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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, 2013**

FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2013, the Group recorded the following operational results:

- Turnover was approximately HK\$4,751.81 million, an increase of approximately 34.5% over the same period last year;
- Before and after accounted for unrealized fair value losses/(gains) of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$514.42 million and approximately HK\$483.90 million, respectively, approximately 58.7% and approximately 40.1% higher than the same period last year, respectively;
- Based on the profit attributable to the Group before and after accounted for unrealized fair value losses/(gains) of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK10.41 cents and approximately HK9.79 cents, respectively, approximately 58.7% and approximately 40.1% higher than the same period last year, respectively;
- Sales of new products accounted for approximately 23% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2013 was approximately HK\$2,696.69 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK1 cent per share for the second quarter ended 30 June, 2013. Together with the quarterly dividend of HK1 cent per share paid for the first quarter, the total dividend of two quarters amounted to HK2 cents per share.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries (the “Group”), is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. The Group has also strategically entered into the related healthcare and hospital business through the acquisition of Chia Tai Shaoyang Orthopedic Hospital located in Hunan Province of the People’s Republic of China (the “PRC”).

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

Principal products:

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

Products with great potential:

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

The medicines which have received Good Manufacturing Practice (“GMP”) certifications issued by the State Food and Drug Administration of the PRC (“SFDA”) 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 several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. (“CT Tianqing”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (“Jiangsu Fenghai”), Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (“Jiangsu Qingjiang”), Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. (“Qingdao Haier”), Shanghai Tongyong Pharmaceutical Co., Ltd. (“Shanghai Tongyong”) and Lianyungang Runzhong Pharmaceutical Co., Ltd. (“LYG Runzhong”) have been designated “High and New Technology Enterprises”. CT Tianqing was designated “2011 Most Valuable Investment Enterprise of the PRC Pharmaceutical Enterprises” from the PRC Pharmaceutical Industry Information Centre. In addition, NJCTT, Jiangsu Qingjiang and Jiangsu Fenghai have been designated “Engineering Technological Research Centre for treating tumors and cardio-cerebral phytochemistry injections of Jiangsu Province”, “Orthopedic Medicines Preparation Research Centre” and “Engineering Technology Research Centre for Anorectal Nutritious Medicines” by The Science and Technology Committee of Jiangsu Province, respectively.

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

In September 2011, CT Tianqing has received the first certificate under the new edition GMP (Certificate No. CN20110001) issued by the SFDA for its small volume parenteral solution (injection) dosage.

The Company has been selected as a constituent of Hang Seng Composite Industry Index – Consumer Goods and Hang Seng Composite SmallCap Index with effect from 8 March, 2010.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2013, due to the slowdown of economic growth and structural adjustment in the PRC, the more cyclical industries were exposed to excess capacity and experienced a decline in profit. The macro-economic growth was once again lower than expectations; the National Bureau of Statistics of China announced that gross domestic production growth in the first half of the year was 7.6%. However, the pharmaceutical industry in the PRC continued to benefit from its distinct competitive advantages despite the slower macro-economic expansion. The growth in overall sales income and profit within the pharmaceutical industry significantly outperformed most of the manufacturing and industrial sectors. The principal reasons for the growth were attributable to the continuing rising of medical insurance amount and the Government's increasing investment in the healthcare system which directly benefited the pharmaceutical industry. The demand of the PRC citizens for medical service and treatment was therefore gradually strengthening, leading the PRC pharmaceutical industry to expand rapidly. From January to June this year, the overall sales income of the industry in the PRC rose approximately 19.6% year-on-year, while the total profit increased by approximately 16.6%.

Business Review

During the period under review, evaluation on GMP reform and standardization of the quality of replicas has continued to push up operating costs. Moreover, the formal implementation of the new edition of the Good Supplying Practice has presented increasing difficulties to pharmaceutical sectors. Different implementation proposals for tendering method across various provinces have also added to higher enterprise operating costs. To address the gradual implementation of increasing policies aimed at further regulating the industry, the Group has strived to enhance its core competitiveness, including investing more resources in quality control and strengthening quality control technologies in order to enhance product safety. The Group has also enhanced the management capability and operational quality of its subsidiaries. Furthermore, the Group has increased its efforts in the research and development ("R&D") of new products and aggressively developed products aligned with its strategic direction to enrich its product mix, strengthened industry-leading expertise and improved brand marketing effect. At the same time, the Group has also introduced various marketing models designed to enlarge its market share. By successfully executing these strategies, the Group has recorded satisfactory growth in turnover and profit during the first half of 2013.

While it has focused on developing its core pharmaceutical business, the Group has also continued to explore acquisition and merger opportunities in healthcare segment in order to sustain its growth within the industry.

The Group recorded turnover of approximately HK\$4,751.81 million during the period under review, an increase of approximately 34.5% against the same period last year. Before and after accounted for unrealized fair value losses/(gains) of equity investments at fair value through profit or loss, profit attributable to the Group was approximately HK\$514.42 million and approximately HK\$483.90 million, respectively, approximately 58.7% and approximately 40.1% higher than in the same period last year, respectively. Based on the profit attributable to the Group before and after accounted for unrealized fair value losses/(gains) of equity investments at fair value through profit or loss, the basic earnings per share were approximately HK10.41 cents and approximately HK9.79 cents, respectively, approximately 58.7% and approximately 40.1% higher than in the same period last year, respectively. Cash and bank balances totaled approximately HK\$2,696.69 million.

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

Hepatitis medicines

For the six months ended 30 June, 2013, the net sales of hepatitis medicines amounted to approximately HK\$2,293.66 million, represented approximately 48.3% of the Group's turnover.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the number 1 hepatitis medicine brand in the PRC. For the six months ended 30 June, 2013, its gross sales amounted to approximately HK\$89.38 million, a slight increase of approximately 2.7% 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. The gross sales of the medicine continued to increase to approximately HK\$184.60 million during the reviewing period, representing a growth of approximately 29.5% when compared with the same period last year. In addition, CT Tianqing launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. During the period under review, the product has bright prospects and recorded the gross sales of approximately HK\$876.36 million, a large increase of approximately 51.1% against the same period last year. The Group believes that the medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a patented hepatitis medicine called Mingzheng capsules. 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, 2013, its gross sales amounted to approximately HK\$405.89 million, an increase of approximately 8.6% when compared with the same period last year.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market since March 2010. For the six months ended 30 June, 2013, the gross sales amounted to approximately HK\$781.75 million, a large increase of approximately 87.8% against the same period last year. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine used mainly for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Entecavir was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines.

Cardio-cerebral medicines

For the six months ended 30 June, 2013, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the net sales of cardio-cerebral medicines amounted to approximately HK\$1,416.91 million, represented approximately 23.1% of the adjusted turnover of the Group. The consolidated net sales of cardio-cerebral medicines of the Group amounted to approximately HK\$463.84 million, represented approximately 9.8% of the Group's turnover.

NJCTT's Tianqingning injections is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the six months ended 30 June, 2013, the product recorded the gross sales of approximately HK\$116.80 million, an increase of approximately 7.4% when compared with the same period last year. The gross sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$199 million for the six months ended 30 June, 2013, a remarkable increase of approximately 39.6% when compared with the same period last year. For the six months ended 30 June, 2013, the gross sales of Tuotuo calcium tablets amounted to approximately HK\$98.93 million, a sharp increase of approximately 110.7% when compared with the same period last year.

Kaishi injections works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market, which was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the six months ended 30 June, 2013, sales of Kaishi injections amounted to approximately HK\$878.38 million, an increase of approximately 7.4% as compared with the same period last year.

Analgesic medicines

For the six months ended 30 June, 2013, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the net sales of analgesic medicines amounted to approximately HK\$420.86 million, represented approximately 6.9% of the adjusted turnover of the Group.

Launched in 2005, the analgesic medicine Kaifen injections is a Flurbiprofen Axetil microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is famous for strong pain relieving effect with minimal side effects and has been well received by medical practitioners and patients since launched. Sales of the product for the six months ended 30 June, 2013 amounted to approximately HK\$377.23 million, approximately 36.3% higher than that as compared with the same period last year.

Diabetic medicines

For the six months ended 30 June, 2013, the net sales of diabetic medicines amounted to approximately HK\$30.73 million, represented approximately 0.6% of the Group's turnover.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 30 million diabetics in the PRC and Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the six months ended 30 June, 2013, the gross sales of the product amounted to approximately HK\$25.79 million, a significant increase by approximately 58.4% as compared with the same period last year.

Orthopedic medicines

For the six months ended 30 June, 2013, the net sales of orthopedic medicines amounted to approximately HK\$342.86 million, represented approximately 7.2% of the Group's turnover.

The main product of orthopedic medicines is New ossified triol capsules. For the six months ended 30 June, 2013, the gross sales recorded HK\$270.34 million, rose by 30.6% as compared with same period last year.

Anti-infectious medicines

For the six months ended 30 June, 2013, the net sales of anti-infectious medicines amounted to approximately HK\$241.09 million, represented approximately 5.1% of the Group's turnover.

The main product of anti-infectious medicines is Tiance injections. For the six months ended 30 June, 2013, the gross sales amounted to approximately HK\$225.91 million, approximately 22.5% higher than that as compared with the same period last year.

Parenteral nutritious medicines

For the six months ended 30 June, 2013, the net sales of parenteral nutritious medicines amounted to approximately HK\$346.72 million, represented approximately 7.3% of the Group's turnover.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the six months ended 30 June, 2013, the gross sales recorded very impressive performance which amounted to approximately

HK\$233.68 million, a significant increase by approximately 191.1% as compared with the same period last year. For the six months ended 30 June, 2013, the gross sales of Fenghaineng fructose injections amounted to approximately HK\$108.67 million, an increase of approximately 36.6% as compared with the same period last year.

Oncology medicines

Tianqingyitai injections, Tianqingrian injections, Zhiruo injections, Saiweijian injections and Renyi injections are mainly developed and manufactured by CT Tianqing and NJCTT. For the six months ended 30 June, 2013, the net sales of oncology medicines amounted to approximately HK\$375.87 million, represented approximately 7.9% of the Group's turnover and a remarkable increase of approximately 40.7% as compared with the same period last year. A new product, Qingweike injections, was launched in January 2013 and has been well received from the market. For the six months ended 30 June, 2013, its sales reached over HK\$15 million.

Anorectal medicines

For the six months ended 30 June, 2013, the net sales of anorectal medicines amounted to approximately HK\$104.88 million, represented approximately 2.2% of the Group's turnover.

The main product of anorectal medicines is Getai tablets. For the six months ended 30 June, 2013, the gross sales amounted to approximately HK\$89.10 million, an increase by approximately 21.9% as compared with the same period last year.

Respiratory system medicines

For the six months ended 30 June, 2013, the net sales of respiratory system medicines amounted to approximately HK\$121.22 million, represented approximately 2.6% of the Group's turnover.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the six months ended 30 June, 2013, the gross sales amounted to approximately HK\$59.27 million, a sharp increase by approximately 80.8% as compared with the same period last year. The gross sales of another pharmaceutical product, Chia Tai Suke tablets, was very outstanding and amounted to approximately HK\$47.58 million, a remarkable increase of approximately 114% as compared with the same period last year.

R&D

The Group has continued to focus its R&D efforts on new hepatitis, cardio-cerebral, analgesic, diabetic, orthopedic, anti-infectious, parenteral nutritious, oncology, anorectal and respiratory system medicines. During the period under review, the Group has received 1 new clinical approval and 9 production applications have been accepted. Moreover, a total of 84 pharmaceutical products had completed clinical research, or were under clinical trial or applying for production approval. Out of these, 16 were for cardio-cerebral medicines, 11 for hepatitis medicines, 32 for oncology medicines, 4 for respiratory system medicines, 1 for a diabetic medicine and 20 for other medicines.

Over the years, the Group has been placing utmost importance on the development of proprietary innovative medicines and generic drugs by itself, as well as through collaboration and imitation, to both raise R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of its development, the Group continues to devote into more resources. For the six months ended 30 June, 2013, it invested approximately HK\$473.59 million in R&D, which accounted for approximately 10% of turnover.

The Group also emphasizes on the protection of intellectual property rights. It encourages its group companies to apply for patent registration as a means to enhance the Group's core competitiveness. During the period under review, 147 patent applications submitted by the Group have been accepted, and it has received 14 invention patents and 1 apparel design patent. Altogether, the Group has obtained 305 invention patent approvals, 3 utility model patent approvals and 43 apparel design patent approvals.

INVESTOR RELATIONS

The Group has committed itself in maintaining high standards of corporate governance to ensure sustainable growth. During the period under review, the Group has fulfilled this commitment through effective communications with local and overseas investors via a variety of channels. These communications have facilitated investors' understanding of the Group's operation and its latest business developments. Meanwhile, the Group also understands the importance of good investor relations to corporate management, and as such, efforts have also been made to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

During the period under review, the Group has proactively embarked on a number of initiatives to communicate the latest business information to investors in a timely fashion. It has participated in fourteen major investor conferences and roadshows across Europe, the United States and Asia. Highlights of these events included "Morgan Stanley 4th Annual Hong Kong Investor Summit", "Goldman Sachs 34th Annual Global Healthcare Conference", "J.P. Morgan China Summit 2013", "Deutsche Bank 4th Annual dbAccess Asia Conference 2013" and "Credit Suisse's Asian Investment Conference 2013". Moreover, the Group has also arranged for a number of factory site visits, teleconferences and one-on-one meetings with international and domestic institutional investors. Altogether, these events have served to increase the knowledge of more than 320 potential investors about the Group's operations and the latest developments in its business, thus solidifying the confidence of shareholders, investors and customers in the Group's performance and prospects.

Reflecting the success of its efforts in cultivating closer ties with the investment community, the Group has featured prominently in Institutional Investor Magazine's "2012 All Asian Executive Team" and "2013 All Asian Executive Team" rankings, selected first overall within the "Best IR Company in the Healthcare and Pharmaceuticals sector" category, as chosen by a poll of buy-side analysts. The Group also placed 21st in the "Best Company of Hong Kong" and 98th in the "Most Honored Company" rosters. These accolades highlight the positive feedback of more than 900 money managers and investment professionals and more than 600 sell-side analysts. The Group's leading ranking in these prestigious lists clearly demonstrates the high recognition of the Group among the investment community.

In addition, the Group posts its annual and interim reports, and issues quarterly, interim and annual

results announcements, disclosures and circulars on its corporate website as well as on the website of Hong Kong Exchanges and Clearing Limited. The Group also issues corporate announcements in a timely manner to inform shareholders and investors about its latest developments, further facilitating a high degree of transparency.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June, 2013 except for Code Provision A.6.7 in relation to the attendance of general meetings by independent non-executive directors (“INEDs”) and other non-executive directors. Out of four INEDs of the Company, three INEDs attended the annual general meeting (the “AGM”) and the extraordinary general meeting (the “EGM”) of the Company both held on 28 May, 2013 but one INED was unable to attend the AGM and the EGM due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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. As at 30 June, 2013, the Group’s cash and bank balances was approximately HK\$2,696.69 million (31 December, 2012: approximately HK\$2,547.46 million (*Restated*)).

CAPITAL STRUCTURE

As at 30 June, 2013, the Group had short term loans of approximately HK\$25.27 million (31 December, 2012: approximately HK\$21.15 million (*Restated*)) and long term loans of approximately HK\$20.22 million (31 December, 2012: approximately HK\$19.90 million (*Restated*)).

CHARGE ON ASSETS

As at 30 June, 2013, the Group had no charge on assets (31 December, 2012: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2013, the Group and the Company had no material contingent liabilities (31 December, 2012: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2013, the total assets of the Group amounted to approximately HK\$9,076.78 million (31 December, 2012: approximately HK\$7,701.18 million (*Restated*)) whereas the total liabilities amounted to approximately HK\$2,988.83 million (31 December, 2012: approximately HK\$1,916.48 million (*Restated*)). The gearing ratio (total liabilities over total assets) was approximately 32.9% (31 December, 2012: approximately 24.9% (*Restated*)).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff cost (including Directors' remuneration) for the period under review was approximately HK\$382,700,000 (2012: approximately HK\$302,769,000 (*Restated*)).

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.

PROSPECTS

In the first half of 2013, macro-economic growth in the PRC continued to slow down, reflecting uncertainties in the regional economic environment. The dampened economic growth, together with the pressure coupled by medical insurance, medicine tendering and price cuts as well as environmental protection issue, imposed adverse effect on the profits of the pharmaceutical industry and presented new challenges to the industry. However, these factors also led to new development opportunities for those high-quality pharmaceutical players that can rapidly adjust their business strategies in response to the changing development trends in the industry. Besides, despite the impact from the above-mentioned unfavourable aspects, factors such as the country's increasing investment in the medical and healthcare system, greater medical policy coverage, increase in medical insurance raised, better insurance coverage for serious illness, as well as the increase in awareness on illnesses caused by environmental pollution and a rapidly aging population will also continue to facilitate the expansion of the pharmaceutical industry. Thus, the pharmaceutical industry still enjoys strong growth momentum when compared with other industries.

The Group will continue to optimise internal management efficiency while evaluating potential investment and merger and acquisition projects aligned with its overall development direction with an aim to achieve stable growth and maintain its competitive edge.

APPRECIATION

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

RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June, 2013 together with the comparative condensed consolidated results for 2012 as follows:

Condensed Consolidated Income Statement

		For the six months ended 30 June,	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Restated)
REVENUE	3	4,751,814	3,533,063
Cost of sales		(1,020,581)	(754,623)
Gross profit		3,731,233	2,778,440
Other income and gains	3	74,222	76,993
Selling and distribution costs		(2,206,251)	(1,589,895)
Administrative expenses		(319,171)	(355,271)
Other expenses		(571,099)	(304,004)
Finance cost	4	(863)	(6,181)
Share of profit of a jointly-controlled entity		146,244	113,023
Share of profit of associates		1,692	970
PROFIT BEFORE TAX	5	856,007	714,075
Income tax expenses	6	(160,701)	(188,037)
PROFIT FOR THE PERIOD		695,306	526,038
Profit attributable to:			
Owners of the parent		483,895	345,354
Non-controlling interests		211,411	180,684
		695,306	526,038
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic and diluted		HK9.79 cents	HK6.99 cents

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

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June,	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	695,306	526,038
OTHER COMPREHENSIVE INCOME		
Available-for-sale investment:		
Changes in fair value, net of tax	–	3,360
Exchange differences on translation of foreign operations	77,904	(41,858)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	77,904	(38,498)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	773,210	487,540
Attributable to:		
Owners of the parent	548,028	315,117
Non-controlling interests	225,182	172,423
	773,210	487,540

Condensed Consolidated Statement of Financial Position

		30 June, 2013 <i>HK\$'000</i> (Unaudited)	31 December, 2012 <i>HK\$'000</i> (Restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,765,342	1,717,330
Prepaid land lease payments		133,519	131,207
Goodwill		51,008	38,787
Other intangible assets		84,549	82,266
Investment in a jointly-controlled entity		819,246	704,667
Investment in associates		190,595	20,882
Available-for-sale investments		29,820	29,820
Long term prepayments		313,644	308,729
Deferred tax assets		69,364	69,364
Total non-current assets		3,457,087	3,103,052
CURRENT ASSETS			
Inventories		622,401	553,077
Trade and bill receivables	9	1,614,707	1,133,715
Prepayments, deposits and other receivables		550,580	243,786
Equity investments at fair value through profit or loss		134,155	119,479
Due from related companies		1,152	614
Cash and bank balances	10	2,696,693	2,547,455
Total current assets		5,619,688	4,598,126
CURRENT LIABILITIES			
Trade payables	11	460,661	295,180
Other payables and accruals		2,312,759	1,442,553
Interest-bearing bank borrowings		25,274	21,146
Tax payable		55,294	29,879
Due to related companies		3,332	6,180
Total current liabilities		2,857,320	1,794,938
NET CURRENT ASSETS		2,762,368	2,803,188
TOTAL ASSETS LESS CURRENT LIABILITIES		6,219,455	5,906,240
NON-CURRENT LIABILITIES			
Deferred government grants		84,955	74,908
Interest-bearing bank borrowings		20,219	19,902
Deferred tax liabilities		26,334	26,734
Total non-current liabilities		131,508	121,544
Net assets		6,087,947	5,784,696
EQUITY			
Equity attributable to owners of the parent			
Issued capital	12	123,536	123,536
Reserves		4,808,809	4,359,611
Proposed final dividend		—	98,829
Non-controlling interests		4,932,345	4,581,976
Total equity		1,155,602	1,202,720
		6,087,947	5,784,696

1. BASIS OF PREPARATION

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

The unaudited consolidated financial information should be read in conjunction with the 2012 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2012.

Basis of consolidation

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June, 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

According to HKFRS11 *Joint Arrangement* with effect from 1 January, 2013, the accounting for the investment in a jointly-controlled entity was changed from using the proportionate consolidation to the equity method, and thus the comparative figures were also restated thereof.

2. OPERATING SEGMENT INFORMATION

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

- (a) the modernized Chinese medicines and chemical medicines segment comprises the manufacture, sale and distribution of the modernized Chinese medicine products and chemical medicine products;
- (b) the investment segment is engaged in long term and short term investments; and
- (c) the other segment comprises, principally, (i) the Group's R&D sector which provides services to third-party; and (ii) related healthcare and hospital business.

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

Segment assets exclude deferred tax assets and investment in 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 six months ended 30 June, 2013

	Modernized Chinese medicines and chemical medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	4,631,561	–	120,253	4,751,814
Total	<u>4,631,561</u>	<u>–</u>	<u>120,253</u>	<u>4,751,814</u>
Segment results	<u>763,284</u>	<u>(10,720)</u>	<u>23,565</u>	<u>776,129</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				26,829
Unallocated expenses				(94,887)
Share of profit of a jointly - controlled entity				146,244
Share of profit of associates				<u>1,692</u>
Profit before tax				856,007
Income tax expense				<u>(160,701)</u>
Profit for the period				<u>695,306</u>
Assets and liabilities				
Segment assets	5,435,328	2,252,052	310,190	7,997,570
<i>Reconciliation:</i>				
Investment in a jointly - controlled entity				819,246
Investment in associates				190,595
Other unallocated assets				<u>69,364</u>
Total assets				<u>9,076,775</u>
Segment liabilities	2,702,934	118,918	85,348	2,907,200
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>81,628</u>
Total liabilities				<u>2,988,828</u>
Other segment information:				
Depreciation and amortisation	<u>81,735</u>	<u>906</u>	<u>9,230</u>	<u>91,871</u>
Capital expenditure	<u>115,026</u>	<u>–</u>	<u>4,916</u>	<u>119,942</u>
Other non-cash expenses	<u>808</u>	<u>–</u>	<u>–</u>	<u>808</u>

The segment results for the six months ended 30 June, 2012 (*Restated*)

	Modernized Chinese medicines and chemical medicines HK\$ '000	Investment HK\$ '000	Others HK\$ '000	Total HK\$ '000
Segment revenue:				
Sales to external customers	3,433,656	—	99,407	3,533,063
Total	<u>3,433,656</u>	<u>—</u>	<u>99,407</u>	<u>3,533,063</u>
Segment results	<u>637,867</u>	<u>(6,304)</u>	<u>13,236</u>	<u>644,799</u>
<i>Reconciliation:</i>				
Interest and unallocated gains				40,837
Unallocated expenses				(85,554)
Share of profit of a jointly - controlled entity				113,023
Share of profit of an associate				<u>970</u>
Profit before tax				714,075
Income tax expense				<u>(188,037)</u>
Profit for the period				<u>526,038</u>
Assets and liabilities				
Segment assets	4,771,189	1,456,620	278,799	6,506,608
<i>Reconciliation:</i>				
Investment in a jointly - controlled entity				616,932
Investment in an associate				20,126
Other unallocated assets				<u>34,244</u>
Total assets				<u>7,177,910</u>
Segment liabilities	1,901,813	83,391	97,588	2,082,792
<i>Reconciliation:</i>				
Other unallocated liabilities				<u>119,169</u>
Total liabilities				<u>2,201,961</u>
Other segment information:				
Depreciation and amortisation	<u>66,954</u>	<u>685</u>	<u>7,544</u>	<u>75,183</u>
Capital expenditure	<u>119,057</u>	<u>—</u>	<u>932</u>	<u>119,989</u>
Other non-cash expenses	<u>20</u>	<u>—</u>	<u>234</u>	<u>254</u>

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are based in Mainland China.

No information about a major customer is presented as no single customer contributes to over 10% of the Group's revenue for the six months ended 30 June, 2013 and 2012.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	For the six months ended 30 June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Revenue		
Sale of goods	4,751,814	3,533,063
	<u>4,751,814</u>	<u>3,533,063</u>
Other income and gains		
Bank interest income	26,829	25,708
Dividend income	11,579	5,445
Sale of scrap materials	2,250	4,803
Government grants	18,576	4,582
Others	14,988	36,455
	<u>74,222</u>	<u>76,993</u>

4. FINANCE COST

	For the six months ended 30 June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Interest on bank borrowings wholly repayable within five years	863	6,181
	<u>863</u>	<u>6,181</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Cost of sales	1,020,581	754,623
Depreciation	90,057	72,993
Recognition of prepaid land lease payments	336	336
Amortization of other intangible assets	1,478	1,854
Research and development costs	473,594	266,003
Bank interest income	(26,829)	(25,708)
Dividend income	(11,579)	(5,445)
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss		
– held for trading	30,521	(21,183)
Minimum lease payments under operating leases:		
Land and buildings	7,171	6,078
Auditors' remuneration	1,924	1,774
Staff cost (including directors' remuneration)		
Wages and salaries	358,294	282,986
Pension contributions	24,406	19,783
	<u>382,700</u>	<u>302,769</u>
Impairment loss of trade receivables recognized	47,919	35,380
Foreign exchange differences, net	(26,762)	5,206

6. INCOME TAX EXPENSES

	For the six months ended 30 June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Group:		
Current – Mainland China income tax	161,100	173,781
Deferred tax	(399)	14,256
Total tax charge for the period	<u>160,701</u>	<u>188,037</u>

Hong Kong profits tax has been provided at a rate of 16.5% (2012: 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.

CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Shanghai Tongyong and LYG Runzhong were subject to a corporate income tax rate of 15% for three years successively from 2011 because they qualified as a “High and New Technology Enterprise”.

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2013.

7. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared a second quarterly dividend of HK1 cent per ordinary share for the three months ended 30 June, 2013 (2012: HK1 cent). The dividend will be paid to shareholders on Friday, 27 September, 2013 whose names appear on the Register of Members of the Company on Thursday, 19 September, 2013.

The Register of Members of the Company will be closed from Wednesday, 18 September, 2013 to Thursday, 19 September, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second quarterly dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 17 September, 2013.

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the period under review of approximately HK\$483,895,000 (2012: approximately HK\$345,354,000 (*Restated*)), and the weighted average number of ordinary shares of 4,941,461,473 (2012: 4,941,461,473) in issue during the period under review.

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

9. TRADE AND BILL RECEIVABLES

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 60 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the Group’s trade receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	30 June, 2013 HK\$’000 (Unaudited)	31 December, 2012 HK\$’000 (Restated)
Current to 90 days	1,505,597	942,784
91 days to 180 days	86,635	180,550
Over 180 days	22,475	10,381
	<u>1,614,707</u>	<u>1,133,715</u>

10. CASH AND BANK BALANCES

	30 June, 2013 HK\$'000 (Unaudited)	31 December, 2012 HK\$'000 (Restated)
Cash and bank balances, unrestricted	827,448	790,505
Time deposits with original maturity of less than three months	1,803,532	1,382,200
Time deposits with original maturity of more than three months	65,713	374,750
	<u>2,696,693</u>	<u>2,547,455</u>

11. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of reporting period, based on invoice date, is as follows:

	30 June, 2013 HK\$'000 (Unaudited)	31 December, 2012 HK\$'000 (Restated)
Current to 90 days	348,243	215,014
91 days to 180 days	67,200	55,482
Over 180 days	45,218	24,684
	<u>460,661</u>	<u>295,180</u>

12. SHARE CAPITAL

	30 June, 2013 HK\$'000 (Unaudited)	31 December, 2012 HK\$'000 (Audited)
Authorised:		
8,000,000,000 ordinary shares of HK\$0.025 each (2012: 8,000,000,000 ordinary shares of HK\$0.025 each)	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
4,941,461,473 ordinary shares of HK\$0.025 each (2012: 4,941,461,473 ordinary shares of HK\$0.025 each)	<u>123,536</u>	<u>123,536</u>

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

The Group has complied with Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of a sufficient number of the INEDs and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four INEDs including one with financial management expertise, details of their biographies have been set out in the 2012 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited consolidated financial statements of the Company for the six months ended 30 June, 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2013 to 30 June, 2013, 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, 30 August, 2013

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 four Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Li Jun and Mr. Mei Xingbao.