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, 2016

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2016, the Group recorded the following audited operational results:

– Revenue was approximately HK$15,825.44 million, an increase of approximately 8.8% over last year (The growth rate would have been approximately 14.8% if denominated in RMB);

– Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the equity holders of the Group was approximately HK$2,006.09 million and approximately HK$1,913.28 million, respectively, approximately 13.2% and approximately 7.6% higher than that of last year, respectively;

– Based on the profit attributable to the equity holders of the Group before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately HK27.06 cents and approximately HK25.81 cents, respectively, approximately 13.1% and approximately 7.5% higher than that of last year, respectively;

– Sales of new products accounted for approximately 11.6% of the Group's total revenue; and

– Cash and bank balances as at 31 December, 2016 was approximately HK$4,203.47 million.

The board of directors (the "Board") of the Company recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 December, 2016. Together with the dividend of HK4.5 cents per share paid for the first three quarters, the total dividend of the year amounted to HK6 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 and biomedical technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicines and chemical medicines. 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, analgesia, orthopedic diseases, anti-infection, parenteral nutrition, respiratory system diseases, anorectal diseases, diabetes and other diseases to meet the increasing demands of the market, medical practitioners and patients. In order to enhance our sustainable competitiveness, the Group also actively seeks for cooperation with the international enterprises, promotes the enlarged healthcare industry strategy, nurtures the internet plus business and develops specialty hospitals.

Principal products:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Runzhong (Entecavir) dispersible tablets, Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules
Cardio-cerebral medicines:	Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tuotuo (Rosuvastatin Calcium) tablets, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Zhiruo (Palonosetron Hydrochloride) injections, Saiweijian (Raltitrexed) injections, Tianqingyitai (Zolebronate Acid) injections
Orthopedic medicines:	New Ossified Triol capsules, Jiuli (Glucosamine Hydrochloride) tablets
Anti-infectious medicines:	Tiance (Biapenem) injections
Parenteral nutritious medicines:	Xinhaineng (Carbohydrate and Electrolyte) injections, Fenghaineng fructose injections
Respiratory system medicines:	Tianqingsule (Tiotropium Bromide) inhalation powder, Chia Tai Suke (Cefaclor and Bromhexine Hydrochloride) tablets
Anorectal medicines:	Getai (Diosmin) tablets

Products with great potential:

Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections, Qingweike (Decitabine for injections), Gelike (Imatinib Mesylate) capsules, Shoufu (Capecitabine) tablets
Respiratory system medicines:	Zhongchang (Fudosteine) tablets
Diabetic medicines:	Taibai (Metformin Hydrochloride) sustained release 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.

Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), an associate of the Group, has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. Thus, the Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Group's several principal subsidiaries: Chia Tai – Tianqing Pharmaceutical Holdings Co. Ltd. ("CT Tianqing"), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT"), 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 Engineering Technological Research Centre" and "Engineering Technological Research Centre for Anorectal Nutritious Medicines" by The Science and Technology Committee of Jiangsu Province, respectively.

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

In September 2011, CT Tianqing has received the first certificate of new edition GMP (Certificate No. CN20110001) issued by the State Food and Drug Administration of the PRC for its small volume parenteral solution (injection) dosage.

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

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

The Company has been included on Forbes Asia's "Fabulous 50" list for 2016 among Asia Pacific's biggest publicly-traded companies on 25 August, 2016.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the year under review, due to the frequent occurrence of "Black Swan" incidents, global economic growth slowed down against 2015. Developed economies treaded down different growth paths, whereas emerging markets and developing economies overall gradually stabilised. China GDP grew at 6.7% in 2016 and the economy also advanced steadily. According to the latest International Monetary Fund report, the Chinese economy has reclaimed the top spot in the world in economic growth. As for the industry, during the year under review, the country furthered deepening reforms of the pharmaceutical, medical and healthcare industries, and policies relating to clinical inspection, consistency assessment, technique inspection, circulation inspection, the "Two-Invoice" System, urban-rural medical insurance integration and adjustment of the medical insurance catalogue had sped up industry consolidation and restructuring with the weak players ousted. Latest research indicated that the pharmaceutical industry had grown faster when compared with the corresponding period last year.

Business Review

During the year under review, the Group adopted an active approach to counter the negative impacts of policies. It implemented delicacy management on marketing for Hepatitis, Cardio-cerebral and Orthopedic medicines, which are traditional products where its strength lies. And, products including Runzhong, Tianding, Yilunping, Tuotuo, Kaifen and Gaisanchun continued to achieve strong sales. Furthermore, the Group allocated more resources to market penetration for its oncology and respiratory system medicines and pursued more extensive collaboration in scientific research with experts in various product areas. Oncology medicines including Qingweike, Gelike, Shoufu, Saiweijian, Yinishu, Yigu and respiratory system medicines including Tianqingsule, Zhongchang and Cefaclor and Bromhexine Hydrochloride dry suspension reported significant growth. During the year under review, the Group placed greater effort on building retail channels as well as channels to access the grassroots market. At the same time, it attempted to enhance product promotion and achieve satisfactory results via the Internet. The Group continued to lead the industry on investment in research and development ("R&D"), and achieved satisfactory results during the year under review. During the year under review, the Group granted Johnson & Johnson in the US the international license to develop outside the PRC an innovative medicine for treating hepatitis, which had shown immense potential in the R&D stage. As at 31 December 2016, the Group had obtained 198 clinical approvals and 5 production approvals (Esomeprazole ingredient and two dosages of Esomeprazole sodium for injection, Linezolid and Linezolid Injection). It also made 17 new clinical applications, 8 production applications, 249 new patent applications and received 91 patent licenses of which 87 were invention patents.

The Group recorded revenue of approximately HK$15,825.44 million during the year under review, an increase of approximately 8.8% over the same period last year (The growth rate would have been approximately 14.8% if denominated in RMB). Before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, profit attributable to the equity holders of the Group was approximately HK$2,006.09 million and approximately HK$1,913.28 million, respectively, approximately 13.2% and approximately 7.6% higher than that of the same period last year, respectively. Based on the profit attributable to the equity holders of the Group before and after accounted for unrealized fair value gains and losses of equity investments and financial assets, the basic earnings per share were approximately HK27.06 cents and approximately HK25.81 cents, respectively, approximately 13.1% and approximately 7.5% higher than that of the same period last year, respectively. Cash and bank balances totaled approximately HK$4,203.47 million.

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

Hepatitis medicines

For the year ended 31 December, 2016, the sales of hepatitis medicines amounted to approximately HK$7,252.27 million, representing approximately 45.8% of the Group's revenue.

CT Tianqing mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combat hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice have the dual effects of liver protection and lowering enzyme level. For the year ended 31 December, 2016, its sales amounted to approximately HK$130.36 million. After the expiration of the protection period of the product, many replicas have emerged in 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 amounted to approximately HK$483.45 million in the year under review. In 2005, CT Tianqing launched the patented medicine Tianqingganmei injections, which are made with Isoglycyrrhizinate separated from Licorice and have bright prospects. During the year under review, the product recorded the sales of approximately HK$2,162.88 million. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain CT Tianqing's leadership in the market for medicines protecting the liver and lowering enzyme levels.

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, 2016, its sales amounted to approximately HK$510.32 million.

CT Tianqing's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval certificate and production approval in February 2010, making CT Tianqing the first pharmaceutical manufacturer to gain the approval for this product in the PRC. The product was launched to the market in March 2010. For the year ended 31 December, 2016, the sales amounted to approximately HK$3,533.79 million, an increase of approximately 13.2% 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 year ended 31 December, 2016, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of cardio-cerebral medicines amounted to approximately HK$3,378.28 million, representing approximately 17.5% of the adjusted enlarged revenue of the Group. The consolidated sales of cardio-cerebral medicines of the Group amounted to approximately HK$1,613.37 million, representing approximately 10.2% of the Group's revenue.

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 year ended 31 December, 2016, the product recorded the sales of approximately HK$198.55 million, a year-on-year increase of approximately 7.6%. The sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK$628.52 million for the year ended 31 December, 2016, a year-on-year increase of approximately 15.0%. For the year ended 31 December, 2016, the sales of Tuotuo calcium tablets amounted to approximately HK$627.11 million, a year-on-year increase of approximately 30.9%.

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 and occupy a large portion of market share. It received many awards from various countries since launched and has obtained the renewed GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in December 2012. For the year ended 31 December, 2016, the sales of Kaishi injections amounted to approximately HK$1,424.47 million. Applying the technology of micro-solid dispersion with microgram precision, Beraprost Sodium tablets can explicitly improve the ulcer, intermittent claudication, pain and cold symptom from the chronic arterial occlusion. For the year ended 31 December, 2016, the sales of Beraprost sodium tablets amounted to approximately HK$340.44 million, an increase of approximately 21.0% as compared with the same period last year.

Oncology medicines

For the year ended 31 December, 2016, the sales of oncology medicines amounted to approximately HK$1,758.95 million, representing approximately 11.1% of the Group's revenue.

Oncology medicines are mainly manufactured by CT Tianqing and NJCTT. For the year ended 31 December, 2016, sales of Zhiruo injections amounted to approximately HK$391.52 million, an increase of approximately 9.7% as compared with the same period last year. The sales of Saiweijian injections amounted to approximately HK$347.21 million during the year under review, an increase of approximately 18.6% as compared with the same period last year. The sales of Tianqingyitai injections amounted to approximately HK$238.47 million during the year under review, an increase of approximately 7.2% as compared with the same period last year. For the year ended 31 December, 2016, the sales of a new product, Qingweike injections, amounted to approximately HK$156.09 million, an increase of 17.1% as compared with the same period last year. Shoufu tablets was launched in February 2014. For the year ended 31 December, 2016, its sales amounted to approximately HK$179.29 million, an increase of approximately 67.0% as compared with the same period last year. Sales of Gelike capsules for the year ended 31 December, 2016 amounted to approximately HK$155.01 million, an increase of approximately 35.5% as compared with the same period last year. Sales of Yilishu tablets for the year ended 31 December, 2016 amounted to approximately HK$86.67 million, an increase of approximately 62.6% as compared with the same period last year.

Analgesic medicines

For the year ended 31 December, 2016, after accounted for certain pharmaceutical products not being consolidated but under the management of the Group, the sales of analgesic medicines amounted to approximately HK$1,745.55 million, representing approximately 9.0% of the adjusted enlarged revenue 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 developed and manufactured by Beijing Tide and is famous for strong pain relieving effect with minimal side effects. The sales of the product for the year ended 31 December, 2016 amounted to approximately HK$1,396.06 million, approximately 17.2% higher than that of the same period last year. Another product for relieving non-surgical joint soft tissue pain is Flurbiprofen Cataplasm, its sales for the year ended 31 December, 2016 amounted to approximately HK$318.17 million, approximately 47.8% higher than that of the same period last year.

Orthopedic medicines

For the year ended 31 December, 2016, the sales of orthopedic medicines amounted to approximately HK$1,170.01 million, representing approximately 7.4% of the Group's revenue.

The main product of orthopedic medicines is the New Ossified Triol capsules. For the year ended 31 December, 2016, its sales amounted to approximately HK$845.88 million, rose by approximately 13.0% as compared with the same period last year. For the year ended 31 December, 2016, the sales of another product, Jiuli tablets, amounted to approximately HK$209.93 million.

Anti-infectious medicines

For the year ended 31 December, 2016, the sales of anti-infectious medicines amounted to approximately HK$1,013.19 million, representing approximately 6.4% of the Group's revenue.

The main product of anti-infectious medicines is Tiance injections. For the year ended 31 December, 2016, its sales amounted to approximately HK$752.41 million.

Parenteral nutritious medicines

For the year ended 31 December, 2016, the sales of parenteral medicines amounted to approximately HK$893 million, representing approximately 5.6% of the Group's revenue.

The main product of parenteral nutritious medicines is Xinhaineng injections. For the year ended 31 December, 2016, its sales amounted to approximately HK$644.83 million. For the year ended 31 December, 2016, the sales of Fenghaineng fructose injections amounted to approximately HK$239.02 million, an increase by approximately 3.7% as compared with the same period last year.

Respiratory system medicines

For the year ended 31 December, 2016, the sales of respiratory medicines amounted to approximately HK$621.15 million, representing approximately 3.9% of the Group's revenue.

The main product of respiratory system medicines is Tianqingsule inhalation powder. For the year ended 31 December, 2016, its sales amounted to approximately HK$369.58 million, an increase by approximately 24.2% as compared with the same period last year. For the year ended 31 December, 2016, the sales of another pharmaceutical product, Chia Tai Suke tablets, amounted to approximately HK$188.66 million, an increase of approximately 28.1% as compared with the same period last year.

Anorectal medicines

For the year ended 31 December, 2016, the sales of anorectal medicines amounted to approximately HK$300.75 million, representing approximately 1.9% of the Group's revenue.

The main product of anorectal medicines is Getai tablets. For the year ended 31 December, 2016, its sales amounted to approximately HK$225.87 million, an increase by approximately 22.8% as compared with the same period last year.

Diabetic medicines

For the year ended 31 December, 2016, the sales of diabetic medicines amounted to approximately HK$107.32 million, representing approximately 0.7% of the Group's revenue.

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by CT Tianqing. There are more than 90 million diabetics in the PRC and the Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilize a patient's blood sugar level. For the year ended 31 December, 2016, the sales of the product amounted to approximately HK$86.63 million, an increase by approximately 15.4% as compared with the same period last year.

R&D

The Group has continued to focus its R&D efforts on new cardio-cerebral, hepatitis, oncology, analgesic and respiratory system medicines. During the fourth quarter, the Group was granted 10 clinical approvals and 6 new filed productions. Moreover, a total of 438 pharmaceutical products had obtained clinical approval, or were under clinical trial or applying for production approval. Out of these, 53 were for cardio-cerebral medicines, 31 for hepatitis medicines, 181 for oncology medicines, 22 for respiratory system medicines, 21 for diabetic medicines and 130 for other medicines.

Over the years, the Group has been placing high importance on R&D and innovation, as well as through collaboration and imitation, to raise both R&D standards and efficiency. In light of the fact that R&D continues to be the lifeblood of the Group's development, the Group continues to devote into more resources. For the year ended 31 December, 2016, the R&D expenditure of approximately HK$1,598.73 million, which accounted for approximately 10.1% of the Group's revenue, was charged to the statement of profit or loss.

The Group also places major emphasis on the protection of intellectual property rights. It encourages its enterprises to apply for patent applications as a means to enhance the Group's core competitiveness. During the fourth quarter, the Group has made 15 patent license notices (13 invention patents and 2 apparel design patents) and received 60 new patent applications (59 invention patents and 1 utility model patent). Altogether, the Group has obtained 532 invention patent approvals, 13 utility model patents and 55 apparel design patents.

INVESTOR RELATIONS

The Group has a long-standing commitment to maintaining high standards of corporate governance so as to ensure its sustainable long-term development. During the year under review, the Group has maintained effective communications with investors via various channels. These communications have deepened local and overseas investors' understanding towards the Group's business and its latest business developments. The Group also understands the importance of good investor relations to corporate management, therefore, efforts have also been undertaken to solicit opinions and to obtain pertinent information through regular investor meetings in order to further upgrade its corporate governance standards.

During the year under review, the Group has proactively lobbied with a number of initiatives to deliver the latest business information to investors in a timely manner. It has participated in a number of large scale investor conferences and roadshows held in Europe, the United States and Asia, including "CLSA China Healthcare – Drug Innovation Access Day", "12th Annual J.P. Morgan Global China Summit", "Bank of America Merrill Lynch 2016 Human Capital Conference", "Credit Suisse 19th Annual Asian Investment Conference" and "Citi Bank – Hong Kong and China Corporate Day 2016". Moreover, the Group has arranged factory site visits, teleconferences and one-on-one meetings with international and local institutional investors. Altogether, these investor relations events have helped more than 250 potential investors to increase their knowledge about the Group's latest development and operations, thereby solidifying the confidence of shareholders, investors and customers in the Group's business.

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 "Stock Exchange") ("Listing Rules") for the year ended 31 December, 2016 except for the deviations from Code Provisions E.1.2 and A.6.7 in relation to attendance of the annual general meeting of the Company (the "AGM") by the Chairman of the Board and Independent Non-executive Directors ("INEDs"), respectively. The Chairman of the Board and two INEDs were unable to attend the AGM held on 15 June, 2016 due to other business engagements. The Chief Executive Officer of the Company took the chair of the AGM and two INEDs together with other Executive Directors were present thereat to be available to answer questions of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, it was confirmed that for the year ended 31 December, 2016 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 sources of funds were cash derived from operating activities and bank borrowings. As at 31 December, 2016, the Group's cash and bank balances were approximately HK$4,203.47 million (31 December, 2015: approximately HK$2,711.06 million).

CAPITAL STRUCTURE

As at 31 December, 2016, the Group had short term loans of approximately HK$1,528.61 million (31 December, 2015: approximately HK$1,419.99 million) and had long term loans of approximately HK$1,874.06 million (31 December, 2015: approximately HK$306.06 million).

CHARGE ON ASSETS

As at 31 December, 2016, the Group had the charge on assets of approximately HK$518.19 million (31 December, 2015: approximately HK$533.72 million).

CONTINGENT LIABILITIES

As at 31 December, 2016, the Group and the Company had no material contingent liabilities (31 December, 2015: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2016, the total assets of the Group amounted to approximately HK$20,539.53 million (31 December, 2015: approximately HK$16,482.62 million) whereas the total liabilities amounted to approximately HK$8,601.60 million (31 December, 2015: approximately HK$6,039.57 million). The gearing ratio (total liabilities over total assets) was approximately 41.9% (31 December, 2015: approximately 36.6%).

EMPLOYEE AND REMUNERATION POLICIES

The Group had 18,163 employees as at 31 December, 2016 and 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 year was approximately HK$1,498,554,000 (2015: approximately HK$1,324,068,000).

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.

PROSPECTS

The global economy is still laden with uncertainties in 2017. Sales of pharmaceutical products will continue to be affected by the government launching new policies, such as the "Two-invoice" System and new round of lower prices tendering. And, policies in relation to public hospital reform, such as cancelling mark-up of medicines and changing the income structure of hospitals, as well as the government continuing its control over medical insurance premium, will make it necessary for pharmaceutical companies to change their marketing approach. The Group has been dedicated to enhancing industry management and product quality. The newly published "Guide to the Planning of Pharmaceutical Development" is expected to hasten industry consolidation and regulate industry development, thus providing new market opportunities for companies which are capable of carrying out R&D of quality products. At the same time, other factors including aging of the population, the two-child policy, urban-rural medical insurance integration and receiving medical treatment in non-residents regions will expand the pharmaceutical market in China. The Group expects to maintain stable growth despite the many challenges the pharmaceutical industry is facing. The Group will also pay close attention to and seize first investment opportunities in key healthcare related industries supported by the "Guide to the Planning of Pharmaceutical Development".

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 audited consolidated results of the Group for the year ended 31 December, 2016 together with the comparative consolidated results for 2015 as follows:

Consolidated Statement of Profit or Loss

	Notes	For the year ended 31 December, 2016 HK$'000 (Audited)	2015 HK$'000 (Audited)
REVENUE	4	**15,825,438**	14,550,225
Cost of sales		**(3,291,221)**	(3,249,697)
Gross profit		**12,534,217**	11,300,528
Other income and gains	4	**320,790**	391,633
Selling and distribution costs		**(6,371,990)**	(5,897,286)
Administrative expenses		**(1,214,579)**	(1,234,046)
Other expenses		**(1,783,219)**	(1,362,387)
Finance cost	5	**(89,563)**	(79,812)
Share of profits and losses of associates		**347,623**	325,254
PROFIT BEFORE TAX	6	**3,743,279**	3,443,884
Income tax expense	7	**(555,019)**	(532,876)
PROFIT FOR THE YEAR		**3,188,260**	2,911,008
Profit attributable to:			
Owners of the parent		**1,913,276**	1,778,692
Non-controlling interests		**1,274,984**	1,132,316
		3,188,260	2,911,008
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic and diluted		**HK25.81 cents**	HK24.00 cents

Details of the dividend payable and declared for the period are disclosed in note 8 of this announcement.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December,	
	2016	2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
PROFIT FOR THE PERIOD	**3,188,260**	2,911,008
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**–**	(9,052)
Reclassification adjustments for losses included in the consolidated statement of profit or loss – loss on disposal	**–**	7,846
Exchange differences on translation of foreign operations	**(596,041)**	(341,327)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(596,041)**	(342,533)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**34,972**	30,056
Income tax effect	**(7,203)**	(3,473)
	27,769	26,583
Share of other comprehensive loss of associates	**(63,790)**	(114,352)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(36,021)**	(87,769)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(632,062)**	(430,302)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,556,198**	2,480,706
Attributable to:		
Owners of the parent	**1,509,362**	1,470,504
Non-controlling interests	**1,046,836**	1,010,202
	2,556,198	2,480,706

Consolidated Statement of Financial Position

	Notes	31 December, 2016 HK$'000 (Audited)	31 December, 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,999,626**	2,656,187
Investment properties		**470,472**	496,489
Properties under development		–	529,735
Prepaid land lease payments		**519,208**	333,884
Goodwill		**110,515**	110,709
Other intangible assets		**203,789**	198,907
Investments in associates		**998,680**	1,258,323
Available-for-sale investments		**412,377**	368,351
Financial assets designated at fair value through profit or loss		**165,115**	224,989
Deferred tax assets		**402,868**	214,966
Prepayments		**44,890**	154,347
Total non-current assets		**6,327,540**	6,546,887
CURRENT ASSETS			
Inventories		**999,147**	950,148
Trade and bills receivables	*10*	**2,227,742**	1,866,408
Prepayment, deposit and other receivables		**3,566,847**	1,527,610
Dividend due from an associate		**389,776**	–
Available-for-sale investments		**2,368,976**	2,419,678
Equity investments at fair value through profit or loss		**456,031**	460,826
Cash and bank balances	*11*	**4,203,467**	2,711,061
Total current assets		**14,211,986**	9,935,731
CURRENT LIABILITIES			
Trade and bills payables	*12*	**922,801**	767,592
Tax payable		**215,454**	257,221
Other payables and accruals		**3,646,749**	3,079,249
Interest-bearing bank borrowings		**1,528,606**	1,419,990
Total current liabilities		**6,313,610**	5,524,052
NET CURRENT ASSETS		**7,898,376**	4,411,679
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,225,916**	10,958,566

	Notes	**31 December, 2016 HK$'000 (Audited)**	31 December, 2015 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred government grants		**225,029**	141,638
Interest-bearing bank borrowings		**1,874,064**	306,062
Deferred tax liabilities		**188,894**	67,821
Total non-current liabilities		**2,287,987**	515,521
Net assets		**11,937,929**	10,443,045
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**185,305**	185,305
Reserves		**8,699,419**	7,570,583
		8,884,724	7,755,888
Non-controlling interests		**3,053,205**	2,687,157
Total equity		**11,937,929**	10,443,045

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements of the Group 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, and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements 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.

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, 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2. CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

The management considers the business from products/services perspective. The three reportable segments are 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 investments in associates as these assets are managed on a group basis.

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

The segment results for the year ended 31 December, 2016

	Modernized Chinese medicines and chemical medicines *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	15,299,024	–	526,414	15,825,438
Segment results	3,899,205	(287,675)	112,107	3,723,637
Reconciliation:				
Interest and unallocated gains				25,119
Share of profits and losses of associates				347,623
Unallocated expenses				(353,100)
Profit before tax				3,743,279
Income tax expense				(555,019)
Profit for the year				3,188,260
Assets and liabilities				
Segment assets	13,661,756	4,825,445	650,777	19,137,978
Reconciliation:				
Investments in associates				998,680
Other unallocated assets				402,868
Total assets				20,539,526
Segment liabilities	5,116,383	2,829,935	250,931	8,197,249
Reconciliation:				
Other unallocated liabilities				404,348
Total liabilities				8,601,597
Other segment information:				
Depreciation and amortisation	361,961	33,806	8,231	403,998
Capital expenditure	958,322	8,597	1,750	968,669
Other non-cash expenses	16,693	2	365	17,060

The segment results for the year ended 31 December, 2015

	Modernized Chinese medicines and chemical medicines *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	14,045,796	–	504,429	14,550,225
Segment results	3,296,629	(47,442)	95,178	3,344,365
Reconciliation:				
Interest and unallocated gains				74,503
Share of profits and losses of associates				325,254
Unallocated expenses				(300,238)
Profit before tax				3,443,884
Income tax expense				(532,876)
Profit for the year				2,911,008
Assets and liabilities				
Segment assets	10,134,496	4,294,458	580,375	15,009,329
Reconciliation:				
Investments in associates				1,258,323
Other unallocated assets				214,966
Total assets				16,482,618
Segment liabilities	3,727,461	1,751,865	235,205	5,714,531
Reconciliation:				
Other unallocated liabilities				325,042
Total liabilities				6,039,573
Other segment information:				
Depreciation and amortisation	299,757	53,403	7,495	360,655
Capital expenditure	772,324	546,642	8,445	1,327,411
Other non-cash expenses	325	16	1	342

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 non-current assets other than available-for-sale investments and deferred tax 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 year ended 31 December, 2016 and 2015.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is the Group's revenue, 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 year ended 31 December,	
	2016	2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Revenue		
Sale of goods	**15,432,257**	14,550,225
Others	**393,181**	–
	15,825,438	14,550,225
Other income		
Bank interest income	**25,119**	74,503
Interest income on convertible bonds	**20,307**	18,798
Dividend income	**14,788**	12,848
Government grants	**43,941**	29,767
Sale of scrap materials	**17,450**	8,271
Investment income	**158,611**	194,595
Gross rental income	**6,072**	2,024
Reversal of revaluation deficit of property, plant and equipment	**10,568**	–
Others	**20,655**	19,341
	317,511	360,147
Gains		
Gain on disposal of items of property, plant and equipment	**3,255**	208
Gain on disposal of subsidiaries	**24**	–
Fair value gains		
Equity investments at fair value through profit or loss		
– held for trading	**–**	31,278
	3,279	31,486
Total other income and gains	**320,790**	391,633

5. FINANCE COST

	For the year ended 31 December, 2016 HK$'000 (Audited)	2015 HK$'000 (Audited)
Interest on bank borrowings	**89,563**	79,812

6. PROFIT BEFORE TAX

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

	For the year ended 31 December, 2016 HK$'000 (Audited)	2015 HK$'000 (Audited)
Cost of sales	**3,291,221**	3,249,697
Depreciation of property, plant and equipment	**355,295**	317,902
Depreciation of investment properties	**26,017**	23,849
Recognition of prepaid land lease payments	**9,660**	7,345
Amortization of other intangible assets	**13,026**	11,559
Research and development costs	**1,598,732**	1,301,959
Revaluation deficit/(surplus) of property, plant and equipment	**(10,568)**	27,852
Gain on disposal of items of property, plant and equipment	**(3,255)**	(208)
Loss on disposal of items of property, plant and equipment	**17,060**	342
Bank interest income	**(25,119)**	(74,503)
Dividend income	**(14,788)**	(12,848)
Investment income	**(158,611)**	(194,595)
Loss on disposal of subsidiaries, net	**57,944**	–
Impairment of an investment in an associate	**–**	15,699
Fair value (gains)/losses, net:		
Available-for-sale investments (transferred from equity in disposal)	**–**	7,846
Equity investments at fair value through profit or loss – held for trading	**32,938**	(31,278)
Financial assets designated as fair value through profit or loss	**59,874**	25,281
Auditors' remuneration	**5,401**	4,699
Staff cost (including directors' remuneration)		
Wages and salaries	**1,233,527**	1,108,851
Pension contributions	**265,027**	215,217
	1,498,554	1,324,068
Accrual of impairment loss of trade receivables	**167**	319
Foreign exchange differences, net	**75,300**	87,711

7. INCOME TAX EXPENSE

	For the year ended 31 December, 2016	2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China income tax	**629,051**	590,724
Deferred tax	**(74,032)**	(57,848)
Total tax charge for the year	**555,019**	532,876

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 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.

During the year ended 31 December, 2016, CT Tianqing, NJCTT, Jiangsu Fenghai, Jiangsu Qingjiang, Qingdao Haier, Shanghai Tongyong and LYG Runzhong were subject to a corporate income tax rate of 15% because they are qualified as a "High and New Technology Enterprise".

Other than the above mentioned entities, the other entities located in the PRC are subject to a corporate income tax rate of 25% in 2016.

8. DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK1.5 cents per ordinary share for the year ended 31 December, 2016 (2015: HK1.5 cents). Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting, the dividend will be paid to shareholders on Thursday, 13 July, 2017 whose names appear on the Register of Members of the Company on Tuesday, 4 July, 2017.

The Register of Members of the Company will be closed for the following periods:–

(a) For the purpose of determining shareholders who are entitled to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 19 June, 2017 to Thursday, 22 June, 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 16 June, 2017.

(b) For the purpose of determining shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Friday, 30 June, 2017 to Monday, 3 July, 2017, both days inclusive, during which period no transfer of shares 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 29 June, 2017.

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$1,913,276,000 (2015: approximately HK$1,778,692,000), and the weighted average number of ordinary shares of 7,412,192,209 (2015: 7,412,192,209) (as to take into account the bonus shares issued) in issue during the year.

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

10. TRADE AND BILLS 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 and bills receivables as at the end of reporting period, based on invoice date and net of provisions, is as follows:

	31 December, 2016	31 December, 2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Current to 90 days	**1,850,147**	1,603,326
91 days to 180 days	**350,895**	235,107
Over 180 days	**26,700**	27,975
	2,227,742	1,866,408

11. CASH AND BANK BALANCES

	31 December, 2016	31 December, 2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Cash and bank balances, unrestricted	**1,648,265**	1,230,422
Time deposits with original maturity of less than three months	**2,261,153**	1,300,457
Time deposits with original maturity of more than three months	**294,049**	180,182
	4,203,467	2,711,061

12. TRADE AND BILLS PAYABLES

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

	31 December, 2016	31 December, 2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Current to 90 days	**640,342**	617,372
91 days to 180 days	**240,209**	111,786
Over 180 days	**42,250**	38,434
	922,801	767,592

13. SHARE CAPITAL

	31 December, 2016	31 December, 2015
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Issued and fully paid:		
7,412,192,209 ordinary shares of HK$0.025 each	**185,305**	185,305

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 two with financial management expertise. Details of their biographies will be set out in the 2016 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 audited consolidated financial statements of the Company for the year ended 31 December, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year from 1 January, 2016 to 31 December, 2016, 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, Theresa Y Y
Chairlady

Hong Kong, 13 March, 2017

As at the date of this announcement, the Board of the Company comprises six Executive Directors, namely Miss Tse, Theresa Y Y, Mr. Tse Ping, Mr. Tse Hsin, Mr. Wang Shanchun, Mr. Tian Zhoushan and Ms. Li Mingqin and four Independent Non-Executive Directors, namely Mr. Lu Zhengfei, Mr. Li Dakui, Ms. Lu Hong and Mr. Zhang Lu Fu.