



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)



2014 Interim Report

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Century Yard
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Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
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Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong Law:
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Centre, Central
Hong Kong

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George Town
Grand Cayman
British West Indies

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

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
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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, 2014, the Group recorded the following operational results:

- Turnover was approximately HK\$5,913.10 million, an increase of approximately 24.4% over the same period last year;
- Before and after accounted for unrealized fair value losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$634.61 million and approximately HK\$632.48 million, respectively, approximately 23.4% and approximately 30.7% higher than the same period last year, respectively;
- Based on the profit attributable to the Group before and after accounted for unrealized fair value losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK12.84 cents and approximately HK12.80 cents, respectively, approximately 23.3% and approximately 30.7% higher than the same period last year, respectively;
- Sales of new products accounted for approximately 23.3% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2014 was approximately HK\$4,804.49 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK1.5 cents per share for the second quarter ended 30 June, 2014. Together with the quarterly dividend of HK1.5 cents per share paid for the first quarter, the total dividend of two quarters amounted to HK3 cents per share.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries (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 other business, including the related healthcare and hospital business through Chia Tai Shaoyang Orthopedic Hospital located in Hunan Province of the People’s Republic of China (the “PRC”) and the manufacture and sales of health food business through Tianjin Chia Tai Zhenwutong Food Co., Ltd..

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Runzhong (Entecavir) dispersible tablets, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Tianqingyitai (Zolebrionate Acid) injections
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng fructose injections
Anti-infectious medicines:	Tiance (Biapenem) injections
Anorectal medicines:	Getai (Diosmin) tablets

Products with great potential:

Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Zhiruo (Palonosetron Hydrochloride) injections, Saiweijian (Raltitrexed) injections, Qingweike (Decitabine for injections)
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets

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.

Beijing Tide Pharmaceutical Co. Ltd., an associate of the Group, has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December, 2012. 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: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. (“CT Tianqing”), 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”), Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) and Lianyungang Runzhong Pharmaceutical Co., Ltd. (“LYG Runzhong”) have been designated “High and New Technology Enterprises”. CT Tianqing was designated “2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises” from the PRC Pharmaceutical Industry Information Centre. 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 CT Tianqing is also the only “New Hepatitis Medicine Research Center” in the country.

In September 2011, CT Tianqing 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 Company became a constituent of the MSCI Global Standard Indices’ MSCI China Index with effect from the close of trading on 31 May, 2013.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Driven by the US economic recovery and Japan's unexpected stronger economic growth in the first quarter of the year, global economic performance has continued on the road to recovery and sustained growth momentum in the first half of 2014. However, as the economies in emerging markets, including the PRC, were affected by structural adjustment in their respective economies, the macro-economic growth in the country has slowed down. The National Bureau of Statistics of China has announced that Gross Domestic Product in the first half of the year was 7.4%, slightly lower than 7.6% as recorded in the same period of 2013. Since the government has promulgated a series of policies to regulate medicine sales of the pharmaceutical industry, together with the impact of the control on medical insurance amount and different tendering methods adopted across provinces have led to tighter compliance requirements in the industry, which presented greater challenges to the promotion of pharmaceutical products. Consequently, the operating costs of industry players continued to rise, which dampened their profits. In the first half of 2014, income of the pharmaceutical industry recorded a relatively lower year-on-year growth of 13.4%.

BUSINESS REVIEW

During the period under review, the operational environment of the pharmaceutical industry was affected by the control on medical insurance amount and the different tendering methods adopted across provinces, which resulted in a slowdown in growth and an increase in operating costs of the Group. Nevertheless, inspired by the business philosophy of specialization and professionalism, all enterprises under the Group have constantly raised production and quality control standards. Moreover, the Group has also actively developed new markets and targeted new medical and therapeutic areas and implemented streamline management of operations. These initiatives have supported continuous high growth in the sales of its product, Runzhong, thereby reinforcing the Group's leading position in the hepatitis medicines category. Its other products, Tuotuo tablets and Beiqian Liesu sodium tablets, both also recorded a surge in market share and have become new growth drivers for the Group's cardio-cerebral medicines category. The stable and rapid growth of Saiweijian injections, Zhiruo injections and Qingweike injections has also laid a solid foundation for the Group in the area of oncology medicines, thus contributing to the stable expansion of the Group's overall business. While ensuring the growth of its results, the Group has continued to allocate more resources to research and development ("R&D"), which has facilitated the introduction of key new pharmaceutical products which are currently undergoing clinical trial. Apart from the pharmaceutical business, the Group has also closely monitored and actively explored investment opportunities for medical services and healthcare segment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

The Group recorded turnover of approximately HK\$5,913.10 million during the period under review, an increase of approximately 24.4% against the same period last year. Before and after accounted for unrealized fair value losses of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$634.61 million and approximately HK\$632.48 million, respectively, approximately 23.4% and approximately 30.7% higher than in the same period last year, respectively. Based on the profit attributable to the Group before and after accounted for unrealized fair value losses of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK12.84 cents and approximately HK12.80 cents, respectively, approximately 23.3% and approximately 30.7% higher than in the same period last year, respectively. Cash and bank balances totaled approximately HK\$4,804.49 million.

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

Hepatitis medicines

For the six months ended 30 June, 2014, the net sales of hepatitis medicines amounted to approximately HK\$2,743.90 million, representing approximately 46.4% of the Group's turnover.

CT Tianqing 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, 2014, its sales amounted to approximately HK\$81.04 million. 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\$202.09 million during the reviewing period, representing a growth of approximately 9.5% when compared with the same period last year. In 2005, CT Tianqing 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\$955.16 million, an increase of approximately 9% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing'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, 2014, its sales amounted to approximately HK\$399.86 million.

CT Tianqing'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 CT Tianqing 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, 2014, the sales amounted to approximately HK\$1,130.30 million, an increase of approximately 44.6% 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.

Cardio-cerebral medicines

For the six months ended 30 June, 2014, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the net sales of cardio-cerebral medicines amounted to approximately HK\$1,482.61 million, representing approximately 20.1% of the adjusted turnover of the Group. The consolidated net sales of cardio-cerebral medicines of the Group amounted to approximately HK\$556 million, representing approximately 9.4% of the Group's turnover.

NJCTT's Tianqingning injections 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, 2014, the product recorded the sales of approximately HK\$107.20 million. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$253.68 million for the six months ended 30 June, 2014, an increase of approximately 27.5% when compared with the same period last year. For the six months ended 30 June, 2014, the sales of Tuotuo calcium tablets amounted to approximately HK\$158.75 million, a significant increase of approximately 60.5% when compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Cardio-cerebral medicines (continued)

Kaishi injections 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 was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the six months ended 30 June, 2014, the sales of Kaishi injections amounted to approximately HK\$829.45 million.

Analgesic medicines

For the six months ended 30 June, 2014, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the net sales of analgesic medicines amounted to approximately HK\$535.91 million, representing approximately 7.3% of the adjusted turnover of the Group.

Launched in 2005, the analgesic medicine Kaifen injections 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. The sales of the product for the six months ended 30 June, 2014 amounted to approximately HK\$476.63 million, approximately 26.3% higher than that as compared with the same period last year.

Oncology medicines

For the six months ended 30 June, 2014, the net sales of oncology medicines amounted to approximately HK\$503.50 million, representing approximately 8.5% of the Group's turnover.

Tianqingyitai injections, Tianqingrian injections, Zhiruo injections, Renyi injections and Saiweijian injections are mainly developed and manufactured by CT Tianqing and NJCTT. For the six months ended 30 June, 2014, the net sales of oncology medicines amounted to approximately HK\$503.50 million, an increase of approximately 34% as compared with the same period last year. A new product, Qingweike injections, was launched in January 2013. For the six months ended 30 June, 2014, its sales amounted to approximately HK\$39.29 million, a sharply increase of approximately 150% as compared with same period last year, revealing that this product was highly received by the market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Orthopedic medicines

For the six months ended 30 June, 2014, the net sales of orthopedic medicines amounted to approximately HK\$445.39 million, representing approximately 7.5% of the Group's turnover.

The main product of orthopedic medicines is namely the new ossified triol capsules. For the six months ended 30 June, 2014, the sales amounted to approximately HK\$346.66 million, rose by approximately 28.2% as compared with same period last year.

Parenteral nutritious medicines

For the six months ended 30 June, 2014, the net sales of parenteral nutritious medicines amounted to approximately HK\$402.79 million, representing approximately 6.8% of the Group's turnover.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the six months ended 30 June, 2014, the sales amounted to approximately HK\$284.30 million, an increase by approximately 21.7% as compared with the same period last year. For the six months ended 30 June, 2014, the sales of Fenghaineng fructose injections amounted to approximately HK\$114.40 million, an increase of approximately 5.3% as compared with the same period last year.

Anti-infectious medicines

For the six months ended 30 June, 2014, the net sales of anti-infectious medicines amounted to approximately HK\$312.41 million, representing approximately 5.3% of the Group's turnover.

The main product of anti-infectious medicines is Tiance injections. For the six months ended 30 June, 2014, the sales amounted to approximately HK\$282.49 million, approximately 25% higher than that as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Respiratory system medicines

For the six months ended 30 June, 2014, the net sales of respiratory medicines amounted to approximately HK\$168.62 million, representing approximately 2.9% of the Group's turnover.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the six months ended 30 June, 2014, the sales amounted to approximately HK\$93.51 million, a significant increase by approximately 57.8% as compared with the same period last year. For the six months ended 30 June, 2014, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately HK\$57.76 million, an increase of approximately 21.4% as compared with the same period last year.

Anorectal medicines

For the six months ended 30 June, 2014, the net sales of anorectal medicines amounted to approximately HK\$114.80 million, representing approximately 1.9% of the Group's turnover.

The main product of anorectal medicines is Getai tablets. For the six months ended 30 June, 2014, the sales amounted to approximately HK\$99.93 million, an increase by approximately 12.2% as compared with the same period last year.

Diabetic medicines

For the six months ended 30 June, 2014, the net sales of diabetic medicines amounted to approximately HK\$33.97 million, representing approximately 0.6% of the Group's turnover.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 90 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, 2014, the sales of the product have amounted to approximately HK\$28.77 million, an increase by approximately 11.5% as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

R&D

The Group has continued to focus its R&D efforts on new cardio-cerebral, hepatitis, oncology and respiratory system medicines. During the period under review, the Group obtained 3 production approvals, 2 clinical approvals, 7 products adding new applications, 4 clinical application after completion, 3 clinical applications and 22 production applications. Moreover, a total of 158 pharmaceutical products had completed clinical research, or were under clinical trial or applying for production approval. Out of these, 28 were for cardio-cerebral medicines, 11 for hepatitis medicines, 68 for oncology medicines, 6 for respiratory system medicines, 6 for diabetic medicines and 39 for other medicines.

Over the years, the Group has been placing high importance on the development of proprietary innovative medicines and generic drugs by itself, as well as through collaboration and imitation, to both raise R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of its development, the Group continues to devote into more resources. For the six months ended 30 June, 2014, it invested approximately HK\$772.48 million in R&D, which accounted for approximately 13.1% of turnover.

The Group also places major emphasis on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the period under review, the Group has processed 17 new patent applications (all of them were invention patents), received 21 patent license notices (in which 19 were invention patents) and 2 apparel design patents. Altogether, the Group has obtained 367 invention patent approvals, 4 utility model patent approvals and 48 apparel design patent approvals.

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, top-up placings of existing shares in January and June 2010, respectively, and fully drawdown of a syndicated loan pursuant to the facility agreement entered in December, 2013. As at 30 June, 2014, the Group's cash and bank balances was approximately HK\$4,804.49 million (31 December, 2013: approximately HK\$2,981.34 million).

CAPITAL STRUCTURE

As at 30 June, 2014, the Group had short term loans of approximately HK\$74.95 million (31 December, 2013: approximately HK\$74.15 million) and had long term loans of approximately HK\$1,293.24 million (31 December, 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 30 June, 2014, the Group had no charge on assets (31 December, 2013: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2014, the Group and the Company had no material contingent liabilities (31 December, 2013: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2014, the total assets of the Group amounted to approximately HK\$12,986.89 million (31 December, 2013: approximately HK\$9,968.87 million) whereas the total liabilities amounted to approximately HK\$5,609.26 million (31 December, 2013: approximately HK\$2,743.90 million). The gearing ratio (total liabilities over total assets) was approximately 43.2% (31 December, 2013: approximately 27.5%).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff cost (including Directors' remuneration) for the period was approximately HK\$487,263,000 (2013: approximately HK\$382,700,000).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In the second half of 2014, the PRC's macroeconomic situation remains fraught with uncertainty. Structural adjustment and the weak performance of some traditional industries may add downward pressure on economic growth. The pharmaceutical industry continues to face control presented by the introduction of policies towards certain business and industry practices. However, the administrative policy on price reform of medicines mandating lower prices launched in the first half of the year has helped expand the scope and quantity of medicines that can be used by hospitals and that are covered by medical insurance. The "Administration Rules for the Operation and Supervision of Online Food and Drug Business (Draft for Comments)" launched in May this year and the research conducted by the Government on the operation and management of websites introducing medicines have also created greater room for development of the PRC pharmaceutical industry. The "Notice on Issues of Non-public Medical Organisations Adopting Market Prices for Medical Services" released by the Government in the first half of the year and the series of reforms initiated for public hospitals may also create opportunities for the development of private hospitals.

To summarise, the Group anticipates that the overall pharmaceutical industry in the PRC will remain stable in the second half of the year and that there will be both opportunities and challenges during the months ahead.

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 six months ended 30 June, 2014 together with the comparative unaudited condensed consolidated results for 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June,	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
REVENUE	3	5,913,100	4,751,814
Cost of sales		(1,291,471)	(1,020,581)
Gross profit		4,621,629	3,731,233
Other income and gains	3	125,593	74,222
Selling and distribution costs		(2,624,512)	(2,206,251)
Administrative expenses		(289,634)	(319,171)
Other expenses		(859,554)	(571,099)
Finance cost	4	(10,022)	(863)
Share of profits of associates		169,577	147,936
PROFIT BEFORE TAX	5	1,133,077	856,007
Income tax expense	6	(222,824)	(160,701)
PROFIT FOR THE PERIOD		910,253	695,306
Profit attributable to:			
Owners of the parent		632,479	483,895
Non-controlling interests		277,774	211,411
		910,253	695,306
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		HK12.80 cents	HK9.79 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June,	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
PROFIT FOR THE PERIOD	910,253	695,306
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(112,442)	77,904
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(112,442)	77,904
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(112,442)	77,904
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	797,811	773,210
Attributable to:		
Owners of the parent	546,621	548,028
Non-controlling interests	251,190	225,182
	797,811	773,210

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June, 2014	31 December, 2013
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,120,202	2,107,111
Prepaid land lease payments		257,667	192,969
Goodwill		58,003	58,083
Other intangible assets		88,211	87,759
Investment in associates		1,221,126	1,119,122
Available-for-sale investments		411,691	142,747
Deferred tax assets		118,011	122,243
Long term prepayments		303,245	311,942
Total non-current assets		4,578,156	4,141,976
CURRENT ASSETS			
Inventories		777,451	805,343
Trade and bill receivables	9	2,006,160	1,582,998
Prepayments, deposits and other receivables		645,333	317,506
Due from related companies		696	1,019
Equity investments at fair value through profit or loss		174,596	138,682
Cash and bank balances	10	4,804,494	2,981,343
Total current assets		8,408,730	5,826,891
CURRENT LIABILITIES			
Trade payables	11	529,070	475,003
Tax payable		77,715	58,267
Other payables and accruals		3,452,513	1,971,324
Interest-bearing bank borrowings		74,952	74,153
Due to related companies		8,119	1,123
Total current liabilities		4,142,369	2,579,870
NET CURRENT ASSETS		4,266,361	3,247,021
TOTAL ASSETS LESS CURRENT LIABILITIES		8,844,517	7,388,997

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>Notes</i>	30 June, 2014 HK\$'000 (Unaudited)	31 December, 2013 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
	98,941	96,197
	1,293,237	–
	74,709	67,837
	1,466,887	164,034
	7,377,630	7,224,963
EQUITY		
12	123,536	123,536
	5,663,028	5,264,651
	–	98,829
	5,786,564	5,487,016
	1,591,066	1,737,947
	7,377,630	7,224,963

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Contributed surplus HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January, 2014	123,536	1,285,444	(171,651)	228,429	20,743	647,107	306,083	2,948,496	98,829	5,487,016	1,737,947	7,224,963
Profit for the period	-	-	-	-	-	-	-	632,479	-	632,479	277,774	910,253
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(85,858)	-	-	(85,858)	(26,584)	(112,442)
Total comprehensive income for the period	-	-	-	-	-	-	(85,858)	632,479	-	546,621	251,190	797,811
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,564	7,564
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(2,316)	(2,316)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(403,319)	(403,319)
Final 2013 dividend declared	-	-	-	-	-	-	-	(98,829)	(98,829)	(98,829)	-	(98,829)
2014 interim dividends	-	-	-	-	-	-	-	(148,244)	-	(148,244)	-	(148,244)
As at 30 June, 2014 (unaudited)	123,536	1,285,444	(171,651)	228,429	20,743	647,107	220,225	3,432,731	-	5,786,564	1,591,066	7,377,630
At 1 January, 2013	123,536	1,285,444	(176,834)	168,111	20,743	585,828	256,235	2,220,084	98,829	4,581,976	1,202,720	5,784,696
Profit for the period	-	-	-	-	-	-	-	483,895	-	483,895	211,411	695,306
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	64,133	-	-	64,133	13,771	77,904
Total comprehensive income for the period	-	-	-	-	-	-	64,133	483,895	-	548,028	225,182	773,210
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	48,429	48,429
2013 interim dividends	-	-	-	-	-	-	-	(98,830)	-	(98,830)	-	(98,830)
Final 2012 dividend declared	-	-	-	-	-	-	-	(98,829)	(98,829)	(98,829)	-	(98,829)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(320,729)	(320,729)
At 30 June, 2013 (unaudited)	123,536	1,285,444	(176,834)	168,111	20,743	585,828	320,368	2,605,149	-	4,932,345	1,155,602	6,087,947

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	1,755,377	838,699
CASH FLOWS FROM INVESTING ACTIVITIES	(892,735)	70,707
CASH FLOWS FROM FINANCING ACTIVITIES	774,830	(416,631)
INCREASE IN CASH AND CASH EQUIVALENTS	1,637,472	492,775
Cash and cash equivalents at beginning of year	2,890,413	2,172,705
Effect of foreign exchange rate changes, net	(243,933)	(34,500)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,283,952	2,630,980
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,472,133	827,448
Time deposits with original maturity of less than 3 months when acquired	2,811,819	1,803,532
	4,283,952	2,630,980

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 and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment 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 unaudited consolidated financial information should be read in conjunction with the 2013 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2013.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES

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, (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 associates 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

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2014

	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	5,775,624	–	137,476	5,913,100
Total	5,775,624	–	137,476	5,913,100
Segment results	1,065,572	(37,335)	26,455	1,054,692
<i>Reconciliation:</i>				
Interest and unallocated gains				45,513
Share of profits of associates				169,577
Unallocated expenses				(136,705)
Profit before tax				1,133,077
Income tax expense				(222,824)
Profit for the period				910,253
Assets and liabilities				
Segment assets	7,532,485	3,804,716	310,548	11,647,749
<i>Reconciliation:</i>				
Investment in associates				1,221,126
Other unallocated assets				118,011
Total assets				12,986,886
Segment liabilities	3,839,735	1,514,836	102,261	5,456,832
<i>Reconciliation:</i>				
Other unallocated liabilities				152,424
Total liabilities				5,609,256
Other segment information:				
Depreciation and amortisation	99,071	768	8,682	108,521
Capital expenditure	182,148	2,317	5,199	189,664
Other non-cash expenses	624	–	5	629

NOTES

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2013

	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	4,631,561	—	120,253	4,751,814
Total	4,631,561	—	120,253	4,751,814
Segment results				
	763,284	(10,720)	23,565	776,129
<i>Reconciliation:</i>				
Interest and unallocated gains				26,829
Share of profits of associates				147,936
Unallocated expenses				(94,887)
Profit before tax				856,007
Income tax expense				(160,701)
Profit for the period				695,306
Assets and liabilities				
Segment assets	5,435,328	2,252,052	310,190	7,997,570
<i>Reconciliation:</i>				
Investment in associates				1,009,841
Other unallocated assets				69,364
Total assets				9,076,775
Segment liabilities	2,702,934	118,918	85,348	2,907,200
<i>Reconciliation:</i>				
Other unallocated liabilities				81,628
Total liabilities				2,988,828
Other segment information:				
Depreciation and amortisation	81,735	906	9,230	91,871
Capital expenditure	115,026	—	4,916	119,942
Other non-cash expenses	808	—	—	808

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 the six months ended 30 June, 2014 and 2013.

NOTES

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 six months ended 30 June,	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		
Sale of goods	5,913,100	4,751,814
	5,913,100	4,751,814
Other income and gains		
Bank interest income	45,513	26,829
Dividend income	3,916	11,579
Sale of scrap materials	2,784	2,250
Government grants	40,468	18,576
Others	32,912	14,988
	125,593	74,222

4. FINANCE COST

	For the six months ended 30 June,	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	10,022	863

NOTES

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of sales	1,291,471	1,020,581
Depreciation	105,655	90,057
Recognition of prepaid land lease payments	684	336
Amortization of other intangible assets	2,182	1,478
Research and development costs	772,479	473,594
Bank interest income	(45,513)	(26,829)
Dividend income	(3,916)	(11,579)
Fair value losses, net:		
Equity investments at fair value through profit or loss – held for trading	2,130	30,521
Minimum lease payments under operating leases:		
Land and buildings	7,484	7,171
Auditors' remuneration	2,048	1,924
Staff cost (including directors' remuneration)		
Wages and salaries	408,362	358,294
Pension contributions	78,901	24,406
	487,263	382,700
Accrual of impairment loss of trade receivables	46,894	47,919
Foreign exchange differences, net	16,434	(26,762)

NOTES

6. INCOME TAX EXPENSE

	For the six months ended 30 June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Current – Hong Kong	–	–
Current – Mainland China income tax	181,320	161,100
Deferred tax	41,504	(399)
Total tax charge for the period	222,824	160,701

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 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.

In the six months ended 30 June, 2014, CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Shanghai Tongyong and LYG Runzhong were subject to a corporate income tax rate of 15% because they are 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 2014.

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended a second quarterly dividend of HK1.5 cents per ordinary share for the three months ended 30 June, 2014 (2013: HK1 cent). The dividend will be paid to shareholders on Friday, 26 September, 2014 whose names appear on the Register of Members of the Company on Tuesday, 16 September, 2014.

The Register of Members of the Company will be closed from Monday, 15 September, 2014 to Tuesday, 16 September, 2014, both days inclusive, during which period no transfer of shares 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, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:00 p.m. on Friday, 12 September, 2014.

NOTES

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\$632,479,000 (2013: approximately HK\$483,895,000), and the weighted average number of ordinary shares of 4,941,461,473 (2013: 4,941,461,473) in issue during the period.

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

9. TRADE AND BILL 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, 2014	31 December, 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current to 90 days	1,857,056	1,329,120
91 days to 180 days	122,857	236,492
Over 180 days	26,247	17,386
	2,006,160	1,582,998

NOTES

10. CASH AND BANK BALANCES

	30 June, 2014 <i>HK\$'000</i> (Unaudited)	31 December, 2013 <i>HK\$'000</i> (Audited)
Cash and bank balances, unrestricted	1,472,133	1,438,151
Time deposits with original maturity of less than three months	2,811,819	1,452,262
Time deposits with original maturity of more than three months	520,542	90,930
	4,804,494	2,981,343

11. 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, 2014 <i>HK\$'000</i> (Unaudited)	31 December, 2013 <i>HK\$'000</i> (Audited)
Current to 90 days	418,205	364,359
91 days to 180 days	49,074	72,853
Over 180 days	61,791	37,791
	529,070	475,003

NOTES

12. SHARE CAPITAL

	30 June, 2014 <i>HK\$'000</i> (Unaudited)	31 December, 2013 <i>HK\$'000</i> (Audited)
Authorised:		
8,000,000,000 ordinary shares of HK\$0.025 each (2013: 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 (2013: 4,941,461,473 ordinary shares of HK\$0.025 each)	123,536	123,536

13. RELATED PARTY TRANSACTION

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

	For the six months ended 30 June,	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Sales of antibiotics to:		
– companies wholly-owned by a connected person (note a)	–	824
Operating lease rental payable to:		
– a company beneficially owned by a director (note b)	600	480
– a company beneficially owned by a director (note b)	2,264	1,865
Consultancy fee receivable from:		
– a company beneficially owned by connected persons (note c)	9,338	–

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.
- (c) Consultancy fee was based on services agreement entered into between the Group and connected persons with reference to the market prices.

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

At 30 June, 2014, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Notes	Capacity/Nature of interest	Number of shares held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations		
Mr. Tse Ping	(1)	Beneficial owner	90,000,000	720,417,815	810,417,815	16.40%
Ms. Cheng Cheung Ling	(2)	Beneficial owner	-	1,200,000,000	1,200,000,000	24.28%
Mr. Tse Hsin		Beneficial owner	18,408,000	-	18,408,000	0.37%
Mr. Tao Huiqi		Beneficial owner	3,599,999	-	3,599,999	0.07%

Notes:

- (1) Mr. Tse Ping held 720,417,815 shares through Validated Profits Limited. The entire issued share capital of which is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling held 700,000,000 shares and 500,000,000 shares through Chia Tai Bainian Holdings Limited and Remarkable Industries Limited, respectively. The entire issued share capital of each of the companies is owned by Ms. Cheng Cheung Ling.

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

Long position in shares of an associated corporation of the Company

Name of Director	Name of associated corporation	Notes	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Tse Ping	Beijing Tide	(a)	Interest of controlled corporations	288,000,000	57.6%
Ms. Cheng Cheung Ling	Beijing Tide	(b)	Interest of controlled corporations	288,000,000	57.6%
Mr. Zhang Baowen	Jiangsu Fenghai		Beneficial owner	32,333	0.35%
	CT Tianqing		Beneficial owner	229,250	0.18%
	NJCTT		Beneficial owner	26,583	0.53%
	Jiangsu Qingjiang		Beneficial owner	151,335	0.31%
	Qingdao Haier		Beneficial owner	22,680	0.3%
Mr. Xu Xiaoyang	Qingdao Haier		Beneficial owner	7,560	0.1%
Mr. Tse Hsin	CT Tianqing		Beneficial owner	229,250	0.18%
	NJCTT		Beneficial owner	26,583	0.53%

Notes:

- (a) Mr. Tse Ping holds interests in France Investment (China 1) Group Limited and Sino Biopharmaceutical Limited, respectively, which indirectly holds interests in Beijing Tide.
- (b) Ms. Cheng Cheung Ling holds interests in France Investment (China 1) Group Limited and Sino Biopharmaceutical Limited, respectively, which indirectly holds interests in Beijing Tide.

Saved as disclosed above, as at 30 June, 2014, 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 for Securities Transactions by Directors of Listed Companies.

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

As at 30 June, 2014, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long position in shares and/or underlying shares

Name	Notes	Capacity	Nature of interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	Long position	720,417,815	14.58%
Chia Tai Bainian Holdings Limited	(2)	Beneficial owner	Long position	700,000,000	14.17%
Remarkable Industries Limited	(2)	Beneficial owner	Long position	500,000,000	10.11%
JP Morgan Chase & Co.		Interest of controlled corporations	Long position	244,640,119	4.95%
JP Morgan Chase & Co.		Custodian corporation/ approved lending agent	Lending pool	161,437,415	3.26%

Notes:

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

Save as disclosed above, as at 30 June, 2014, no person (not being a Director or chief executive of the Company) had an interest 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 to ensure its sustainable growth. During the period under review, the Group has fulfilled this commitment through effective communications with local and overseas investors via various channels. These communications have facilitated investors' understanding of the Group's business and its latest business developments. The Group also understands the importance of good investor relations to corporate management, hence, efforts have also been undertaken to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

INVESTOR RELATIONS

During the period under review, the Group has proactively embarked on a number of initiatives to communicate the latest business information to investors in a timely fashion. It has participated in 6 major investor conferences and roadshows across Europe, the US and Asia. Major events included the “Morgan Stanley 5th Annual Hong Kong Investor Summit”, “32nd Annual J.P. Morgan Healthcare Conference” and “17th Credit Suisse Asian Investment Conference”. In addition, the Group has also arranged for a number of factory site visits, teleconferences and one-on-one meetings with international and domestic institutional investors. Altogether, these events have served to increase the knowledge of more than 400 potential major investors about the Group’s operations and the latest developments in its business, thus solidifying the confidence of shareholders, investors and customers in the Group’s performance and prospects.

Reflecting the success of its efforts in cultivating closer ties with the investment community, the Group has featured prominently in Institutional Investor Magazine’s “2014 All Asian Executive Team” rankings, selected first overall within the “Best IR Company in the Healthcare and Pharmaceuticals sector” category, as chosen by a poll of buy-side analysts. The Group also placed 15th in the “Most Honored Company” roster. These accolades highlight the positive opinions of more than 860 buy-side analysts and money managers and more than 650 sell-side analysts. The Group’s leading ranking in these prestigious lists clearly demonstrates the high recognition of the Group among the investment community.

In addition, the Group 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 corporate announcements in a timely manner 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 six months ended 30 June, 2014 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 four INEDs of the Company, two INEDs attended the annual general meeting (the “AGM”) of the Company held on 27 May, 2014 but two INEDs 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 have been set out in the 2013 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 consolidated financial statements of the Company for the six months ended 30 June, 2014.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 20 December, 2013, the Company has entered into a facility agreement (the “Facility Agreement”) with a consortium of various banks jointly led by Société Générale Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Mega International Commercial Bank Co., Ltd., Offshore Banking Branch for a three-year unsecured loan in the principal sum of USD165,000,000. Pursuant to the terms of the Facility Agreement, there are covenants regarding the shareholding of the Company to be retained by Mr. Tse Ping (“Mr. Tse”) and that Mr. Tse has to remain as chairman of the Group.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duties is to make recommendations to the Board in formulating policies on remuneration packages of directors and senior management. The Remuneration Committee is comprised of three INEDs namely Mr. Mei Xingbao as chairman and Mr. Lu Zhengfei and Ms. Li Jun as members.

NOMINATION COMMITTEE

The Company has established the Nomination Committee comprising Mr. Tse Ping as chairman and Mr. Lu Zhengfei, Ms. Li Jun and Mr. Mei Xingbao as members with written terms of reference in accordance with the requirement of the Corporate Governance Code. Its primary duty is to formulate nomination policies for board, recruitment policies of senior management and to review the board diversity policy from time to time to ensure its continued effectiveness.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2014 to 30 June, 2014, 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, 25 August, 2014