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SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE, 2009

FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2009, the Group recorded the following operational results:

- Turnover was approximately HK\$1,572.38 million, an increase of approximately 49.4% over the same period last year;
- Profit attributable to the Group was approximately HK\$176.33 million, approximately 31.4% higher than the same period last year;
- Basic earnings per share were approximately HK7.47 cents, approximately 26% higher than the same period last year;
- Sales of new products accounted for approximately 22.9% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2009 was approximately HK\$1,888.79 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, 2009. Together with the quarterly dividend of HK1.5 cents per share paid in the first quarter, the total dividend of the two quarters amounted to HK3 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, 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 (Zolebrunate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections, Tianqingning (Hydroxyethylstarch 130) injections
Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules
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., Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. and Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. 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

Although the global economic recession triggered by the financial crisis continues, the PRC economy has stopped going downhill. In fact, it has stabilised and headed back on the uptrend posting a favourable overall outlook. With the economy becoming more stable, coupled with the implementation of the medical reform and the improvement of the medical and healthcare system of the country through the huge financial injection by the central government, demand in the PRC pharmaceutical market has rocketed, which contributed to the steady growth in both sales and profit recorded by the pharmaceutical industry in the first half of the year. However, the implementation of the medical reform has also brought more intense competition to the pharmaceutical industry in terms of scale, operation and distribution.

Business Review

During the period under review, the Group made product quality management its priority ensuring product safety and the competitiveness of the brand. At the same time, the Group continued to expand markets, strengthen management of the sales and marketing network and resources allocation, with the aim of enlarging market share and maintaining growth above the industry average level. The Group is dedicated to research and development ("R&D") of new products and improving its innovative capability that can enable it to continuously introduce quality products to the market, such as Tianqingganmei injections and Mingzheng capsules, and defend its leadership in specific therapeutic medicine areas.

The Group recorded turnover of approximately HK\$1,572.38 million during the period under review, an increase of approximately 49.4% against the same period last year. Profit attributable to the Group was approximately HK\$176.33 million, approximately 31.4% higher than in the same period last year. Basic earnings per share were approximately HK7.47 cents, representing an increase of approximately 26% when compared with the corresponding period last year. Cash and bank balances totaled approximately HK\$1,888.79 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, respiratory medicines and digestive system 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 18.8% of the Group's turnover. The segment's major product Kaishi injections produced by Beijing Tide works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market, which allows it to enjoy majority market share. Beijing Tide was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the six months ended 30 June, 2009, sales of Kaishi injections amounted to approximately HK\$361.10 million, an increase of approximately 23.9% as compared with the same period last year.

The Spring PVC-free soft bags for intravenous injections and the Spring injections manufactured by NJCTT are known for their stable quality since launched. NJCTT was named "Model Enterprise for Establishment of Quality and Trustful Medicines" by the PRC Pharmaceutical Quality Control Association in 2007. For the six months ended 30 June, 2009, sales of the two products amounted to approximately HK\$28.66 million, an increase of approximately 12.1% when compared with the same period last year.

The sales of Tianqinggan injections manufactured and sold by NJCTT have had satisfactory growth since launched in 2004. For the six months ended 30 June, 2009, the product recorded sales of approximately HK\$23.92 million, an increase of approximately 26.3% when compared with the same period last year.

NJCTT's Tianqingning injections, which was launched in 2006, is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the six months ended 30 June, 2009, the product recorded sales of approximately HK\$49.33 million, a remarkable increase of approximately 99.3% 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\$756.40 million for the six months ended 30 June, 2009 and accounted for approximately 48.1% 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\$85.06 million in the reviewing period, representing a growth of approximately 68.1% 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\$151.46 million, a strong increase of approximately 145.2% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain JCTT's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a 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 six months ended 30 June, 2009, its sales amounted to approximately HK\$311.11 million, an approximately 46.4% increase when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. During the six months ended 30 June, 2009, sales amounted to approximately HK\$56.57 million, an increase of approximately 9.2% 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 six months ended 30 June, 2009, sales of oncology medicines amounted to approximately HK\$80.89 million, an increase of approximately 39.7% as compared with the same period last year.

Analgesic medicines

Launched in 2005, the analgesic medicine Kaifen injections is developed and manufactured by Beijing Tide. It is a Flurbiprofen Axetil microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is famous for strong pain relieving effect with minimal side effects and has been well received by medical practitioners and patients since launched. Sales of the product for the six months ended 30 June, 2009 amounted to approximately HK\$86.33 million, approximately 59.5% significantly higher than that as compared with the same period last year.

Diabetic medicines

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by JCTT. There are more than 30 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilise a patient's blood sugar level. For the six months ended 30 June, 2009, the sales of the product have amounted to HK\$15.66 million, a large increase by approximately 60.9% 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 period under review, it received 6 production approvals and 1 clinical research approval. 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, 6 oncology medicines, 5 respiratory system medicines and 27 other medicines are being developed.

The Group emphasizes on “development of proprietary innovative medicines and generic drugs by itself as well as through coordination with other domestic and foreign parties” in order to improve the R&D standard and progress. In light of the fact that R&D continues to be the foundation of the development of the enterprises and that the government encourages the direction of innovative development, the Group continues to focus on the injection of resources towards R&D. For the six months ended 30 June, 2009, it invested approximately HK\$88.53 million in R&D, which accounted for approximately 5.6% of turnover.

The Group also emphasizes on the protection of intellectual property rights. It encourages the active initiation of patent application in order to enhance the Group's core competitiveness. During the period under review, the Group has filed 6 invention patents. It also obtained 2 invention patent rights and 3 apparel design patents. Together, the Group has obtained 204 invention patent rights, 3 utility model patent rights and 18 apparel design patent rights.

INVESTOR RELATIONS

The Group believes that maintaining communication and operational transparency is vital to building good investor relations. To this end, during the period under review, the management conducted teleconferences with domestic and foreign institutional investors to update them on the latest business development and explain the core competitiveness and investment value of the Company.

During the period under review, the Group had organized teleconferences with approximately 20 investors including DBS Vickers (Hong Kong) Ltd., CCB International Asset Management Limited, Value Partners Group Limited, First Shanghai Securities Ltd., SG Asset Management (Hong Kong) Limited, Quam Asset Management Limited, Ample Capital Limited, Martin Currie Investment Management Limited, Kingsway Capital Limited and PinPoint Asset Management Co., Ltd., etc. These activities not only enhanced transparency of the Group, but have also strengthened the confidence of shareholders, investors and customers towards the Group.

In addition to the mandatory interim and annual financial reporting, the Group also takes the initiative to disclose its results quarterly to enhance corporate transparency.

The Group posts its annual report and interim report, quarterly, interim and annual results announcements, and other disclosures and circulars on the Company's website and the website of Hong Kong Exchanges and Clearing Limited. At the same time, it also issues new releases and holds media briefing on development made or the financial status of the Group to ensure high quality disclosure, financial or otherwise, to shareholders, the media as well as the public.

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 six months ended 30 June, 2009 with the exception of the following deviation:-

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. Mr. Tse Ping was the Chairman and CEO 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.

On 31 March, 2009, Mr. Xu Xiaoyang has been appointed as the CEO of the Company. Upon his appointment as the CEO, the Company complies with Code Provision A.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period under review, the Group's primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited in 2005. As at 30 June, 2009, the Group's bank balance and cash in hand was approximately HK\$1,888.79 million (31 December, 2008: approximately HK\$1,875.01 million).

CAPITAL STRUCTURE

As at 30 June, 2009, the Group had short term loans of approximately HK\$53.33 million (31 December, 2008: approximately HK\$102.22 million) and no long term loans (31 December, 2008: Nil).

CHARGE ON ASSETS

As at 30 June, 2009, the Group had no charge on assets (31 December, 2008: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2009, the Group and the Company had no material contingent liabilities (31 December, 2008: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2009, the total assets of the Group amounted to approximately HK\$3,552.20 million (31 December, 2008: approximately HK\$3,267.38 million) whereas the total liabilities amounted to approximately HK\$819.83 million (31 December, 2008: approximately HK\$615.45 million). The gearing ratio (total liabilities over total assets) was approximately 23.1% (31 December, 2008: approximately 18.8%).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff costs (including Directors' remuneration) for the period under review were approximately HK\$176,635,000 (2008: approximately HK\$116,560,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

OUTLOOK AND PROSPECT

The Group believes that with the official publication of the new medical reform plan and the implementation of the national medicine system, it will enhance the PRC pharmaceutical and healthcare reform and further expand the demand of the PRC pharmaceutical market, bringing enormous opportunities to the pharmaceutical enterprises and continued growth momentum for pharmaceutical industry. It will also bring about in-depth effect and changes to all different parts of the industry chain from “production to distribution to consumption”.

In addition, as the international financial crisis is not over, the effect of overall economic condition on the PRC economy and pharmaceutical industry is yet to reveal, coupled with the introduction of the national basic pharmaceutical guidelines shortly which leads to laying down of pricing policies and new GMP requirements, all the above factors will underlie a challenging operating environment and will impose more intense competition for the industry in future.

The Group will continue to strengthen product quality management to ensure product safety and maintain brand competitiveness. At the same time, it will continue to expand its sales network and channels and enhance resources management and allocation so as to enlarge market share. To maintain leadership in the different therapeutic segments, the Group will hasten R&D of new products. It will also seek to speed up business development and growth through mergers and acquisitions and restructuring.

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. 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.

APPRECIATION

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

RESULTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June, 2009 together with the comparative consolidated results for 2008 as follows:

Condensed Consolidated Income Statement

		For the six months ended 30 June,	
		2009	2008
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
REVENUE	3	1,572,379	1,052,456
Cost of sales		<u>(345,012)</u>	<u>(236,650)</u>
Gross profit		1,227,367	815,806
Other income and gains	3	27,718	48,854
Selling and distribution costs		(632,111)	(389,049)
Administrative expenses		(166,228)	(128,026)
Other expenses		(99,423)	(70,942)
Finance costs	4	<u>(2,516)</u>	<u>(6,076)</u>
PROFIT BEFORE TAX	5	354,807	270,567
Tax	6	<u>(64,465)</u>	<u>(63,902)</u>
PROFIT FOR THE PERIOD		<u>290,342</u>	<u>206,665</u>
Attributable to:			
Equity holders of the parent		176,332	134,220
Minority interests		<u>114,010</u>	<u>72,445</u>
		<u>290,342</u>	<u>206,665</u>
DIVIDENDS			
– quarterly	7	<u>79,239</u>	<u>67,919</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		<u>HK7.47 cents</u>	<u>HK5.93 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	290,342	206,665
Other comprehensive income		
Exchange difference arising on translation to presentation currency	<u>2,410</u>	<u>49,676</u>
Total comprehensive income for the period	<u>292,752</u>	<u>256,341</u>
Total comprehensive income attributable to:		
Equity holders of the company	179,191	169,246
Minority interests	<u>113,561</u>	<u>87,095</u>
	<u>292,752</u>	<u>256,341</u>

Condensed Consolidated Statement of Financial Position

		30 June, 2009 HK\$'000 (Unaudited)	31 December, 2008 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		672,781	584,102
Prepaid land lease payments		79,211	79,507
Goodwill		47,681	47,684
Other intangible assets		42,922	43,820
Available-for-sale investments		29,820	50,083
Deferred tax assets		3,628	3,405
TOTAL NON-CURRENT ASSETS		876,043	808,601
CURRENT ASSETS			
Inventories		176,620	185,244
Trade receivables	9	483,241	359,288
Prepayments, deposits and other receivables		124,423	36,819
Due from related companies		3,083	2,423
Cash and bank balances	10	1,888,792	1,875,005
TOTAL CURRENT ASSETS		2,676,159	2,458,779
CURRENT LIABILITIES			
Trade payables	11	112,800	74,413
Other payables and accruals		576,287	368,330
Interest-bearing bank borrowings		53,326	102,222
Tax payable		25,848	23,367
Due to related companies		2,744	11,287
TOTAL CURRENT LIABILITIES		771,005	579,619
NET CURRENT ASSETS		1,905,154	1,879,160
TOTAL ASSETS LESS CURRENT LIABILITIES		2,781,197	2,687,761
NON-CURRENT LIABILITIES			
Deferred government grants		11,629	7,882
Deferred tax liabilities		37,191	27,945
TOTAL NON-CURRENT LIABILITIES		48,820	35,827
NET ASSETS		2,732,377	2,651,934
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	12	75,466	56,599
Reserves		2,208,135	2,127,050
Proposed final dividend		—	45,279
MINORITY INTERESTS		2,283,601	2,228,928
TOTAL EQUITY		448,776	423,006
		2,732,377	2,651,934

1. BASIS OF PREPARATION

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

The condensed consolidated financial information should be read in conjunction with the 2008 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2008.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June, 2009. 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 period 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. SEGMENT INFORMATION

The Group is principally engaged in one business segment which is 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.

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, and dividend income from an unlisted investment.

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

	For the six months ended 30 June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	1,563,705	1,043,031
Dividend income	8,674	9,425
	<u>1,572,379</u>	<u>1,052,456</u>
Other income		
Bank interest income	5,959	26,032
Government grants	688	277
Sale of scrap materials	7,359	5,044
Others	13,220	17,501
	<u>27,226</u>	<u>48,854</u>
Gains		
Gain on disposal of property, plant and equipment	492	—
	<u>492</u>	<u>—</u>
Total other income and gains	<u>27,718</u>	<u>48,854</u>

4. FINANCE COSTS

	For the six months ended 30 June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	<u>2,516</u>	<u>6,076</u>

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	345,012	236,650
Depreciation	24,038	21,852
Recognition of prepaid land lease payments	413	170
Amortization of other intangible assets	1,085	2,581
Research and development costs	88,531	60,814
Minimum lease payments under operating leases:		
Land and buildings	3,610	4,234
Auditors' remuneration	1,140	562
Staff costs (including directors' remuneration)		
– Wages and salaries	163,631	108,285
– Pension contributions	13,004	8,275
	<u>176,635</u>	<u>116,560</u>
Impairment of accounts receivable	4,923	10,116
Exchange differences, net	210	(4,301)
	<u><u>184,788</u></u>	<u><u>130,250</u></u>

6. TAX

	For the six months ended 30 June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group:		
Current – Mainland China income tax	55,220	57,706
Deferred tax	9,245	6,196
	<u>64,465</u>	<u>63,902</u>
Total tax charge for the period	<u><u>64,465</u></u>	<u><u>63,902</u></u>

Hong Kong profits tax has been provided at a rate of 16.5% (2008: 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.

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.

7. DIVIDENDS

The Board has declared a second quarter dividend of HK1.5 cents per ordinary share for the three months ended 30 June, 2009 (2008: HK1.5 cents). The dividend will be paid to shareholders on Wednesday, 14 October, 2009 whose names appear on the Register of Members of the Company on Wednesday, 30 September, 2009.

The Register of Members of the Company will be closed from Monday, 28 September, 2009 to Wednesday, 30 September, 2009, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the second quarter 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 Friday, 25 September, 2009.

8. 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\$176,332,000 (2008: approximately HK\$134,220,000) and the weighted average number of 2,359,864,281 (2008: 2,263,968,736) ordinary shares in issue during the period.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>176,332</u>	<u>134,220</u>
	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>2,359,864,281</u>	<u>2,263,968,736</u>

9. 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:

	30 June, 2009 HK\$'000 (Unaudited)	31 December, 2008 HK\$'000 (Audited)
Current to 90 days	447,640	357,232
91 days to 180 days	29,336	1,322
Over 180 days	6,265	734
	483,241	359,288

10. CASH AND BANK BALANCES

	30 June, 2009 HK\$'000 (Unaudited)	31 December, 2008 HK\$'000 (Audited)
Cash and bank balances, unrestricted	560,968	714,885
Time deposits with original maturity of less than three months	1,253,867	1,079,842
Time deposits with original maturity of more than three months	73,957	80,278
	1,888,792	1,875,005

11. TRADE PAYABLES

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

	30 June, 2009 HK\$'000 (Unaudited)	31 December, 2008 HK\$'000 (Audited)
Current to 90 days	102,662	70,621
91 days to 180 days	5,474	1,901
Over 180 days	4,664	1,891
	112,800	74,413

12. SHARE CAPITAL

	30 June, 2009 HK\$'000 (Unaudited)	31 December, 2008 HK\$'000 (Audited)
<i>Authorised:</i>		
4,000,000,000 ordinary shares of HK\$0.025 each (2008: 4,000,000,000 ordinary shares of HK\$0.025 each)	100,000	100,000
<i>Issued and fully paid:</i>		
3,018,624,982 ordinary shares of HK\$0.025 each (2008: 2,263,968,736 ordinary shares of HK\$0.025 each)	75,466	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 have been 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 unaudited condensed consolidated financial statements of the Company for the six months ended 30 June, 2009.

BONUS ISSUE OF SHARES

During the period under review, the shareholders have passed the resolution approving the bonus issue of shares in the proportion of 1 share for every 3 existing shares held on 8 June, 2009 at an extraordinary general meeting held also on 8 June, 2009.

Dealings in the said bonus shares has commenced on 30 June, 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2009 to 30 June, 2009, 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, 9 September, 2009

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