

Interim Report **2010**



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1177)



CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Mr. Tse Ping (*Chairman*)

Mr. Zhang Baowen (*Vice Chairman*)

Mr. Xu Xiaoyang (*CEO*)

Mr. Tse Hsin

Ms. Cheng Cheung Ling

Mr. Tao Huiqi

Mr. He Huiyu

Independent non-executive Directors

Mr. Lu Zhengfei

Mr. Li Dakui

Ms. Li Jun

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Li Jun

REMUNERATION COMMITTEE

Mr. Tse Ping (*Chairman*)

Mr. Lu Zhengfei

Ms. Li Jun

COMPANY SECRETARY

Ms. Leung Sau Fung, Fanny

QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping

Ms. Leung Sau Fung, Fanny

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

CITIC Bank International Limited

166 Hennessy Road

Wanchai

Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

Agricultural Bank of China, Lianyungang Branch

No. 43 North Tong-guan Road

Xinpu, Lianyungang

Jiangsu Province

PRC

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited
P.O. Box 705
Butterfield House
Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Sino Biopharmaceutical Limited

LEGAL ADVISERS

As to Hong Kong Law:
Morrison & Foerster
33rd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
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As to Cayman Islands Law:
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British West Indies

As to PRC Law:
Navigator Law Office
308A, Tower C2
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East Chang An Ave
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Beijing
PRC

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A, 29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong

FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2010, the Group recorded the following operational results:

- Turnover was approximately HK\$1,928.26 million, an increase of approximately 22.6% over the same period last year;
- Profit attributable to the Group was approximately HK\$192.35 million, approximately 9.1% higher than the same period last year;
- After the adjustment of the weighted average number of ordinary shares from the top-up placing of shares in January and June 2010, respectively, and from the share repurchase in April 2010, the basic earnings per share were approximately HK4.15 cents, approximately 6.7% higher than the corresponding period last year;
- Sales of new products accounted for approximately 20.8% of the Group's total revenue; and
- Cash and bank balances as at 30 June, 2010 was approximately HK\$2,689.98 million.

The Board of Directors (the "Directors") of the Company declared a dividend payment of HK2 cents per share for the second quarter ended 30 June, 2010. Together with the quarterly dividend of HK2 cents per share paid in the first quarter, the total dividend of the two quarters amounted to HK4 cents per share.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the “Company”), together with its subsidiaries and a jointly-controlled entity (the “Group”), is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese and chemical medicines. The Group has also, through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited, entered into an agreement to establish a joint venture engaging in the refining of coal to olefin products in Yulin City, Shaanxi Province, the People’s Republic of China (the “PRC”).

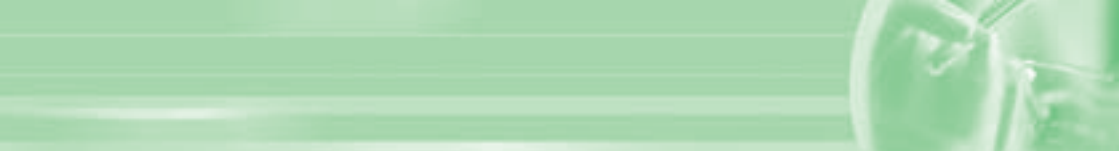
The Group’s products can be grouped under the two major therapeutic categories of cardio-cerebral diseases and hepatitis. It also actively develops medicines for treating tumors, analgesia, respiratory system diseases, diabetes and digestive system diseases to meet the increasing demands of the market,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

Principal products:

| | |
|----------------------------|---|
| Cardio-cerebral medicines: | Kaishi (Alprostadi) injections, Yilunping (Irbesartan/Hydrochlorothiazide) tablets, Tianqingning (Hydroxyethylstarch 130) injections, Spring (Purarin) injections |
| Hepatitis medicines: | Mingzheng (Adefovir Dipivoxil) capsules, Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Ganlixin (Diammonium Glycyrrhizinate) injections and capsules, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Tianqingfuxin (Marine) injections and capsules |
| Oncology medicines: | Tianqingyitai (Zolebrionate Acid) injections |
| Analgesic medicines: | Kaifen (Flurbiprofen Axetil) injections |

Products with great potential:

| | |
|---------------------------------|--|
| Cardio-cerebral medicines: | Tianqinggan (Glycerin and Fructose) injections |
| Hepatitis medicines: | Runzhong (Entecavir) dispersible tablets |
| Oncology medicines: | Renyi (Pamidronate Disodium) injections, Zhiruo (Palonosetron Hydrochloride) injections |
| Diabetic medicines: | Taibai (Metformin Hydrochloride) sustained release tablets |
| Respiratory system medicines: | Tianqingsule (Tiotropium Bromide) inhalation powder |
| Parenteral nutrition medicines: | Xinhaineng (Carbohydrate and Electrolyte) injections |
| Anorectal medicines: | Getai (Diosmin) tablets |
| Anti-infectious medicines: | Tiance (Biapenem) injections |



The medicines which have received Good Manufacturing Practice (“GMP”) certifications issued by the State Food and Drug Administration of the PRC are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP Certification for Health Food in capsules from the Department of Health of Jiangsu Province.

The Group’s jointly-controlled entity, Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”) has received the GMP certification for foreign pharmaceutical company from the Public Welfare and Health Ministry of Japan in February 2008. Thus, the Japanese pharmaceutical enterprises can assign the manufacturing of aseptic pharmaceutical products (products that are under research and products already launched to the domestic market within Japan) to Beijing Tide for export to Japan.

The Group’s several principal subsidiaries: Jiangsu Chia Tai – Tianqing Pharmaceutical Co. Ltd. (“JCTT”), Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd., Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd., Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. and Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. and jointly-controlled entity, Beijing Tide have been designated “High and New Technology Enterprises”. Beijing Tide also received the “Key New and High Technology Enterprise” certificate from the High-tech Industry Development Center of the Ministry of Science and Technology of the PRC in June 2006.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

After the outbreak of the global financial crisis in late 2008, the PRC Government began to implement progressive fiscal and easing monetary policies which laid the foundation for the country’s rapid economic recovery. In light of the stabilization of the economy, the macro economy of the PRC in the first half of 2010 was optimistic with an increase in GNP exceeding 11% as compared with the last corresponding period. Thus, the operating environment of the pharmaceutical industry continued to be healthy. In order to promote reform of the medical and health system, and to ensure a smooth implementation of “New Medical Reform Plan”, “National Basic Medicine Catalogue” and “Catalogue of Medicines for Basic National Medical Insurance”, the Central Government has earmarked financial resources worth more than RMB80 billion in the first half of the year. These initiatives have enabled the PRC pharmaceutical market to grow rapidly and increased the market share of primary pharmaceutical segment significantly; facilitating the sales and profits of the industry to grow steadily.

BUSINESS REVIEW

To enhance the competitiveness of its brand and products, the Group has continued to strengthen quality control to ensure its products are safe and reliable during the period under review. At the same time, the Group focuses on the new product development and its subsidiary, JCTT, has developed a new medicine called Runzhong (Entecavir) dispersible tablets for treating hepatitis B. This new product has received the new product and production approval in February 2010. JCTT is the first domestic pharmaceutical manufacturer to gain production approval for this product in the PRC, and the product has been launched in the market since March 2010. In addition, the Group has held academic promotion events and expanded its sales team. These have laid a solid foundation for promotion before the official product commenced launch, which paved for a steady growth of sales of the new product in just a few months since its debut. It is hopeful that the product may turn into a regular contributor to the Group's overall profit growth.


The Group recorded turnover of approximately HK\$1,928.26 million during the period under review, an increase of approximately 22.6% against the same period last year. Profit attributable to the Group was approximately HK\$192.35 million, approximately 9.1% higher than in the same period last year. After the adjustment of the weighted average number of ordinary shares from the top-up placing of shares in January and June 2010, respectively, and from the share repurchase in April 2010, the basic earnings per share were approximately HK4.15 cents, approximately 6.7% higher than the corresponding period last year. Cash and bank balances totaled approximately HK\$2,689.98 million.

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

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

Cardio-cerebral medicines

Cardio-cerebral medicines are manufactured mainly by Beijing Tide and NJCTT and accounted for approximately 21.6% of the Group's turnover. The segment's major product Kaishi injections produced by Beijing Tide works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology used by the Group enhances the product to have more apparent effect than similar products in the market, which allows it to enjoy majority market share. Beijing Tide was awarded GMP medicine certification by the Public Welfare and Health Ministry of Japan in February 2008. For the six months ended 30 June, 2010, sales of Kaishi injections amounted to approximately HK\$517.27 million, an increase of approximately 43.3% as compared with the same period last year.



The Spring PVC-free soft bags for intravenous injections and the Spring injections manufactured by NJCTT are known for their stable quality since launched. NJCTT was named “Model Enterprise for Establishment of Quality and Trustful Medicines” by the PRC Pharmaceutical Quality Control Association in 2007. For the six months ended 30 June, 2010, sales of the two products amounted to approximately HK\$30.53 million, an increase of approximately 6.5% when compared with the same period last year.

The sales of Tianqinggan injections manufactured and sold by NJCTT have had satisfactory growth since launched in 2004. For the six months ended 30 June, 2010, the product recorded sales of approximately HK\$26.35 million, an increase of approximately 24.9% when compared with the same period last year.

NJCTT's Tianqingning injections, which was launched in 2006, is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has huge market potential. For the six months ended 30 June, 2010, the product recorded sales of approximately HK\$76.29 million, a large increase of approximately 54.6% when compared with the same period last year. Sales of another pharmaceutical product, Yilunping tablets, amounted to approximately HK\$74.35 million for the six months ended 30 June, 2010, a remarkable increase of approximately 57.8% when compared with the same period last year.

Hepatitis medicines

Hepatitis medicines is one of JCTT's main product series which recorded sales of approximately HK\$827.65 million for the six months ended 30 June, 2010 and accounted for approximately 42.9% of the Group's turnover.

JCTT mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the number 1 hepatitis medicine brand in the PRC. For the six months ended 30 June, 2010, its sales amounted to approximately HK\$100.33 million, an approximately 17.4% decrease when compared with the same period last year. After the protection period of the product expired, many replicas have emerged into the market, resulting in intensified competition. The Group thus developed Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected. Sales of the medicine continued to increase to approximately HK\$97.83 million in the reviewing period, representing a growth of approximately 15.0% when compared with the same period last year. In 2005, JCTT launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. During the period under review, the product has bright prospects and recorded the sales of approximately HK\$191.39 million, an increase of approximately 26.4% against the same period last year. The Group believes that medicine series made with ingredients extracted from Licorice will help to maintain JCTT's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launched with sales increasing rapidly. Mingzheng capsules have become another blockbuster product for combating hepatitis virus. For the six months ended 30 June, 2010, its sales amounted to approximately HK\$325.52 million, an increase of approximately 4.6% when compared with the same period last year.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. For the six months ended 30 June, 2010, sales amounted to approximately HK\$44.19 million, a decrease of approximately 21.9% when compared with the same period last year.

JCTT's self-developed new medicine for hepatitis B, Runzhong (Entecavir) dispersible tablet, has obtained the new product approval and production approval in February 2010, making JCTT 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, 2010, the sales amounted to approximately HK\$38.38 million. Runzhong dispersible tablet is the latest generation of guanine nucleoside analogue oral medicine. The medicine is used for the treatment of hepatitis B. It inhibits viral replication and has lower risk of triggering the emergence of medicine-resistant virus. After Runzhong dispersible tablet was launched in 2005, the medicine recorded strong sales growth around the world as one of the most efficacious hepatitis B medicines.

Oncology medicines

Tianqingyitai injections, Tianqingrian injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the six months ended 30 June, 2010, sales of oncology medicines amounted to approximately HK\$108.11 million, an increase of approximately 25.9% as compared with the same period last year.

Analgesic medicines

Launched in 2005, the analgesic medicine Kaifen injections is developed and manufactured by Beijing Tide. It is a Flurbiprofen Axetil microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is famous for strong pain relieving effect with minimal side effects and has been well received by medical practitioners and patients since launched. Sales of the product for the six months ended 30 June, 2010 amounted to approximately HK\$127.35 million, approximately 47.5% significantly higher than that as compared with the same period last year.

Diabetic medicines

The main diabetic medicine of the Group, Taibai sustained release tablets, which is used for lowering blood sugar level, was developed and manufactured by JCTT. There are more than 30 million diabetics in the PRC and Metformin Hydrochloride has been identified as a first-tier medicine for lowering blood sugar level. As Taibai sustained release tablets has sustained release capability, it can stabilise a patient's blood sugar level. For the six months ended 30 June, 2010, the sales of the product have amounted to approximately HK\$17.87 million, an increase by approximately 14.2% as compared with the same period last year.

RESEARCH AND DEVELOPMENT

The Group continued to focus research and development (“R&D”) efforts on new cardio-cerebral, hepatitis, oncology, analgesia and respiratory system medicines. During the period under review, it received 4 new product and production approvals. Also, a total of 41 cases had completed clinical research, or were under clinical trial or applying for production approval, out of which, 7 cardio-cerebral medicines, 9 hepatitis medicines, 5 oncology medicines, 2 respiratory system medicines and 18 other medicines are being developed.

The Group emphasizes on “development of proprietary innovative medicines and generic drugs by itself as well as through coordination with other domestic and foreign parties” in order to improve the R&D standard and progress. In light of the fact that R&D continues to be the foundation of the development of the enterprises and that the government encourages the direction of innovative development, the Group continues to focus on the injection of resources towards R&D. For the six months ended 30 June, 2010, it invested approximately HK\$106.31 million in R&D, which accounted for approximately 5.5% of turnover.

The Group also emphasizes on the protection of intellectual property rights. It encourages the active initiation of patent application in order to enhance the Group's core competitiveness. During the period under review, the Group has filed 16 invention patents and 1 apparel design patent. It also obtained 9 invention patent rights, 1 apparel design patent and 3 transfer invention patent rights. Together, the Group has obtained 224 invention patent rights, 3 utility model patent rights and 21 apparel design patent rights.

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, disposal of Sino Concept Technology Limited in 2005 and top-up placing of existing shares in January and June 2010, respectively. As at 30 June, 2010, the Group's bank balance and cash in hand was approximately HK\$2,689.98 million (31 December, 2009: approximately HK\$1,827.31 million).

CAPITAL STRUCTURE

As at 30 June, 2010, the Group had short term loans of approximately HK\$11.49 million (31 December, 2009: approximately HK\$1.14 million) and long term loans of approximately HK\$70.72 million (31 December, 2009: Nil).

CHARGE ON ASSETS

As at 30 June, 2010, the Group had no charge on assets (31 December, 2009: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2010, the Group and the Company had no material contingent liabilities (31 December, 2009: Nil).

ASSETS AND GEARING RATIO

As at 30 June, 2010, the total assets of the Group amounted to approximately HK\$5,321.35 million (31 December, 2009: approximately HK\$3,766.32 million) whereas the total liabilities amounted to approximately HK\$1,144.56 million (31 December, 2009: approximately HK\$738.38 million). The gearing ratio (total liabilities over total assets) was approximately 21.5% (31 December, 2009: approximately 19.6%).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff costs (including Directors' remuneration) for the period were approximately HK\$254,532,000 (2009: approximately HK\$176,635,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

OUTLOOK AND PROSPECT

The Group expects the PRC economy to face correction amid tightening macroeconomic measures in the second half of the year, hence, key economic indicators may decline when compared with the first half of 2010. Nevertheless, PRC's accelerated industrialisation and urbanisation will continue to attract investment and spur consumer demand. As a result, the impetus of economic growth remains strong and overall economic environment is still favourable. Meanwhile, the PRC Government continues its financial support with favourable policies to facilitate the technological innovation in the pharmaceutical sector, translating it into a strong driver for the development of the pharmaceutical industry.

The Group believes that following the implementation of the "Emission Standard of Water Pollutants for Pharmaceutical Industry" and the "Guideline for Group Procurement of Pharmaceutical Products of Medical Organisations", both on 1 July, 2010, plus the introduction of various regulations and policies including the "New GMP" and the implementation of the "Pharmacopoeia 2010 edition", where the latter is to be announced and implemented on 1 October, 2010, the practices and procedures in all sectors of the pharmaceutical industry are required to become more stringent and standardised. This in turn increases the cost pressures on internal development. Facing the rising cost pressure, these enterprises are expected to concentrate their resources on developing pharmaceutical products in specific therapeutic areas, leading to intensification of competition and fragmentation of pharmaceuticals enterprises. In addition, the PRC Government has increased its attention on the quality of pharmaceutical products and the standard of the operation of pharmaceutical enterprises. It has stepped up efforts to consolidate the sales channel, control the price and regulate the categorisation of pharmaceuticals and optimise the tender mechanism for group procurement of pharmaceuticals. All these measures are expected to facilitate the consolidation of the pharmaceutical industry. The Group plans to fine tune the business workflow and organisational structure according to the new policies and standards in order to become a leading pharmaceutical enterprise with advantages in scale, brand, cost and quality control, thereby strengthening the Group's competitiveness in its future development.

In the coal-olefin segment, as the effects of the global financial crisis still linger, the Group expects to continue seeking a more cost effective source of material for producing olefin. This business is expected to bring stable, promising revenue and provide a new profit growth driver of the Group in the long run. Since it takes time to assess the impact of industrial production on the environment and water resources, the project is still at an early stage of preparation.

APPRECIATION

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

RESULTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June, 2010 together with the comparative consolidated results for 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | For the six months ended 30 June, | |
|---|-------|-----------------------------------|---------------------------------|
| | | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| REVENUE | 3 | 1,928,256 | 1,572,379 |
| Cost of sales | | (397,472) | (345,012) |
| Gross profit | | 1,530,784 | 1,227,367 |
| Other income and gains | 3 | 51,035 | 27,718 |
| Selling and distribution costs | | (806,283) | (632,111) |
| Administrative expenses | | (246,954) | (166,228) |
| Other expenses | | (131,362) | (99,423) |
| Finance costs | 4 | (3,104) | (2,516) |
| Share of profits of an associate | | (666) | – |
| PROFIT BEFORE TAX | 5 | 393,450 | 354,807 |
| Tax | 6 | (77,368) | (64,465) |
| PROFIT FOR THE PERIOD | | 316,082 | 290,342 |
| Profit attributable to: | | | |
| Equity holders of the parent | | 192,352 | 176,332 |
| Minority interests | | 123,730 | 114,010 |
| | | 316,082 | 290,342 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| – Basic | | HK4.15 cents | HK3.89 cents |
| – Diluted | | N/A | N/A |

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, | |
|--|--------------------------------------|--------------------------------|
| | 2010 | 2009 |
| | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Unaudited) |
| <i>Notes</i> | | |
| PROFIT FOR THE PERIOD | 316,082 | 290,342 |
| OTHER COMPREHENSIVE INCOME | | |
| Exchange differences on translation of foreign operations | 19,216 | 2,410 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | 19,216 | 2,410 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 335,298 | 292,752 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 201,972 | 179,191 |
| Minority interests | 133,326 | 113,561 |
| | 335,298 | 292,752 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June, 2010 | 31 December, 2009 |
|---|--------------|--------------------------------|------------------------------|
| | <i>Notes</i> | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,024,885 | 895,289 |
| Prepaid land lease payments | | 124,302 | 77,675 |
| Goodwill | | 47,714 | 47,684 |
| Other intangible assets | | 58,325 | 55,034 |
| Interests in an associate | | 6,330 | 6,918 |
| Available-for-sale investments | | 29,820 | 29,820 |
| Deferred tax assets | | 14,072 | 14,072 |
| TOTAL NON-CURRENT ASSETS | | 1,305,448 | 1,126,492 |
| CURRENT ASSETS | | | |
| Inventories | | 275,837 | 211,368 |
| Trade receivables | 9 | 659,008 | 479,034 |
| Prepayments, deposits and other receivables | | 182,217 | 64,916 |
| Equity investments at fair value through profit or loss | | 205,057 | 53,898 |
| Due from related companies | | 3,803 | 3,300 |
| Cash and bank balances | 10 | 2,689,975 | 1,827,313 |
| TOTAL CURRENT ASSETS | | 4,015,897 | 2,639,829 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 197,175 | 123,092 |
| Other payables and accruals | | 780,690 | 526,793 |
| Interest-bearing bank borrowings | | 11,485 | 1,136 |
| Tax payable | | 27,333 | 33,236 |
| Due to related companies | | 2,780 | 2,747 |
| TOTAL CURRENT LIABILITIES | | 1,019,463 | 687,004 |
| NET CURRENT ASSETS | | 2,996,434 | 1,952,825 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 4,301,882 | 3,079,317 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | 30 June, 2010 | 31 December, 2009 |
|--|--------------------------|----------------------|
| <i>Notes</i> | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | |
| Deferred government grants | 5,985 | 10,581 |
| Deferred tax liabilities | 48,396 | 40,792 |
| Interest-bearing bank borrowings | 70,719 | – |
| TOTAL NON-CURRENT LIABILITIES | 125,100 | 51,373 |
| NET ASSETS | 4,176,782 | 3,027,944 |
| EQUITY | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | |
| Issued capital | 123,916 | 113,198 |
| Reserves | 3,365,944 | 2,265,491 |
| Proposed final dividend | – | 95,659 |
| | 3,489,860 | 2,474,348 |
| MINORITY INTERESTS | 686,922 | 553,596 |
| TOTAL EQUITY | 4,176,782 | 3,027,944 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | | | |
|---|--|---|--|------------------------------|------------------------------------|------------------------------|--|---------------------------------|---|-------------------|-----------------------------------|-----------------------------|
| | Issued share capital HK\$'000 | Share premium account HK\$'000 | Asset Capital revaluation reserve HK\$'000 | Asset reserve HK\$'000 | Contributed surplus HK\$'000 | Reserve funds HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Proposed final dividend HK\$'000 | Total HK\$'000 | Minority interests HK\$'000 | Total equity HK\$'000 |
| At 1 January, 2009 | 56,599 | 281,846 | 16,622 | 17,505 | 20,743 | 152,716 | 78,632 | 1,558,986 | 45,279 | 2,228,928 | 423,006 | 2,651,934 |
| Total comprehensive income for the period | - | - | - | - | - | - | 2,859 | 176,332 | - | 179,191 | 113,561 | 292,752 |
| Issue of bonus shares | 18,867 | (18,867) | - | - | - | - | - | - | - | - | - | - |
| 2009 interim dividends paid to equity holders | - | - | - | - | - | - | - | (79,239) | - | (79,239) | - | (79,239) |
| 2008 final dividend paid to equity holders | - | - | - | - | - | - | - | - | (45,279) | (45,279) | - | (45,279) |
| Dividend paid to minority shareholders | - | - | - | - | - | - | - | - | - | - | (87,791) | (87,791) |
| Transfer from retained earnings | - | - | - | - | - | 13,272 | - | (13,272) | - | - | - | - |
| At 30 June, 2009 | 75,466 | 262,979 | 16,622 | 17,505 | 20,743 | 165,988 | 81,491 | 1,642,807 | - | 2,283,601 | 448,776 | 2,732,377 |
| Total comprehensive income for the period | - | - | - | 17,221 | - | - | (1,824) | 220,630 | - | 236,027 | 155,821 | 391,848 |
| Issue of bonus shares | 37,732 | (37,732) | - | - | - | - | - | - | - | - | - | - |
| 2009 interim dividends paid to equity holders | - | - | - | - | - | - | - | (45,280) | - | (45,280) | - | (45,280) |
| Proposed final 2009 dividend | - | - | - | - | - | - | - | (95,659) | 95,659 | - | - | - |
| Dividend paid to minority shareholders | - | - | - | - | - | - | - | - | - | - | (51,001) | (51,001) |
| Transfer from retained earnings | - | - | - | - | - | 53,667 | - | (53,667) | - | - | - | - |
| At 31 December, 2009 and 1 January, 2010 | 113,198 | 225,247 | 16,622 | 34,726 | 20,743 | 219,655 | 79,667 | 1,668,831 | 95,659 | 2,474,348 | 553,596 | 3,027,944 |
| Total comprehensive income for the period | - | - | - | - | - | - | 9,620 | 192,352 | - | 201,972 | 133,326 | 335,298 |
| Issue of new shares | 11,000 | 1,126,749 | - | - | - | - | - | - | - | 1,137,749 | - | 1,137,749 |
| Repurchase of existing shares | (282) | (33,928) | - | - | - | - | - | - | - | (34,210) | - | (34,210) |
| 2010 interim dividends paid to equity holders | - | - | - | - | - | - | - | (194,340) | - | (194,340) | - | (194,340) |
| 2009 final dividend paid to equity holders | - | - | - | - | - | - | - | - | (95,659) | (95,659) | - | (95,659) |
| Transfer from retained earnings | - | - | - | - | - | 16,284 | - | (16,284) | - | - | - | - |
| At 30 June, 2010 | 123,916 | 1,318,068 | 16,622 | 34,726 | 20,743 | 235,939 | 89,287 | 1,650,559 | - | 3,489,860 | 686,922 | 4,176,782 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended 30 June, | |
|---|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 301,154 | 346,877 |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | 851,510 | (65,696) |
| NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES | (208,902) | (263,722) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 943,762 | 17,459 |
| Cash and cash equivalents at beginning of period | 1,738,980 | 1,794,727 |
| Effect of foreign exchange rate changes, net | 4,936 | 2,649 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 2,687,678 | 1,814,835 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 1,055,839 | 560,968 |
| Time deposits with original maturity of less than three months when acquired | 1,631,839 | 1,253,867 |
| | 2,687,678 | 1,814,835 |

NOTES:

1. BASIS OF PREPARATION

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

The condensed consolidated financial information should be read in conjunction with the 2009 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2009.

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 six months ended 30 June, 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealized gains and losses resulting from inter-company transactions and balances within the Group are eliminated on consolidation in full.

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

During the period under review, the Group has adopted certain revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants which became effective on 1 January, 2010. The said adoption has no significant impact on the condensed consolidated financial statements of the Group.

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

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

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

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

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2010

| | Modernized Chinese and chemical medicines <i>HK\$'000</i> | Investment <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------------|---|-------------------------------|---------------------------|--------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 1,922,886 | – | 536 | 1,923,422 |
| Dividend income | – | 4,834 | – | 4,834 |
| Total | 1,922,886 | 4,834 | 536 | 1,928,256 |
| Segment results | 419,335 | 683 | (4,620) | 415,398 |
| Interest income and unallocated gains | | | | 13,930 |
| Unallocated expenses | | | | (35,212) |
| Share of profit of an associate | | | | (666) |
| Profit before tax | | | | 393,450 |
| Tax | | | | (77,368) |
| Profit for the period | | | | 316,082 |
| Assets and liabilities | | | | |
| Segment assets | 4,934,319 | 299,254 | 67,370 | 5,300,943 |
| Interest in an associate | | | | 6,330 |
| Other unallocated assets | | | | 14,072 |
| Total assets | | | | 5,321,345 |
| Segment liabilities | 1,057,086 | 10,226 | 1,522 | 1,068,834 |
| Other unallocated liabilities | | | | 75,729 |
| Total liabilities | | | | 1,144,563 |
| Other segment information: | | | | |
| Depreciation and amortisation | 39,666 | 1 | 1,116 | 40,783 |
| Capital expenditure | 202,494 | – | 9 | 202,503 |
| Other non-cash expenses | 89 | – | – | 89 |

2. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June, 2009

| | Modernized Chinese and chemical medicines <i>HK\$'000</i> | Investment <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|-------------------------------|---------------------------|--------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 1,562,502 | – | 1,203 | 1,563,705 |
| Dividend income | – | 8,674 | – | 8,674 |
| Total | 1,562,502 | 8,674 | 1,203 | 1,572,379 |
| Segment results | | | | |
| | 368,705 | 8,717 | (5,747) | 371,675 |
| Interest income and unallocated gains | | | | 8,095 |
| Unallocated expenses | | | | (24,963) |
| Profit before tax | | | | 354,807 |
| Tax | | | | (64,465) |
| Profit for the period | | | | 290,342 |
| Assets and liabilities | | | | |
| Segment assets | 3,462,087 | 47,687 | 38,800 | 3,548,574 |
| Other unallocated assets | | | | 3,628 |
| Total assets | | | | 3,552,202 |
| Segment liabilities | 752,770 | – | 4,016 | 756,786 |
| Other unallocated liabilities | | | | 63,039 |
| Total liabilities | | | | 819,825 |
| Other segment information: | | | | |
| Depreciation and amortisation | 24,284 | – | 1,252 | 25,536 |
| Capital expenditure | 144,801 | – | 365 | 145,166 |
| Other non-cash expenses | 145 | – | – | 145 |

3. REVENUE, OTHER INCOME AND GAINS

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

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

| | For the six months ended 30 June, | |
|---|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Revenue | | |
| Sale of goods | 1,923,422 | 1,563,705 |
| Dividend income | 4,834 | 8,674 |
| | 1,928,256 | 1,572,379 |
| Other income | | |
| Bank interest income | 6,564 | 5,959 |
| Government grants | 10,300 | 688 |
| Sale of scrap materials | 14,512 | 7,359 |
| Others | 19,659 | 13,220 |
| | 51,035 | 27,226 |
| Gains | | |
| Gain on disposal of property, plant and equipment | – | 492 |
| | – | 492 |
| Total other income and gains | 51,035 | 27,718 |

4. FINANCE COSTS

| | For the six months ended 30 June, | |
|---|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Interest on bank loans wholly repayable within five years | 3,104 | 2,516 |

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

| | For the six months ended 30 June, | |
|--|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Cost of sales | 397,472 | 345,012 |
| Depreciation | 37,991 | 24,038 |
| Recognition of prepaid land lease payments | 987 | 413 |
| Amortization of other intangible assets | 1,805 | 1,085 |
| Research and development costs | 106,308 | 88,531 |
| Revaluation deficit of equity investment at fair value through profit or loss | 17,870 | – |
| Minimum lease payments under operating leases: | | |
| Land and buildings | 3,909 | 3,610 |
| Auditors' remuneration | 1,143 | 1,140 |
| Staff costs (including directors' remuneration) | | |
| – Wages and salaries | 235,440 | 163,631 |
| – Pension contributions | 19,092 | 13,004 |
| | 254,532 | 176,635 |
| Impairment of accounts receivable | 2,113 | 4,923 |
| Exchange differences, net | 2,409 | 210 |

6. TAX

| | For the six months ended 30 June, | |
|-------------------------------------|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Group: | | |
| Current – Mainland China income tax | 68,861 | 55,220 |
| Deferred tax | 8,507 | 9,245 |
| Total tax charge for the period | 77,368 | 64,465 |

Hong Kong profits tax has been provided at a rate of 16.5% (2009: 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.

6. TAX (continued)

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

7. DIVIDEND

The Board has declared a second quarter dividend of HK2 cents per ordinary share for the three months ended 30 June, 2010 (2009: HK1.5 cents). The dividend will be paid to shareholders on Monday, 20 September, 2010 whose names appear on the Register of Members of the Company on Monday, 13 September, 2010.

The Register of Members of the Company will be closed from Friday, 10 September, 2010 to Monday, 13 September, 2010, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the second quarter dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 9 September, 2010.

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 of approximately HK\$192,352,000 (2009: approximately HK\$176,332,000), and the weighted average number of ordinary shares of 4,638,036,278 (2009: 4,527,937,473)(as adjusted to reflect the top-up placing and share repurchase in 2010) in issue during the period.

The calculation of basic earnings per share is based on:

| | For the six months ended 30 June, | |
|--|--------------------------------------|-------------|
| | 2010 | 2009 |
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 192,352 | 176,332 |

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

| | Number of shares | |
|--|----------------------|--------------------|
| | 2010 | 2009 (Restated) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation, as adjusted to reflect the top-up placing and share repurchase during the period | 4,638,036,278 | 4,527,937,473 |

Diluted earnings per share amounts for the six months ended 30 June, 2010 and 2009 have not been disclosed as there were no diluting events during these two periods.

9. TRADE RECEIVABLES

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

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

| | 30 June, 2010 <i>HK\$'000</i> (Unaudited) | 31 December, 2009 <i>HK\$'000</i> (Audited) |
|---------------------|--|--|
| Current to 90 days | 616,879 | 458,955 |
| 91 days to 180 days | 31,028 | 19,397 |
| Over 180 days | 11,101 | 682 |
| | 659,008 | 479,034 |

10. CASH AND BANK BALANCES

| | 30 June, 2010 <i>HK\$'000</i> (Unaudited) | 31 December, 2009 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Cash and bank balances, unrestricted | 1,055,839 | 408,542 |
| Time deposits with original maturity of less than three months | 1,631,839 | 1,330,438 |
| Time deposits with original maturity of more than three months | 2,297 | 88,333 |
| | 2,689,975 | 1,827,313 |

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, 2010 <i>HK\$'000</i> (Unaudited) | 31 December, 2009 <i>HK\$'000</i> (Audited) |
|---------------------|--|--|
| Current to 90 days | 164,569 | 102,868 |
| 91 days to 180 days | 5,655 | 11,338 |
| Over 180 days | 26,951 | 8,886 |
| | 197,175 | 123,092 |

12. SHARE CAPITAL

| | 30 June, 2010 <i>HK\$'000</i> (Unaudited) | 31 December, 2009 <i>HK\$'000</i> (Audited) |
|---|--|--|
| Authorised: | | |
| 8,000,000,000 ordinary shares of HK\$0.025 each (2009: 6,000,000,000 ordinary shares of HK\$0.025 each) | 200,000 | 150,000 |
| Issued and fully paid: | | |
| 4,956,645,473 ordinary shares of HK\$0.025 each (2009: 4,527,937,473 ordinary shares of HK\$0.025 each) | 123,916 | 113,198 |

13. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

| | For the six months ended 30 June, | |
|--|--------------------------------------|---------------------------------|
| | 2010 HK\$'000 (Unaudited) | 2009 HK\$'000 (Unaudited) |
| Purchase of raw materials from: | | |
| – a Chinese joint venture partner of a subsidiary (note a) | 3,784 | 2,944 |
| Operating lease rentals payable to: | | |
| – a Chinese joint venture partner of a subsidiary (note b) | 339 | 338 |
| – a company beneficially owned by a director (note b) | 430 | 420 |
| – a company beneficially owned by a director (note b) | 1,708 | 1,702 |

Notes:

- (a) Purchases of raw materials were conducted with reference to the market prices.
- (b) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June, 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follow:

Long positions in ordinary shares of the Company

| Name of director | Notes | Capacity/Nature of Interest | Number of shares held, capacity and nature of interest | | | Total | Percentage of the Company's issued share capital |
|-----------------------|-------|-----------------------------|--|---------------------------------|----------------|---------------|--|
| | | | Directly beneficially owned | Through controlled corporations | Through spouse | | |
| Mr. Tse Ping | (1) | Beneficial owner | 90,000,000 | 2,020,417,815 | - | 2,110,417,815 | 42.58% |
| Ms. Cheng Cheung Ling | (2) | Deemed interest | - | - | 2,110,417,815 | 2,110,417,815 | 42.58% |
| Zhong Baowen | | Beneficial owner | 660,000 | - | - | 660,000 | 0.01% |
| Mr. Tse Hsin | | Beneficial owner | 34,224,000 | - | - | 34,224,000 | 0.69% |
| Mr. Tao Huiqi | | Beneficial owner | 3,999,999 | - | - | 3,999,999 | 0.08% |

Notes:

- (1) Mr. Tse Ping held 2,020,417,815 shares through Remarkable Industries Limited, Validated Profits Limited and China Laser Industry Group Limited. The entire issued share capital of these companies is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling is the spouse of Mr. Tse Ping and is therefore deemed to be interested in the same shares in which Mr. Tse Ping has an interest.

Long position in shares of an associated corporation of the Company

| Name of director | Name of associated corporation | Capacity | Number of shares | Percentage of shareholding |
|-----------------------|---|--------------------------------------|------------------|----------------------------|
| Mr. Tse Ping | Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd. (江蘇正大豐海製藥有限公司) ("Jiangsu Fenghai") | Interest in a controlled corporation | 2,340,900 | 25% |
| | Yancheng Suhai Pharmaceutical Co., Ltd. (鹽城蘇海製藥有限公司) ("Yancheng Suhai") | Interest in a controlled corporation | 2,320,500 | 25% |
| | Beijing Tide Pharmaceutical Co., Ltd. (北京泰德製藥股份有限公司) | Interest in a controlled corporation | 16,377,250 | 25% |
| Ms. Cheng Cheung Ling | Jiangsu Fenghai | Deemed interest | 2,340,900 | 25% |
| | Yancheng Suhai | Deemed interest | 2,320,500 | 25% |
| Mr. Zhang Baowen | Jiangsu Fenghai | Beneficial owner | 59,715 | 0.64% |
| | Yancheng Suhai | Beneficial owner | 59,194 | 0.64% |
| | Jiangsu Chia Tai-Tianqing Pharmaceutical Co., Ltd. (江蘇正大天晴藥業股份有限公司) ("JCTT") | Beneficial owner | 229,250 | 0.18% |
| | Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (南京正大天晴製藥有限公司) ("NJCTT") | Beneficial owner | 26,583 | 0.53% |
| | Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd. (江蘇正大清江製藥有限公司) | Beneficial owner | 150,866 | 0.31% |

Long position in shares of an associated corporation of the Company (continued)

| Name of director | Name of associated corporation | Capacity | Number of shares | Percentage of shareholding |
|------------------|---|------------------|------------------|----------------------------|
| | Qingdao Chia Tai Haier Pharmaceutical Co., Ltd. (青島正大海爾製藥有限公司) (“Qingdao Haier”) | Beneficial owner | 22,680 | 0.3% |
| Mr. Xu Xiaoyang | Qingdao Haier | Beneficial owner | 7,560 | 0.1% |
| Mr. Tse Hsin | JCTT | Beneficial owner | 229,250 | 0.18% |
| | NJCTT | Beneficial owner | 26,583 | 0.53% |

Save as disclosed above, as at 30 June, 2010, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 30 June, 2010, the following persons (not being a Director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in shares and/or underlying shares

| Name | Notes | Capacity/Nature of interest | Number of shares and/or underlying shares of the Company | Approximate percentage of issued share capital of the Company |
|------------------------------------|-------|-----------------------------|--|---|
| Validated Profits Limited | (1) | Beneficial owner | 1,590,977,815 | 32.09% |
| Remarkable Industries Limited | (1) | Beneficial owner | 380,000,000 | 7.67% |
| China Laser Industry Group Limited | (1) | Beneficial owner | 49,440,000 | 1.00% |

Notes:

- (1) Each of Validated Profits Limited, Remarkable Industries Limited and China Laser Industry Group Limited is an investment holding company wholly-owned by Mr. Tse Ping who is also the sole director of each of these companies and a Director.



INVESTOR RELATIONS

To keep close contact with our investors, the Group provides timely updates of the latest information and business development of the Group in due course to keep our stakeholders informed and boost their confidence. Efforts have also been made to collect more information from investors and elicit their valued opinion via highly transparent communication channels with investors to further enhance the Group's corporate governance.

During the period under review, the Group has arranged for teleconferences, meetings, roadshows and site visits with investors to apprise them on the latest news about the Group and its business. It conducted 33 teleconferences and meetings, 8 foreign and domestic roadshows and over 10 site visits with nearly 50 foreign and domestic institutional investors including Morgan Stanley, Bank of America Merrill Lynch, Goldman Sachs, JP Morgan, Deutsche Bank, Credit Suisse Group, DBS Vickers and ICBC International Research to strengthen their knowledge about the Group's operations and its latest developments, and thus solidify the confidence of shareholders, investors and customers.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30 June, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in 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.

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

The Group has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of the independent non-executive directors (“INEDs”) and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed three INEDs including one with financial management expertise, details of their biographies had been set out in the 2009 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June, 2010.

TOP-UP PLACING

On 26 January, 2010, the Company has announced a top-up placing of existing shares and subscription of new shares under general mandate whereby China Life Insurance (Overseas) Company, Limited, CITIC Securities International Investment Management (HK) Limited, for China Alpha II Fund and CITIC Securities International Investment Management (HK) Limited, for CITIC Securities Alpha Leaders Fund have purchased 200,000,000, 27,500,000 and 27,500,000 shares of the Company, respectively, at HK\$2.1 per share.

On 17 June, 2010, the Company has announced another top-up placing of existing shares and subscription of new shares under general mandate to various places for 185,000,000 shares of the Company at HK\$3.35 per share.

The total net proceeds raised in respective of the aforesaid top-up placings aggregated to approximately HK\$1,136.46 million.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the period from 1 January, 2010 to 30 June, 2010, the Company repurchased a total of 11,292,000 ordinary shares of HK\$0.025 each on the Stock Exchange at an aggregate consideration of HK\$34,087,336. All of the purchased shares were cancelled.

| Date of the repurchase | Total number of ordinary shares repurchased | Highest price paid per share <i>HK\$</i> | Lowest price paid per share <i>HK\$</i> | Aggregate consideration <i>HK\$</i> |
|-------------------------------|--|--|---|---|
| 1 April, 2010 | 6,820,000 | 3.10 | 2.95 | 20,620,840 |
| 9 April, 2010 | 1,852,000 | 3.05 | 3.00 | 5,606,496 |
| 12 April, 2010 | 2,620,000 | 3.00 | 3.00 | 7,860,000 |
| | <u>11,292,000</u> | | | <u>34,087,336</u> |

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from 1 January, 2010 to 30 June, 2010.

BOARD OF DIRECTORS

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

By Order of the Board

Sino Biopharmaceutical Limited

Tse Ping

Chairman

PRC, 25 August, 2010