visits, teleconferences and one-to-one meetings with more than 300 international and domestic institutional investors. This outreach has served to increase the knowledge of these potential investors about the Group’s operations and the latest developments in its business, thus solidifying the confidence of shareholders, investors and customers.

Reflecting the success of our efforts at affiliating with the investment community, the Group has placed prominently in *Institutional Investor Magazine’s* “2012 All Asian Executive Team” ranking, awarding 1st position in the “Best IR Company of Healthcare and Pharmaceutical Sector” category, as voted by buy-side analysts. The Group also placed 27th in “Best Company of Hong Kong” and 38th in the “Most Honored Company” rankings. The solid performances highlight the positive opinions of more than 900 money managers and investment professionals at some 500 buy-side firms and approximate 490 sell-side analysts of 75 institutions. Our prominence in the various rankings clearly reveals that the Group is highly recognized among the investment community.

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 (named as Code on Corporate Governance Practices before 1 April, 2012) 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, 2012 except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors (“INEDs”) and other non-executive directors. Out of the four INEDs of the Company, Mr. Lu Zhengfei and Mr. Mei Xingbao attended the annual general meeting of the Company held on 28 May, 2012 (the “AGM”) but Mr. Li Dakui and Ms. Li Jun were unable to attend the AGM due to other business engagement.

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 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the 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 2012 Annual Report of the Company.

The Audit Committee is comprised of three INEDs namely Mr. Lu Zhengfei as chairman, Mr. Li Dakui and Ms. Li Jun as members. 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, 2012.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with the requirement of the Corporate Governance Code (named as Code on Corporate Governance Practice before 1 April 2012). Its primary duties is to make recommendations to the Board in formulating policies on remuneration packages of directors and senior management. Prior to 30 March, 2012, the Remuneration Committee has three members comprising Mr. Tse Ping as the chairman and Mr. Lu Zhengfei and Ms. Li Jun as the members. In order to comply with Rule 3.25 of the Listing Rules that a remuneration committee has to be chaired by an INED, on 30 March, 2012, Mr. Tse Ping resigned as chairman and member of the Remuneration Committee and Mr. Mei Xingbao has been appointed in replacement thereof.

NOMINATION COMMITTEE

In order to comply with Code Provision A.5 as set out in Appendix 14 of the Listing Rules regarding the establishment of a nomination committee, the Company has established the Nomination Committee on 30 March, 2012 comprising Mr. Tse Ping as the chairman and Mr. Lu Zhengfei, Ms. Li Jun and Mr. Mei Xingbao as members of the Nomination Committee with written terms of reference in accordance with the requirement of the Corporate Governance Code (named as Code on Corporate Governance Practices before 1 April, 2012). Its primary duty is to formulate nomination policies for board and recruitment policies of senior management.



THE RESTRUCTURING OF BEIJING TIDE

On 1 June, 2012, the Company, France Investment (China 1) Group Limited (“France Investment Hong Kong”) and Mr. Tse Ping have entered into a restructuring agreement whereby the Company has agreed to sell 51% shareholding in Sino Biopharmaceutical (Beijing) Limited to France Investment Hong Kong for a total consideration of approximately HK\$293,040,000 (the “Disposal”) and France Investment Hong Kong has agreed to sell 48% shareholding held in Super Demand Investments Limited (“Super Demand”), and to procure Super Demand to sell 45% shareholding held in France Investment (China 1) Group Limited to the Company for a total consideration of approximately HK\$293,040,000 (the “Acquisitions”). The total consideration payable by the Company in respect of the Acquisitions would be set-off against the total consideration receivable by the Company in respect of the Disposal. The above restructuring was approved by the independent shareholders at an extraordinary general meeting on 13 July, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2012 to 30 June, 2012, 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 four Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Li Jun and Mr. Mei Xingbao.

By Order of the Board

Sino Biopharmaceutical Limited

Tse Ping

Chairman

PRC, 27 August, 2012