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, 2009

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2009, the Group recorded the following operational results:

– Turnover was approximately HK$3,243.65 million, an increase of approximately 42.1% over the same period last year;

– Profit attributable to the Group was approximately HK$396.96 million, approximately 33.4% higher than the same period last year;

– After the adjustment of the weighted average number of ordinary shares arising from the issuance of bonus shares in June and December 2009, respectively, the basic earnings per share were approximately HK8.77 cents, approximately 33.5% higher than the same period last year;

– Sales of new products accounted for approximately 22.8% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2009 was approximately HK$1,827.31 million.

The Board of Directors (the "Directors") of the Company recommended a final dividend payment of HK2 cents per share for the year ended 31 December, 2009. Together with the quarterly dividend of HK1.5 cents per share paid in the first quarter, HK1.5 cents in the second quarter and HK1.5 cents in the third quarter, the total dividend for the year amounted to HK6.5 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:	Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebronate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

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. Since then, the Japanese pharmaceutical enterprises have assigned the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide and have exported 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 Company has been selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Facing the severe conditions brought about by the economic downturn resulting from the global financial crisis which erupted in late 2008, the PRC Government began to implement an economic stimulus policy together with a loose monetary policy in 2009. These efforts have laid a foundation for rapid economic recovery of the country. With the economic condition stabilising, the launching of "New Medical Reform Plan", "National Basic Medicine Catalogue Fundamental Version" and "Medical Insurance Catalogue" together with strong financial support from the PRC government in the medical and health system reforms, domestic demand in the PRC pharmaceutical market rapidly expanded. This in turn allowed the pharmaceutical industry to maintain relatively fast yet steady growth in the past year and thus helped the pharmaceutical manufacturing industry to maintain stable growth in sales and profit.

Business Review

During the year under review, despite the world-wide financial crisis which led to the economic downturn that resulted in the tough operating environment, the Group continued to focus on consolidating the strength and scope of its business and achieved steady growth. With emphasis on quality management, it was able to maintain high quality of its products and brand competitiveness. The Group also strived to expand its sales network and channels, which allowed it to establish growth of a number of major products in specific therapeutic pharmaceutical areas while maintaining a leading market share within the highly competitive market. As a result, the Group continued to enjoy satisfactory performance with notable growth. 148 products of the Group have been included in "National Medical Insurance Catalogue 2009 Version". Through our sustained dedication to research and development ("R&D") of new products and efforts to protect its intellectual property in the past years, the Group has also gained huge benefits from its new products and invention patents.

The Group recorded turnover of approximately HK$3,243.65 million during the year, an increase of approximately 42.1% against the same period last year. Profit attributable to the Group was approximately HK$396.96 million, approximately 33.4% higher than in the same period last year. Basic earnings per share were approximately HK8.77 cents, representing an increase of approximately 33.5% when compared with the corresponding period last year. Cash and bank balances totaled approximately HK$1,827.31 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 18.9% 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, 2009, sales of Kaishi injections amounted to approximately HK$757.69 million, an increase of approximately 24.3% 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, 2009, sales of the two products amounted to approximately HK$54.55 million, an increase of approximately 18.8% 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, 2009, the product recorded sales of approximately HK$49.53 million, an increase of approximately 45.9% 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, 2009, the product recorded sales of approximately HK$103.20 million, a remarkable increase of approximately 101.4% 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$1,565.70 million for the year ended 31 December, 2009 and accounted for approximately 48.3% of the Group's turnover.

JCTT mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the number 1 hepatitis medicine brand in the PRC. For the year ended 31 December, 2009, its sales amounted to approximately HK$239.57 million, an approximately 12.2% decrease when compared with the same period last year. After the protection period of the product expired, many replicas have emerged into the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine continued to increase to approximately HK$183.68 million in the reviewing year, representing a growth of approximately 44.2% when compared with the same period last year. In 2005, JCTT launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. During the year, the product has bright prospects and recorded the sales of approximately HK$333.86 million, a strong increase of approximately 96.2% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain JCTT's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the year ended 31 December, 2009, its sales amounted to approximately HK$634.05 million, an approximately 33.9% increase when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. For the year ended 31 December, 2009, sales amounted to approximately HK$110.83 million, a slight decrease of approximately 2.7% 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, 2009, sales of oncology medicines amounted to approximately HK$181.91 million, an increase of approximately 48.7% 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 year ended 31 December, 2009 amounted to approximately HK$191.17 million, approximately 46.0% 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 year ended 31 December, 2009, the sales of the product have amounted to HK$32.96 million, a large increase by approximately 56.7% 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 3 new product approvals, 1 import registration approval, 16 production approvals and 6 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, 13 cardio-cerebral medicines, 12 hepatitis medicines, 6 oncology medicines, 5 respiratory system medicines and 30 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 year ended 31 December, 2009, it invested approximately HK$158.30 million in R&D, which accounted for approximately 4.9% 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 year under review, the Group has filed 16 invention patents. It also obtained 21 invention patent rights and 5 apparel design patents. Together, the Group has obtained 218 invention patent rights, 3 utility model patent rights and 20 apparel design patent rights.

INVESTOR RELATIONS

The Group is dedicated to maintaining high level of corporate governance. To keep close contact with investors, it provides timely updates of the latest information and business development of the Group in due course to enhance their confidence. Efforts have also been made to collect more information from investors and valuable opinion via clear communication channels with investors to further enhance corporate governance.

During the year under review, the Group proactively undertook initiatives to announce the latest information about the business to investors. For example, it has organised conferences with various international and local institutional investors including but not limited to Value Partners Limited, SG Asset Management (Hong Kong) Ltd., CCB International Asset Management Limited, ICBC (Asia) Investment Management Company Limited, Primero Investment Limited, First Shanghai Assets Management Ltd. and Quam Asset Management Limited, to strengthen their knowledge about the Group's operations and its latest developments, and thus solidify the confidence of shareholders, investors and customers.

In addition, the Group also posts its annual and interim reports, and issues quarterly, interim and annual results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also issues news releases and holds media briefings to inform shareholders and investors about its latest development, so as to further maintaining high transparency.

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, 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 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, 2009, the Group's bank balance and cash in hand was approximately HK$1,827.31 million (31 December, 2008: approximately HK$1,875.01 million).

CAPITAL STRUCTURE

As at 31 December, 2009, the Group had short term loans of approximately HK$1.14 million (31 December, 2008: approximately HK$102.22 million).

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

ASSETS AND GEARING RATIO

As at 31 December, 2009, the total assets of the Group amounted to approximately HK$3,766.32 million (31 December, 2008: approximately HK$3,267.38 million) whereas the total liabilities amounted to approximately HK$738.38 million (31 December, 2008: approximately HK$615.45 million). The gearing ratio (total liabilities over total assets) was approximately 19.6% (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 year were approximately HK$249,937,000 (2008: approximately HK$202,887,000).

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 pharmaceutical market will benefit in the long run with the gradual rationalisation of the PRC medical system, which in particular will create enormous opportunities for PRC pharmaceutical enterprises. Moreover, the PRC government continued to step up its financial support and has introduced more favourable policies to facilitate the technological innovation in the pharmaceutical sector. The Government launched a series of medicine-related policies ranging from registration, pricing to clinical usage, which revealed its support for enterprises in the pursuit of innovation. The Group therefore believes that the PRC pharmaceutical industry will continue to maintain steady development, with the growth of the industry rooted in steady track.

However, with the launching of a series of new management policies of the pharmaceutical industry in 2010, of which the Pharmacopoeia (2010 edition) will be implemented from 1 July, it is expected that the standard of pharmaceutical products be raised and the second round consultation about the new GMP draft edition indicates that the GMP of the domestic medicines are to be aligned with international ones. In addition, the PRC government has tightened administration and adopted more stringent regulations controlling the sales of pharmaceutical products, and various standards governing the management of pharmaceutical products, which are expected to cause a heavier burden of costs for industry players, as well as will lead to intensified competition while changing, segregating and upgrading the industry.

In the year ahead, product quality management will continue to be a priority for the Group with particular attention to ensuring product safety as well as the collateral benefit maintaining the competitiveness of the brand. At the same time, the Group continued to attract and foster the talents, expand its sales network and channels, through strengthening of its management and optimising resources allocation, with the aim of enlarging market share. The Group also continues to dedicate more effort to R&D of new products to maintain its leadership in specific therapeutic pharmaceutical areas. The Group would evaluate mergers and acquisitions as a means to speed up growth as well as restructuring and consolidating its business operations, with the aim of strengthening its competitive position and expanding its scope of business.

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.

EVENT AFTER THE REPORTING PERIOD

In January, 2010, the Company has announced a top-up placing of existing shares and subscription of new shares under general mandate whereby China Life Insurance (Overseas) Company, Limited, CITIC Securities International Investment Management (HK) Limited, for China Alpha II Fund and CITIC Securities International Investment Management (HK) Limited, for CITIC Securities Alpha Leaders Fund have purchased 200,000,000, 27,500,000 and 27,500,000 shares of the Company, respectively, at HK$2.1 per share.

With the introduction of the strategic shareholders, it further enlarges the capital base of the Company, enabling it to more actively pursue future development opportunities.

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, 2009 together with the comparative consolidated results for 2008 as follows:

Condensed Consolidated Income Statement

		For the year ended 31 December,	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,243,649**	2,282,213
Cost of sales		**(639,636)**	(473,245)
Gross profit		**2,604,013**	1,808,968
Other income and gains	*4*	**53,225**	95,006
Selling and distribution costs		**(1,287,499)**	(876,591)
Administrative expenses		**(416,852)**	(305,493)
Other expenses		**(151,568)**	(112,492)
Finance costs	*5*	**(2,773)**	(9,135)
Share of profits of an associate		**929**	–
PROFIT BEFORE TAX	*6*	**799,475**	600,263
Tax	*7*	**(135,028)**	(118,260)
PROFIT FOR THE YEAR		**664,447**	482,003
Profit attributable to:			
Equity holders of the parent		**396,962**	297,615
Minority interests		**267,485**	184,388
		664,447	482,003
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic		**HK8.77 cents**	HK6.57 cents
– Diluted		**N/A**	N/A

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the year ended 31 December, 2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR		**664,447**	482,003
OTHER COMPREHENSIVE INCOME			
Gains on property revaluation		**38,081**	2,510
Income tax effect		**(8,502)**	(516)
		29,579	1,994
Available-for-sale assets:			
Change in fair value		–	9,979
Exchange differences on translation of foreign operations		**(9,426)**	54,832
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**20,153**	66,805
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**684,600**	548,808
Total comprehensive income attributable to:			
Equity holders of the parent		**415,218**	345,519
Minority interests		**269,382**	203,289
		684,600	548,808

Condensed Consolidated Financial Position

	Notes	31 December, 2009 HK$'000	31 December, 2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**895,289**	584,102
Prepaid land lease payments		**77,675**	79,507
Goodwill		**47,684**	47,684
Other intangible assets		**55,034**	43,820
Interests in an associate		**6,918**	–
Available-for-sale investments		**29,820**	50,083
Deferred tax assets		**14,072**	3,405
TOTAL NON-CURRENT ASSETS		**1,126,492**	808,601
CURRENT ASSETS			
Inventories		**211,368**	185,244
Trade receivables	*10*	**479,034**	359,288
Prepayments, deposits and other receivables		**64,916**	36,819
Equity investments at fair value through profit or loss		**53,898**	–
Due from related companies		**3,300**	2,423
Cash and bank balances	*11*	**1,827,313**	1,875,005
TOTAL CURRENT ASSETS		**2,639,829**	2,458,779
CURRENT LIABILITIES			
Trade payables	*12*	**123,092**	74,413
Other payables and accruals		**526,793**	368,330
Interest-bearing bank borrowings		**1,136**	102,222
Tax payable		**33,236**	23,367
Due to related companies		**2,747**	11,287
TOTAL CURRENT LIABILITIES		**687,004**	579,619
NET CURRENT ASSETS		**1,952,825**	1,879,160
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,079,317**	2,687,761
NON-CURRENT LIABILITIES			
Deferred government grants		**10,581**	7,882
Deferred tax liabilities		**40,792**	27,945
TOTAL NON-CURRENT LIABILITIES		**51,373**	35,827
NET ASSETS		**3,027,944**	2,651,934
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	*13*	**113,198**	56,599
Reserves		**2,265,491**	2,127,050
Proposed final dividend		**95,659**	45,279
		2,474,348	2,228,928
MINORITY INTERESTS		**553,596**	423,006
TOTAL EQUITY		**3,027,944**	2,651,934

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 Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of 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 (collectively referred to as the "Group") for the year ended 31 December, 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 income, expenses and unrealized gains and losses resulting from inter-company transactions and balances within the Group are eliminated on consolidation in full.

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. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July, 2009)*

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial statements.

ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First--time Adoption of International Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption International Financial Reporting Standards* – Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19 Amendments	Extinguishing Financial Liabilities with Equity Instruments[4]
to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July, 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January, 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July, 2009
[2] Effective for annual periods beginning on or after 1 January, 2010
[3] Effective for annual periods beginning on or after 1 February, 2010
[4] Effective for annual periods beginning on or after 1 July, 2010
[5] Effective for annual periods beginning on or after 1 January, 2011
[6] Effective for annual periods beginning on or after 1 January, 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments as follows:

(a) the modernized Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of the modernized Chinese medicine products and chemical medicine products;

(b) the investment segment is engaged in long term investment; and

(c) the other segment comprises, principally, the Group's R&D sector which provides services to third-party.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations.

Segment assets exclude deferred tax assets and interest in an associate as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

The segment results for the year ended 31 December, 2009

	Modernized Chinese and chemical medicines *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue:				
Sales to external customers	**3,231,327**	**–**	**3,648**	**3,234,975**
Dividend income	**–**	**8,674**	**–**	**8,674**
Total	**3,231,327**	**8,674**	**3,648**	**3,243,649**
Segment results	**853,535**	**14,353**	**(14,920)**	**852,968**
Interest income and unallocated gains				**21,436**
Unallocated expenses				**(75,858)**
Share of profit of an associate				**929**
Profit before tax				**799,475**
Tax				**(135,028)**
Profit for the year				**664,447**
Assets and liabilities				
Segment assets	**3,664,865**	**38,717**	**41,749**	**3,745,331**
Interest in an associate				**6,918**
Other unallocated assets				**14,072**
Total assets				**3,766,321**
Segment liabilities	**663,296**	**–**	**1,053**	**664,349**
Other unallocated liabilities				**74,028**
Total liabilities				**738,377**
Other segment information:				
Depreciation and amortisation	**59,822**	**–**	**2,273**	**62,095**
Capital expenditure	**352,096**	**–**	**1,997**	**354,093**
Other non-cash expenses	**7,537**	**–**	**–**	**7,537**

The segment results for the year ended 31 December, 2008

	Modernized Chinese and chemical medicines *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue:				
Sales to external customers	2,272,015	–	773	2,272,788
Dividend income	–	9,425	–	9,425
Total	2,272,015	9,425	773	2,282,213
Segment results	575,665	33,827	(12,318)	597,174
Interest income and unallocated gains				50,951
Unallocated expenses				(47,862)
Profit before tax				600,263
Tax				(118,260)
Profit for the year				482,003
Assets and liabilities				
Segment assets	3,212,839	39,450	11,686	3,263,975
Other unallocated assets				3,405
Total assets				3,267,380
Segment liabilities	560,585	480	3,069	564,134
Other unallocated liabilities				51,312
Total liabilities				615,446
Other segment information:				
Depreciation and amortisation	40,289	–	2,646	42,935
Capital expenditure	234,494	–	434	234,928
Other non-cash expenses	7,466	–	–	7,466

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,	
	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,234,975**	2,272,788
Dividend income	**8,674**	9,425
	3,243,649	2,282,213
Other income		
Bank interest income	**15,460**	49,753
Government grants	**12,130**	13,582
Sale of scrap materials	**12,996**	5,786
Revaluation surplus of property, plant and equipment	**1,008**	–
Others	**5,976**	1,097
	47,570	70,218
Gains		
Fair value gains, net		
Equity investments at fair value through profit or loss		
– held for trading	**4,862**	13,838
Derivative instrument		
– transaction not qualifying as hedges	**–**	10,849
Gain on disposal of property, plant and equipment	**–**	101
Gain on disposal of available-for-sale investments	**793**	–
	5,655	24,788
Total other income and gains	**53,225**	95,006

5. FINANCE COSTS

	For the year ended 31 December,	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**2,773**	9,135

6. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the year ended 31 December,	
	2009	2008
	HK$'000	*HK$'000*
Cost of sales	**639,636**	473,245
Depreciation	**58,377**	39,894
Recognition of prepaid land lease payments	**1,834**	1,391
Amortization of other intangible assets	**1,884**	1,649
Write off other intangible assets	**598**	6,223
Research and development costs	**144,684**	87,578
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 (surplus)/deficit of property, plant and equipment	**(1,008)**	1,026
Loss/(gain) of disposal of property, plant and equipment	**7,537**	(101)
Minimum lease payments under operating leases:		
Land and buildings	**8,601**	9,504
Auditors' remuneration	**2,296**	2,294
Staff costs (including directors' remuneration)		
– Wages and salaries	**240,782**	195,421
– Pension contributions	**9,155**	7,466
	249,937	202,887
Impairment of accounts receivable	**(372)**	1,314
Exchange differences, net	**1,045**	(3,379)

7. TAX

	For the year ended 31 December,	
	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**518**	3,698
Current – Mainland China income tax	**135,628**	93,986
Deferred tax	**(1,118)**	20,576
Total tax charge for the year	**135,028**	118,260

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 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, 2009 (2008: HK2 cents). The dividend will be paid to shareholders on Friday, 18 June, 2010 whose names appear on the Register of Members of the Company on Tuesday, 8 June, 2010.

The Register of Members of the Company will be closed from Monday, 7 June, 2010 to Tuesday, 8 June, 2010, 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 Friday, 4 June, 2010.

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the year of approximately HK$396,962,000 (2008: approximately HK$297,615,000), and the weighted average number of ordinary shares of 4,527,937,473 (2008: 4,527,937,473) in issue during the year, as adjusted to reflect the bonus issue during the year.

The calculation of basic earnings per share is based on:

	For the year ended 31 December,	
	2009	2008
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**396,962**	297,615

	Number of shares	
	2009	2008
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation, as adjusted to reflect the bonus shares issued during the year	**4,527,937,473**	4,527,937,473

Diluted earnings per share amounts for the years ended 31 December, 2009 and 2008 have not been disclosed as there were no diluting events during these years.

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, 2009 *HK$'000*	31 December, 2008 *HK$'000*
Current to 90 days	**458,955**	357,232
91 days to 180 days	**19,397**	1,322
Over 180 days	**682**	734
	479,034	359,288

11. CASH AND BANK BALANCES

	31 December, 2009 *HK$'000*	31 December, 2008 *HK$'000*
Cash and bank balances, unrestricted	**408,542**	714,885
Time deposits with original maturity of less than three months	**1,330,438**	1,079,842
Time deposits with original maturity of more than three months	**88,333**	80,278
	1,827,313	1,875,005

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, 2009 *HK$'000*	31 December, 2008 *HK$'000*
Current to 90 days	**102,868**	70,621
91 days to 180 days	**11,338**	1,901
Over 180 days	**8,886**	1,891
	123,092	74,413

13. SHARE CAPITAL

	31 December, 2009 *HK$'000*	31 December, 2008 *HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.025 each (2008: 4,000,000,000 ordinary shares of HK$0.025 each)	**150,000**	100,000
Issued and fully paid:		
4,527,937,473 ordinary shares of HK$0.025 each (2008: 2,263,968,736 ordinary shares of HK$0.025 each)	**113,198**	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 2009 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, 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year from 1 January, 2009 to 31 December, 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, 31 March, 2010

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.