SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2008

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2008, the Group recorded the following operational results:

– Turnover was approximately HK$2,282.21 million, an increase of approximately 96% over the same period last year;

– Profit attributable to the Group was approximately HK$297.62 million, approximately 32.7% higher than the same period last year;

– Basic earnings per share were approximately HK13.15 cents, approximately 32.7% higher than the same period last year;

– Sales of new products accounted for approximately 32.1% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2008 was approximately HK$1,875.01 million.

For the year ended 31 December, 2008, the Board of Directors (the "Directors") of the Company recommended a final dividend payment of HK2 cents per share. Together with the quarterly dividend of HK1.5 cents paid in the first quarter, HK1.5 cents in the second quarter and HK1 cent in the third quarter, the total dividend for the year amounted to HK6 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 biotechnology and modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing biopharmaceutical medicines, modernized Chinese and chemical medicines. The Group has also, through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited ("CTRC"), entered into an agreement to establish a joint venture engaging in the refining of coal to olefin products in Yulin City, Shaanxi Province, the People's Republic of China (the "PRC").

The Group's products can be grouped under the two major therapeutic categories of cardio-cerebral diseases and hepatitis. It also actively develops medicines for treating tumors, analgesia, respiratory system diseases, diabetes and digestive system diseases to meet the increasing demands of the market, medical practitioners and patients.

Principal products:

Cardio-cerebral medicines:	Kaishi (Alprostadil) injections, Spring (Purarin) injections
Hepatitis medicines:	Ganlixin (Diammonium Glycyrrhizinate) injections and capsules, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebronate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections
Respiratory System medicines:	Tianqingzhengshu (Loratadine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release tablets, Beijia (Nateglinide) tablets

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"), Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. ("Fenghai"), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. ("Qingjiang") and Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. ("Haier") and jointly-controlled entity, Beijing Tide have been designated "High and New Technology Enterprises". Beijing Tide also received the "Key New and High Technology Enterprise" certificate from the High–tech Industry Development Center of the Ministry of Science and Technology of the PRC in June 2006.

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

The Group's website: http://www.sinobiopharm.com

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The pharmaceutical industry in the PRC recorded steady development in 2008 despite the challenging environment resulting from the global financial crisis and economic recession. The overall industry maintained stable production and operation. With strong sales activating the market, economic returns continued to improve. The achievement was mainly attributable to major governmental efforts in recent years in strengthening the medical and healthcare system of the country and consolidating a comprehensive medical assurance system. As the growth of the economy continues, coupled with the improvement of the living standard of the PRC population, their consumption over pharmaceutical products has also kept increasing. However, the cost of the industry also increased as a result of a number of external factors.

Business Review

During the year under review, the Group continued to focus on strengthening its business scope and capability and place utmost importance on ensuring that its products are safe and effective. It also kept on strengthening the management of its sales network and through academic marketing to promote the innovative technologies used in production, thereby enhanced the profile of the Company and its products. Furthermore, by adopting corporate management for JCTT, which has helped the integration of resources on research and development ("R&D") of new products and manufacturing and sales channels, the Group was able to improve operational efficiency and maintained notable growth of its business for the year. The Group's various principal products continued to constitute the leading market share in their respective therapeutic segments. The Group also laid emphasis on the R&D of new products and the protection of intellectual property rights. With our continuous efforts, the new products and their patented rights brought promising returns to the enterprises.

In the past year, the Group has obtained a stable development despite the global financial crisis. The Company not only has not laid off staff, but has continued to recruit suitable employees. Their salaries had also not been reduced but rather adjusted reasonably according to the market condition.

In 2006, the Company, through its wholly-owned subsidiary CTRC, signed a joint venture agreement with three companies to establish Shaanxi Xinxing Energy Chemical Industry Limited ("SXEC"), which it has 43% interest. SXEC will be engaged in the refining of coal to olefin in Shaanxi, the PRC. Taking into account the current relatively fluctuating price of petroleum, using cheaper coal as a new source of material for producing olefin has strategic value. Since it takes time to assess the impacts on the environment and water resources of such industrial projects, the project is still in the early preparation stage.

The Group recorded turnover of approximately HK$2,282.21 million during the year, an increase of approximately 96% against the same period last year. Profit attributable to the Group was approximately HK$297.62 million, approximately 32.7% higher than in the same period last year. Basic earnings per share were approximately HK13.15 cents, representing an increase of approximately 32.7% when compared with the corresponding period last year. Cash and bank balances totaled approximately HK$1,875.01 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 oncology medicines, analgesic medicines, diabetic medicines and respiratory medicines, etc.

The Group's principal profit contributors are JCTT, Beijing Tide, Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT") and Chia Tai Qingchunbao Pharmaceutical Co., Ltd..

Cardio-cerebral medicines

Cardio-cerebral medicines are manufactured mainly by Beijing Tide and NJCTT and accounted for approximately 17.1% of the Group's turnover. The segment's major product Kaishi injections produced by Beijing Tide works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market, which allows it to enjoy majority market share. Beijing Tide was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the year ended 31 December, 2008, sales of Kaishi injections amounted to approximately HK$602.31 million, an increase of approximately 24.4% as compared with the same period last year.

The Spring PVC-free soft bags for intravenous injections and the Spring injections manufactured by NJCTT are known for their stable quality since launched. NJCTT was named "Model Enterprise for Establishment of Quality and Trustful Medicines" by the PRC Pharmaceutical Quality Control Association in 2007. For the year ended 31 December, 2008, sales of the two products amounted to approximately HK$45.36 million, an increase of approximately 10.1% when compared with the same period last year.

The sales of Tianqingganan injections manufactured and sold by NJCTT have had satisfactory growth since launched in 2004. For the year ended 31 December, 2008, the product recorded sales of approximately HK$33.53 million, an increase of approximately 19.1% when compared with the same period last year.

NJCTT's Tianqingning injections, which was launched in 2006, is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the year ended 31 December, 2008, the product recorded sales of approximately HK$50.61 million, an increase of approximately 214.4% 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$1,142.42 million for the year ended 31 December, 2008 and accounted for approximately 50.1% of the Group's turnover.

JCTT mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the number 1 hepatitis medicine brand in the PRC. After the protection period of the product expired, many replicas have emerged into the market, resulting in intensified competition. 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$125.78 million in the reviewing year, representing a growth of approximately 56.9% 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. The product has bright prospects and recorded the sales of approximately HK$168.06 million, an increase of approximately 157% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain JCTT's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a new 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 year ended 31 December, 2008, its sales amounted to approximately HK$467.74 million, an approximately 107.5% increase when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. As a result of intense market competition, during the year ended 31 December, 2008, its price dropped and its sales amounted to approximately HK$112.46 million, a slight increase of approximately 9.1% when compared with the same period last year.

Oncology medicines

Tianqingyitai injections, Tianqingrian injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the year ended 31 December, 2008, sales of oncology medicines amounted to approximately HK$120.84 million, an increase of approximately 59.3% 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 year ended 31 December, 2008 amounted to approximately HK$129.29 million, approximately 94.7% higher than that as compared with the same period last year.

Diabetic medicines

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by JCTT. Taking into account that there are more than 30 million diabetics in the PRC and Taibai sustained release tablets has sustained release capability for keeping a patient's blood sugar level steady, the product is expected to record remarkable sales in future. For the year ended 31 December, 2008, the sales of the product have increased by approximately 64% as compared with the same period last year.

R&D

The Group continued to focus R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesia and respiratory system medicines. During the year under review, it received 18 production approvals and 14 clinical research approvals. Also, a total of 66 cases had completed clinical research, or were under clinical trial or applying for production approval, out of which, 16 cardio-cerebral medicines, 12 hepatitis medicines, 5 oncology medicines, 5 respiratory system medicines and 28 other medicines are being developed.

The Group emphasizes on "development of proprietary innovative medicines and generic drugs by itself as well as through coordination with other domestic and foreign parties" in order to improve the R&D standard and progress. In light of the fact that R&D continues to be the foundation of the development of the enterprises and that the government encourages the direction of innovative development, the Group continues to focus on the injection of resources towards R&D. In 2008, it invested approximately HK$87.58 million in R&D, which accounted for approximately 4% of turnover.

The Group also emphasizes on the protection of intellectual property rights. It encourages the active initiation of patent application in order to enhance the Group's core competitiveness. In 2008, the Group has filed 87 invention patents, 4 apparel design patents and 59 announced patents. It also obtained 74 invention patent rights. Together, the Group has obtained 206 invention patent rights, 3 utility model patent rights and 15 apparel design patent rights.

INVESTOR RELATIONS

The Group is dedicated to maintaining high level of transparency. During the year under review, the Group kept close contact and held teleconferences with financial analysts, fund managers and potential investors including Morgan Stanley Asia Limited, Goldman Sachs Gao Hua Securities Company Ltd., DBS Vickers (Hong Kong) Limited, OSK Hong Kong Holdings Limited and SBI E2-Capital (HK) Limited, to strengthen their understanding towards the Group's operations, business strategies and future development.

To further facilitate effective communication, the Group posts its annual and interim reports, quarterly, interim and annual results announcements, disclosure and circulars on its corporate website http://www.sinobiopharm.com and also the website of Hong Kong Exchanges and Clearing Limited, with the aim of maintaining a high degree of transparency in relation to disclosure of financial and other information to shareholders. The Group also informs the public about its latest business development by issuing press releases.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices (the "Code Provisions") 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 year ended 31 December, 2008 with the exception of the following deviation:–

> Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tse Ping is the Chairman and Chief Executive Officer of the Company. The board of Directors (the "Board") considers that Mr. Tse Ping's substantial experience in the pharmaceutical business and management will enhance the Company's decision making and operational efficiency. To help achieve a better balance of power and authority, the Chairman discusses important issues and decisions relating to the Group's business with other Executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, it was confirmed that all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year under review, the Group's primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited in 2005. As at 31 December, 2008, the Group's cash and bank balances was approximately HK$1,875.01 million (31 December, 2007: approximately HK$1,775.75 million).

AVAILABLE-FOR-SALE INVESTMENT

During the year under review, the total accumulated loss of the Group's available-for-sale investment recognized directly in the income statement amounted to approximately HK$25,522,000 (2007: approximately HK$9,979,000 directly recognized in equity).

CAPITAL STRUCTURE

As at 31 December, 2008, the Group had short term loans of approximately HK$102.22 million (31 December, 2007: approximately HK$36.98 million) and no long term loans (31 December, 2007: approximately HK$21.38 million).

CHARGE ON ASSETS

As at 31 December, 2008, the Group had no charge on assets (31 December, 2007: approximately HK$28,091,000).

CONTINGENT LIABILITIES

As at 31 December, 2008, the Group and the Company had no material contingent liabilities (31 December, 2007: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2008, the total assets of the Group amounted to approximately HK$3,267.38 million (31 December, 2007: approximately HK$2,582.10 million) whereas the total liabilities amounted to approximately HK$615.45 million (31 December, 2007: approximately HK$361.80 million). The gearing ratio (total liabilities over total assets) was approximately 18.8% (31 December, 2007: approximately 14.0%).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff costs (including Directors' remuneration) for the year were approximately HK$202,887,000 (2007: approximately HK$181,918,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

OUTLOOK AND PROSPECT

The Group believes the global financial crisis will lead to worldwide economic recession. As for the PRC economy, it will also be facing pressures from both cyclical and structural changes, causing the operating environment of the pharmaceutical industry to be harsh in 2009. However, as the important arena of medical treatment, the pharmaceutical industry will benefit from the active measures imposed by the government to stimulate the economy and push forward the medical and healthcare system reforms. Despite the pressure exerted from the government regulations and pricing control policy, the PRC pharmaceutical industry will be able to maintain steady growth. Also, the medical reform will inevitably change the pharmaceutical industry bringing to it more intense competition in 2009. Heeding that trend, enhancing corporate competitiveness and enlarging market share will be the primary tasks of players in the pharmaceutical industry in the coming year.

The Group would still place top focus on quality management of its products in the coming year in order to secure products safety and to safeguard brand competitiveness. Facing the intensified market competition, the Group would continue to strengthen marketing management with the injection of appropriate resources so as to strive for enlarging our market share. It would also quicken the R&D of new products and launch appropriate qualified products to the PRC pharmaceutical market in order to maintain the leading position in its therapeutic segments. Based on its strong foundation and ample capital position, the Group would seek to speed up growth through mergers and acquisitions and restructuring and consolidating its business operations, with the aim of expanding its strength and business scale.

At the coal to olefin business perspective, taking heed of the loomed global financial crisis, the Group will look for opportunities to secure cheaper source of material for producing olefin. The business is expected to bring stable and promising revenue to the Group and provide a new profit growth driver of the Group in the long run.

APPRECIATION

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

RESULTS

The Board announces the consolidated results of the Group for the year ended 31 December, 2008 together with the comparative consolidated results for 2007 as follows:

Condensed Consolidated Income Statement

	Notes	For the year ended 31 December, 2008 HK$'000	2007 HK$'000
REVENUE	4	**2,282,213**	1,164,274
Cost of sales		**(473,245)**	(205,764)
Gross profit		**1,808,968**	958,510
Other income and gains	4	**95,006**	98,367
Selling and distribution costs		**(876,591)**	(503,751)
Administrative expenses		**(305,493)**	(154,708)
Other expenses		**(112,492)**	(53,743)
Finance costs	5	**(9,135)**	(2,575)
Share of profit of an associate		**–**	216
PROFIT BEFORE TAX	6	**600,263**	342,316
Tax	7	**(118,260)**	(33,972)
PROFIT FOR THE YEAR		**482,003**	308,344
Attributable to:			
Equity holders of the parent		**297,615**	224,353
Minority interests		**184,388**	83,991
		482,003	308,344
DIVIDENDS			
– quarterly	8	**90,560**	90,560
– proposed final		**45,279**	45,279
		135,839	135,839
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic		**HK13.15 cents**	HK9.91 cents
– Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

	Notes	**31 December, 2008** *HK$'000*	31 December, 2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**584,102**	339,400
Prepaid land lease payments		**79,507**	29,282
Goodwill		**47,684**	44,322
Other intangible assets		**43,820**	29,804
Available-for-sale investments		**50,083**	63,895
Deferred tax assets		**3,405**	1,511
TOTAL NON-CURRENT ASSETS		**808,601**	508,214
CURRENT ASSETS			
Inventories		**185,244**	70,125
Trade receivables	*10*	**359,288**	199,751
Prepayments, deposits and other receivables		**36,819**	26,238
Due from related companies		**2,423**	2,020
Cash and bank balances	*11*	**1,875,005**	1,775,751
TOTAL CURRENT ASSETS		**2,458,779**	2,073,885
CURRENT LIABILITIES			
Trade payables	*12*	**74,413**	36,167
Other payables and accruals		**368,330**	227,608
Interest-bearing bank borrowings		**102,222**	36,980
Tax payable		**23,367**	18,292
Due to related companies		**11,287**	4,553
TOTAL CURRENT LIABILITIES		**579,619**	323,600
NET CURRENT ASSETS		**1,879,160**	1,750,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,687,761**	2,258,499
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		—	21,376
Deferred government grants		**7,882**	7,551
Deferred tax liabilities		**27,945**	428
Due to a related company		—	8,841
TOTAL NON-CURRENT LIABILITIES		**35,827**	38,196
NET ASSETS		**2,651,934**	2,220,303
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	*13*	**56,599**	56,599
Reserves		**2,127,050**	1,917,370
Proposed final dividend		**45,279**	45,279
		2,228,928	2,019,248
MINORITY INTERESTS		**423,006**	201,055
TOTAL EQUITY		**2,651,934**	2,220,303

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December, 2008. 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 significant inter-company transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

2. Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and revised amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations and amendments has had no significant effect on these financial statements.

HKAS39 and HKFRS7 Amendments	Amendments to *HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC) – Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC) – Int 12	*Service Concession Arrangements*
HK(IFRIC) – Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

3. SEGMENT INFORMATION

The Group is principally engaged in one business segment, the development, manufacture and sale of medicines, and most of its operations and assets are located in Mainland China. Therefore, no business segment or geographical segment is presented.

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, and dividend income from an unlisted investment.

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

	For the year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,272,788**	1,159,225
Dividend income	**9,425**	5,049
	2,282,213	1,164,274
Other income		
Bank interest income	**49,753**	81,273
Government grants	**13,582**	14,891
Sale of scrap materials	**5,786**	1,223
Others	**1,097**	939
	70,218	98,326
Gains		
Fair value gains, net		
Equity investments at fair value through profit or loss		
– held for trading	**13,838**	—
Derivative instrument		
– transaction not qualifying as hedges	**10,849**	—
Gain on disposal of property, plant and equipment	**101**	41
	24,788	41
Total other income and gains	**95,006**	98,367

5. FINANCE COSTS

	For the year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**9,135**	2,575

6. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Cost of sales	**473,245**	205,764
Depreciation	**39,894**	27,855
Recognition of prepaid land lease payments	**1,391**	726
Amortization of other intangible assets	**1,649**	1,106
Write off of other intangible assets	**6,223**	200
Research and development costs	**87,578**	49,988
Impairment of available-for-sale investment (after a transfer from the available-for-sale investment revaluation reserve of a deficit of HK$9,979,000)	**25,522**	–
Revaluation deficit of property, plant and equipment	**1,026**	–
Minimum lease payments under operating leases:		
Land and buildings	**9,504**	4,889
Auditors' remuneration	**2,294**	1,062
Staff costs (including directors' remuneration)		
– Wages and salaries	**195,421**	174,451
– Pension contributions	**7,466**	7,467
	202,887	181,918
Impairment of accounts receivable	**1,314**	1,094
Exchange differences, net	**(3,379)**	(198)

7. TAX

	For the year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**3,698**	–
Current – Mainland China income tax	**93,986**	41,002
Deferred tax	**20,576**	(7,030)
Total tax charge for the year	**118,260**	33,972

Hong Kong profit tax has been provided at a rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

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

8. DIVIDENDS

The Board has recommended a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2008 (2007: HK2 cents). The dividend will be paid to shareholders on Wednesday, 17 June, 2009 whose names appear on the Register of Members of the Company on Monday, 8 June, 2009.

The Register of Members of the Company will be closed from Friday, 5 June, 2009 to Monday, 8 June, 2009, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the final 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 Thursday, 4 June, 2009.

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

The calculation of basic earnings per share is based on the net profit attributable to shareholders of approximately HK$297,615,000 (2007: approximately HK$224,353,000) and the weighted average number of 2,263,968,736 (2007: 2,263,968,736) ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	For the year ended 31 December,	
	2008	2007
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**297,615**	224,353

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,263,968,736**	2,263,968,736

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 balance sheet dates, based on invoice date and net of provisions, is as follows:

	31 December, 2008	31 December, 2007
	HK$'000	*HK$'000*
Current to 90 days	**357,232**	161,477
91 days to 180 days	**1,322**	35,109
Over 180 days	**734**	3,165
	359,288	199,751

11. CASH AND BANK BALANCES

	31 December, 2008	31 December, 2007
	HK$'000	*HK$'000*
Cash and bank balances, unrestricted	**714,885**	265,107
Time deposits with original maturity of less than three months	**1,079,842**	1,415,180
Time deposits with original maturity of more than three months	**80,278**	95,464
	1,875,005	1,775,751

12. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the balance sheet dates, based on invoice date, is as follows:

	31 December, 2008	31 December, 2007
	HK$'000	*HK$'000*
Current to 90 days	**70,621**	33,032
91 days to 180 days	**1,901**	2,288
Over 180 days	**1,891**	847
	74,413	36,167

13. SHARE CAPITAL

	31 December, 2008 HK$'000	31 December, 2007 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each (2007: 4,000,000,000 ordinary shares of HK$0.025 each)	**100,000**	100,000
Issued and fully paid:		
2,263,968,736 ordinary shares of HK$0.025 each (2007: 2,263,968,736 ordinary shares of HK$0.025 each)	**56,599**	56,599

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

The Group has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of the independent non-executive directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed three INEDs including one with financial management expertise, details of their biographies will be set out in the 2008 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 condensed consolidated financial statements of the Company for the year ended 31 December, 2008.

CHANGES IN BOARD COMPOSITION

The Board announces that, with effect from 31 March, 2009, the following changes have taken place:

a) In order to better comply with the Code Provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, Mr. Tse Ping, currently the Chairman and Chief Executive Officer ("CEO") of the Company, will cease to act as CEO;

b) Mr. Zhang Baowen, currently an executive director of the Company, has been appointed as Vice Chairman of the Company; and

c) Mr. Xu Xiaoyang has been appointed as CEO and executive director of the Company.

Upon the appointment of Mr. Xu Xiaoyang as the CEO of the Company, the Company complies with Code Provision A.2.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Particulars of Mr. Zhang Baowen and Mr. Xu Xiaoyang are set out below:

Mr. Zhang Baowen

Mr. Zhang Baowen ("Mr. Zhang"), aged 52, is currently an Executive Director, an Executive Vice President and a senior engineer of the Company, and is principally responsible for the Group's business development and management. He is a graduate of Shenyang Pharmaceutical University with a Bachelor Degree in science. Mr. Zhang joined the Group in October, 1994 and has extensive experience in the pharmaceutical industry. Mr. Zhang was previously appointed as the head of the Group's investment division. He is also an executive director of various subsidiaries of the Company. Mr. Zhang is a member of the 20th and 21st committee of the China Medicine Association. He is the editor of the "China Pharmaceutical Technological Economics and Management Journal". He has over 26 years of experience in the pharmaceutical industry. Mr. Zhang has 5 invention patents and has released thesis in the United States of America.

Save for the positions mentioned above, Mr. Zhang has not previously held and is not holding any position with the Company or any of its subsidiaries. He has not held any directorship in any other listed company in the last three years. Mr. Zhang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Zhang has entered into a service agreement with the Company, which can be determined by either party with three months notice in writing served to the other side. Under the said agreement, his length of service with the Company is fixed at three years. Mr. Zhang has received HK$1,351,000 for the year ended 31 December, 2008 based on his anticipated time and effort exercised on the Company's matter.

Mr. Zhang currently owns 59,715 shares in Fenghai, 59,194 shares in Yancheng Suhai Pharmaceutical Co., Ltd., 229,250 shares in JCTT, 26,583 shares in NJCTT, 150,866 shares in Qingjiang and 22,680 shares in Haier, respectively. Save as disclosed above, Mr. Zhang does not have any interest or short position in 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 ("SFO").

Mr. Xu Xiaoyang

Mr. Xu Xiaoyang ("Mr. Xu"), aged 46, joined the Group in September, 2007 and served as President, senior engineer and practicing pharmacist of the Group. He is responsible for affairs with government authorities, management of various subsidiaries, certain investment projects and human resources of the Group. He obtained a Bachelor Degree in Industrial Science from Chinese Medicine Department of the Business Faculty of Harbin University of Commerce (previously known as "Heilongjiang Institute of Commerce"). Before joining the Group, he had worked as chief engineer and general manager in Tianjin Darentang Pharmaceutical Factory. In 1992, Mr. Xu was selected by the Sino-Japan Association for International Exchange of Talents for the Japan Association for Overseas Technical Scholarship ("AOTS") program and studied research and development and management for one year with Matsuura Yakugyo, Japan and obtained an education proof. He has also studied a Master Degree of Business Administration in Tianjin University of Finance and Economics during 1997 and 1998. In 1999, he also studied Business Administration in Technische Fachhochschule Berlin.

Mr. Xu is the leader in natural science technology segment in Tianjin, an expert in pricing strategy of the pharmaceutical products assessment centre of The National Development and Reform Commission, technical consultant of the China Chamber of Commerce of Medicines and Health Products Importers and Exporters, an expert in China Association of Traditional Chinese Medicines and a member of the Eighth editorial committee of “Chinese Herbs Magazine” and a member of the Tianjin Euro-American Students Association. Mr. Xu has several patents and released various thesis.

Save for the positions mentioned above, Mr. Xu has not previously held and is not holding any position with the Company or any of its subsidiaries. He has not held any directorship in any other listed company in the last three years. Mr. Xu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Xu has entered into a service agreement with the Company, which can be determined by either party with three months notice in writing served to the other side. Under the said agreement, his length of service with the Company is fixed at three years. Mr. Xu is entitled to an aggregate fee of HK$638,000 per annum on his anticipated time and effort to be exercised on the Company’s matter.

Mr. Xu currently owns 7,560 shares in Haier. Saved as disclosed above, Mr. Xu does not have any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Taking this opportunity, the Board would like to welcome Mr. Xu for joining the Board.

Mr. Tse Ping has confirmed that he has no disagreement with the Board and there are no other matters that need to be brought to the attention of the shareholders of the Company.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The relevant amendments to the Listing Rules in relation to the provision in the articles of association of a listed issuer have come into effect on 1 January, 2009.

The Board proposed that certain provisions in the articles of association (the “Articles”) of the Company be amended so as to align the Articles with the relevant provisions under the Listing Rules, details of which will be set out in a circular to be dispatched to shareholders in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year from 1 January, 2008 to 31 December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Sino Biopharmaceutical Limited
Tse Ping
Chairman

PRC, 31 March, 2009

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