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, 2006

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2006, the Group recorded the following operational results:

– Revenue from continuing operations was approximately HK$734.65 million, a decrease of approximately 2.8% against the same period last year;

– Profit attributable to the Group from continuing operations was approximately HK$141.17 million, approximately 29.6% higher than profit before fair value adjustment for derivative financial instrument in the same period last year;

– Basic earnings per share from continuing operations were HK 6.24 cents;

– Sales of new products accounted for approximately 26.7% of the Group's total revenue;

– Cash and cash equivalents as at 31 December, 2006 was approximately HK$1,684.16 million; and

– The Board of Directors (the "Directors") has recommended a final dividend payment of HK2 cents per share. The Company adopts a quarterly dividend payout policy. Together with the dividend of HK3 cents per share paid for the first three quarters, the total dividend for the year will be HK5 cents per share.

On 30 August, 2006, the Company, through its wholly-owned subsidiary, Chia Tai Refined Chemical Industry Limited, entered into a joint venture agreement with three companies to establish Shaanxi Xinxing Energy Chemical Industry Limited, which is engaged in the refining of coal into methanol to low carbon olefin (MTO) chemical products. The project was approved at the Company's extraordinary general meeting held on 12 October, 2006.

CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries, an associate and jointly-controlled entities (the "Group"), is an integrated pharmaceutical enterprise. Applying advanced biotechnology and modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing biopharmaceuticals, modernized Chinese medicines and chemical medicines. The Group has also strategically expanded into the energy chemical industry. Through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited ("CTRC"), the Group would establish a joint venture engaging in the refining of coal into olefin (MTO) products in Yulin City, Shaanxi Province, the People's Republic of China (the "PRC" or "China").

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

Principal products:

Cardio-cerebral medicines:	Kaishi (Alprostadil) injections, Spring (Purarin) injections
Hepatitis medicines:	Ganlixin (Diammonium Glycyrrhizinate) injections and capsules, Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebronate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential include:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric capsules, Mingzheng (Adefovir Dipivoxil) capsules
Cardio-cerebral medicines:	Tianqingganan (Glycerin and Fructose) injections, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections
Respiratory medicines:	Tianqingzhengshu (Loratadine) tablets
Diabetes medicines:	Taibai (Metformin Hydrochloride) sustained release tablets and Beijia (Nateglinide) tablets

The medicines which have received Good Manufacturing Practice ("GMP") certifications issued by the State Food and Drug Administration ("SFDA") 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 Capsules-Health Food from the Department of Health of Jiangsu Province.

The Group's principal subsidiary-Jiangsu Chia Tai-Tianqing Pharmaceutical Co. Ltd. ("JCTT") and the jointly-controlled entity, Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide") have both been designated "High and New Technology Enterprises" and "Foreign Invested Advanced 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. Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd. ("CTGC"), another subsidiary of the Group, was also hailed as a "High and New Technology Enterprise".

The research center of JCTT was recognized as the "Postdoctoral Research & Development Institute" by the PRC's Ministry of Personnel. It is the country's unique "New Hepatitis Medicine Research Center".

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

AWARDS AND HONOURS

Corporate Awards

- CAPITAL Magazine-"Chinese Outstanding Enterprise Achievement Prize" on 22 May, 2006
- Forbes Asia-"One of the Best Enterprises under 1 US Billion within the Asia Pacific region in 2005"
- Economic Digest-"Hong Kong Outstanding Enterprises 2005"
- Red Herring Magazine-"Red Herring Small Cap 100"
- JCTT, Beijing Tide and Chia Tai Qingchunbao Pharmaceutical Co. Ltd. ("CTQ") were ranked the top 100 Chinese Medicine Entity Independent Audited Enterprises that made the most profit in 2006 for fifth consecutive years, a rating published by the Chinese Medicine Economic Statistic Network

Product Awards

- On 29 July, 2006, JCTT's Tianqingganmei injections (Magnesium Isoglycyrrhizinate raw materials and injections) won the gold medal in "The Third Chinese International Patented and Famous Brands Exhibition" organized by State Intellectual Property Office of the PRC

INDUSTRY OVERVIEW

Pharmaceutical Industry

The global pharmaceutical industry grew approximately 6% in 2006, with total value reaching approximately US$603.7 billion. Market focus continued to shift from the United States of America ("USA") to emerging markets, with PRC boosting the fastest growth among all the biggest medicine markets in the world. Multinational pharmaceutical companies continued to derive drive for profit growth from new and innovative medicines. However, research and development ("R&D") of new medicines is facing increasingly tough barriers including rising costs, more stringent approval processes resulting from withdrawal of medicines with safety issues, and the surge in generic medicines. The low prices of generic medicines have bred a lucrative market that even multinational enterprises find attractive. Branded generic medicines are expected to be major beneficiaries in this competition. More and more multinational enterprises have flocked to the PRC to invest in pharmaceutical production and development of proprietary medicines, and set up R&D departments in the country. This shows that the PRC pharmaceutical market has strong appeal for global enterprises.

In 2006, pharmaceutical industry in the PRC in terms of production volume and commercial sales continued to grow, while a setback was experienced in the industry profitability. Both import and export surged notably while enterprises suffered bigger losses. Sales growth at the end market (hospitals) recorded the lowest in 10 years while retail sales showed steady growth. The total production value of the pharmaceutical industry was RMB553.7 billion, representing an increase of 18.4% against last year. Sales income of the pharmaceutical industry was RMB526.8 billion, 19.4% higher than last year. Total profit of industrial enterprises increased by 11.1% to reach RMB41.3 billion. The ratio of sales to production was 95.4%, 0.8% higher than last year. The ratio of industrial profit was 7.9%, 6.4% lower as compared with last year.

In 2006, the PRC government for the first time included the concern of "high medical fees leading to difficulty in obtaining medical treatment" into its work report. Determination of the government to establish a sustainable and fair medical and health system has brought the pharmaceutical industry into the spotlight. 2006 was also a critical year for the pharmaceutical industry going through adjustment, consolidation and standardization. The PRC government is determined to regulate and standardize market practices, production and new medicine registration, and cramp down on corruption in the industry. Since reformation on the usage of medicines in hospitals was the main focus of government policies, not only sales of existing prescription medicines were affected, marketing of new prescription medicines also became more difficult. The government has been active in tracing and monitoring and conducting unannounced inspection on GMP implementation status of different medicines in order to effectively regulate and standardize medicine production procedures. Furthermore, with the government exercising more caution on information of new medicines approved for launch and implementing thorough inspection of all registration applications to regulate and standardize the R&D and registration procedures of medicines, fewer new medicines were launched during the year. The "Guidance for Medicine Registration" to be launched soon compiled with the principles of "strict definition of new medicines, scientific categorization and management, encouraging proprietary development and innovation, and regulating replication". Aiming at guiding the industry towards a healthy growth path, in addition to implementing different regulatory policies, the government also encourages enterprises to develop innovative products.

The three rounds of price cut measures of medicines last year squeezed the industry's overall profitability. Other market factors such as patents expiry and surfacing of generic medicines also induced intense competition in the market which in turn forced price cuts among indigenous medicines. These and the increase in water, electricity and gas costs, together with the promulgation of the 2005 "Pharmacopoeia" to raise product quality all led to the increased operation and production costs for pharmaceutical enterprises. Other developments that have aggravated competition included regulation on direct sale, stringent pharmaceutical categorization and centralization of more medicine wholesale companies in the market. Pharmaceutical organizations subject to purchasing through centralized tendering and online tendering for the purpose of enhancing transparency of medicine circulation also posed pressure on margins and profits. Within the industry, mergers and restructuring have been taking place in a more rational manner. As production increases, the market becomes more centralized, and well-known brands continue to gain prominence in the market. It would be the sizeable and stronger players who stand to benefit.

The pharmaceutical industry continues to be a growing industry. As the pharmaceutical market in the PRC is still at the stage of steady growth, players are opened to both challenges and opportunities. Driven by continuous development of the Chinese economy, increasing level of medicine consumption per capita, the growing population and the aging trend, hastening urbanization of rural areas, the country's medical system reform, the development of the community medical system as well as the enlarging coverage of new agricultural cooperation medical system, the country's pharmaceutical market will expand continuously.

Coal into Olefin Industry

The coal to olefin industry refines coal into methanol to low carbon olefin products. Low carbon olefin products mainly refer to ethylene and propylene. They are important raw materials for producing organic petroleum. Their end products are widely used in the packaging, construction, textile and pharmaceutical industries. Ethylene industry is a crucial benchmark for measuring a country's level of economic and social sophistication and integrated strengths. Currently, naphtha is the main raw material for producing low carbon olefin products. China has changed from an oil exporting country into an oil importing country. In 2005, China imported over 40% of its petroleum from overseas. Imported petroleum is expected to make up 60% of all supply in the country by 2020. China has taken over Japan to become the world's second largest oil consumption country (after the USA). With global petroleum reserve dwindling, exploring cost effective non-petroleum raw material for producing low carbon olefin products is of vital importance in helping to ease the threats of petroleum shortage. "Rich in coal, scarce in oil with limited gas" summarizes energy resources distribution in China. Shaanxi, Shanxi and Inner Mongolia are the main regions where coal can be found. If carbon olefin projects were set up close to coal mines, the production cost of low carbon olefin products would be comparable to using naphtha as raw material with petroleum price at US$30 a barrel. Petroleum price is currently standing at more than US$50 a barrel and is unlikely to come down in the near future. Thus, refining coal into low carbon olefin products is an effective substitute to using naphtha as the raw material. It is an economical and competitive industry, which agrees with China's energy strategy and direction of industrial development.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The industry underwent adjustment, consolidation and standardization in 2006 with players including the Group subject to different political and market pressures, as stated under the Industry Overview. To combat rising cost, lowering product prices, the difficulties surrounding development of new medicines, and the effects of regulatory measures to bring order into the market and production, the Group looked deeply into the effects posed by industry regulations on its production and operations and made adjustments with reference to its unique characteristics including the nature of its products, its strengths in R&D, brand supremacy, sales network, patented products and technological capabilities. On the internal governance front, the Group has its corporate management structure re-organised to improve workflow and redistribute resources, which helped to lower operational cost. It also fine-tuned the product R&D structure to focus on the development of blockbuster products. The Group also strived to improve profitability by stepping up sales and marketing, brand building and strengthening of its sales network. To boost sales, it mounted more aggressive academic promotion for products with strong potential and injected more resources into developing end-markets and defending market shares. In line with the current medical health reform, which focuses on the establishment of an effective community health organization for the urban area and rural area correspondingly, the Group also sought to expand the community hospital and retail markets for its medicines and capture every opportunity to promote the enterprise itself and its brands. New promotion channels were established taking into account the unique characteristics of different products. For example, a non-prescriptive medicine (OTC) team was set up to focus on promoting the products to retailers and direct sale via TV channels was used as a means to increase revenue.

During the year under review, the Group recorded revenue from continuing operations of approximately HK$734.65 million, about 2.8% lower than last year. Profit attributable to the Group from continuing operations amounted to approximately HK$141.17 million, representing an increase of around 29.6% from that of last year before fair value adjustment for derivative financial instrument. Basic earnings per share from continuing operations were approximately HK6.24 cents. The Group launched Mingzheng capsules in July 2006 and Tianqingning injections in November 2006. The new products accounted for approximately 26.7% of the Group's total revenue. The Group had cash equivalents and bank balance of approximately HK$1,684.16 million. The Group recorded satisfactory performance in spite of the challenging industry environment because it had excellent guidance from the board of directors and the full support of staff dedicated to following the Group's management concept of "achieving results and containing crisis". The concept is especially crucial to enhancing the Group's competitiveness with the industry changing and the market standardizing. Also, coupled by the "people-oriented and appointment on merit" principle and the belief in "possibility lies in unity", and employing a result-linked job appraisal system, the Group has created a close association between individual performance with its development. This association has prompted staff to apply their greatest creativity to help the Group achieve the best results.

On 30 August, 2006, the Company through its wholly-owned subsidiary, CTRC, entered into the joint venture agreement with three companies to establish Shaanxi Xinxing Energy Chemical Industry Limited (陝西新興能源化工有限公司) ("SXEC"). The joint venture is 43%-owned by CTRC, which would contribute RMB752,500,000 as capital of the company. The project was approved by shareholders at the Company's extraordinary general meeting on 12 October, 2006. SXEC is located in Yulin City, Shaanxi Province, the PRC, and will mainly be engaged in the refining of coal into methanol for extracting low carbon olefin (MTO) chemical products, such as ethylene and propylene, and ultimately producing products including polyethylene and polypropylene. Compared with the conventional methods of extracting ethylene and propylene from petroleum, and taking into account the current high price of petroleum, extracting low carbon olefin from cheaper coal has strategic value as a new source of material for the government supported coal into olefin industry. The project is expected to bring stable and promising returns to the Group.

For its pharmaceutical operation, the Group will maintain focus on developing specialized medicines where its strengths lie. Apart from boosting its existing medicine series for treating hepatitis and cardio-cerebral diseases, the Group has also been actively developing analgesic medicines, oncology medicines, respiratory medicines and diabetic drugs, etc.

The Group's principal profit contributors are JCTT, Beijing Tide, Nanjing Chia Tai Tianqing Pharmaceutical Co. Ltd. ("NJCTT") and CTQ.

Cardio-cerebral medicines

Mainly manufactured by Beijing Tide and NJCTT, cardio-cerebral medicines accounted for 21.3% of the Group's turnover. The segment's major product, Kaishi injections, is produced by Beijing Tide. It is based on the Drug Delivery System (DDS) theory and is the first micro-sphere target sustained release medicine in the PRC. This patented technology is championed by Professor Mizushima Yataka, a renowned Japanese medical scientist, and the product has received many national prizes. In recognition of his contribution to the PRC economy, Professor Mizushima was presented the "Friendship Award" and "International Cooperation Award of State Science Technology" by the PRC government. He was also received by leading Chinese government officials in 2007. Employing advanced technology and boosting high reliable quality, the product is very well received among medical practitioners and patients. Its sales has been rising and, for the year ended 31 December, 2006, reached HK$310.27 million, making it the best selling product of the Group.

NJCTT and JCTT are engaged in the manufacturing of the Spring PVC-free soft bags for intravenous injections and the Spring injections. Although the Group's Spring PVC-free soft bags for intravenous injections and Spring injections were awarded "Satisfactory and Favorite Quality Brand for Chinese Consumers" in March 2006 by China's Medium-Light Products Quality Assurance Center and are famous for their reliable quality, with Purarin injections under scrutiny by the government for adverse health effects, hospitals have been more cautious in prescribing the medicines. As a result, sales of the two products dropped 40.1% to HK$30.92 million for the year ended 31 December, 2006.

Tianqingganan injections introduced by NJCTT in April 2004 has been well received by doctors and patients, thereby achieving rapid growth in sales. For the year ended 31 December, 2006, sales of the product amounted to HK$16.82 million, 51.1% more than that of last year.

Another product with huge potential is NJCTT's Tianqingning injections, which was launched in November 2006. This new product is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, its wide clinical usage is expected to provide huge market potential.

Hepatitis medicines

JCTT is responsible for the R&D and manufacture of hepatitis medicines, which recorded stable sales of HK$481.71 million for the year ended 31 December, 2006 and accounted for approximately 65.6% of the Group's turnover. In the "People's Safe Medicine Enterprise" activity jointly organized by Health Times magazine, China Health magazine, Health Digest magazine and People's Health magazine in 2005, the Group's best selling hepatitis drug, Ganlixin, was named a "Safe Medicine for Everyone", speaking volume to the strong recognition it enjoys among medical practitioners and patients for its therapeutic potency.

JCTT is the largest natural herb Licorice's R&D unit and the largest manufacturer of the medicine. Hepatitis medicines made with ingredient extracted from Licorice are commonly used in the industry as they are seen as having the best therapeutic effects in protecting the liver and lowering enzyme levels. Ganlixin, Tianqingganping and Tianqingganmei are also extracted from Licorice. Ganlixin injections and capsules is the Group's number 1 hepatitis medicine brand and the second largest profit contributor. After the protection period expired for the medicine, many replica products have emerged into the market, resulting in intensified competition and suppressed sales and prices. Overall sales of the product thus dropped slightly to approximately HK$257.09 million.

As an adequate expedient dosage with good therapeutic effect and intellectual property right protection, Tianqingganping enteric capsules, which was launched in May 2004, continued to record persistent sales to reach HK$53.21 million, a growth of 25.8% when compared with last year. The Tianqingganmei injections, also protected by intellectual property right, is specialized in treating severe hepatitis by lowering enzyme level. Launched in November 2005, it reported strong sales of HK$17.96 million for the year. The product is expected to quickly become another "blockbuster drug" of the Group.

Extracted and separated from the Chinese Herb called Sophora Alpecuroides L, Tianqingfuxin injections and capsules are the major products for combating the hepatitis virus. Facing intense market competition and pricing pressure, although sales volume increased 24.7% to last year, sales of the product dropped slightly during the year and totaled at approximately HK$97.25 million. However, as this product is hailed as the number 1 brand of modernized Chinese medicine for fighting hepatitis virus, the Group has full confidence in its prospect.

The Group launched a new patented hepatitis medicine called Mingzheng capsules on 12 July, 2006. A first-tier medicine for combating hepatitis virus in the international market, the product is well received by the market after it was launched. In the latter half year of 2006, its sales reached HK$29.27 million. The Group is very optimistic about the prospect of the product and believes it will become another blockbuster.

JCTT continues to focus strategically on developing the market for the Group's two major hepatitis medicines for liver protection and combating hepatitis virus and to build a strong brand in the two therapeutic areas.

Oncology medicines

The Group's oncology medicines are mainly developed and manufactured by JCTT and NJCTT. They include mainly Tianqingyitai injections and Renyi injections, accounted for 4.8% and 0.6% of the Group's turnover respectively. When it was launched in January 2005, Tianqingyitai injections immediately attracted the attention of medical practitioners and patients. Its sales has been consistently on the rise since then to approximately HK$35.18 million during the year under review, representing a year-on-year increase of 29.2%. With oncology medicines gaining more significance in its product profile, the Group is in the process of establishing a sales team to promote them.

Analgesic medicines

In 2005, Beijing Tide launched a product line of analgesic medicines, among which the major product is the Flurbiprofen micro-sphere target sustained release analgesic injection, Kaifen injections. Produced based on the DDS theory and enabled by advanced target technology, the product is famous for strong pain relieving effect and minimal side effects and has been well received by medical practitioners. The product has been on the growth path since it was launched two years ago. Although analgesic medicines are under government scrutiny, sales of the product for the year ended 31 December, 2006 still grew to reach approximately HK$15.22 million, 329.3% higher than the amount achieved in the first year after launch.

Diabetic medicines

The Group's diabetic medicines are manufactured by JCTT. The main product in this category for lowering blood sugar level is Taibai sustained release tablets, which was launched in 2004. After two years' promotion, the product has secured wide market acceptance. For the year ended 31 December, 2006, sales of this product increased to HK$9.88 million. As a first-tier diabetic medicine in the huge PRC market with more than 30 million diabetics, Taibai sustained release tablets can gradually release the medicine and thus maintain a stable level of blood sugar. The product is expected to record remarkable sales in the future.

Other medicines

By dosage type, the Group's different dosage products are all making expected progress. NJCTT's PVC-free soft bags for intravenous injections are well received by medical practitioners and patients. Other ordinary dosage such as sodium chloride and glucose products, as well as large dosage PVC-free soft bags for glucose and sodium chloride injection also achieved an average growth in sales of more than 75.7% against the previous year. The notable growth showed that the Group has the ability to produce the right dosages and products based on market demands. The main dosage forms include small volume injections, capsules, tablets, large volume injections and PVC-free soft bags for intravenous injections, accounted for 33.4%, 30.7%, 2.6%, 10.0% and 10.7% of the Group's sales respectively.

RESEARCH AND DEVELOPMENT

The Group continues to focus R&D efforts on cardio-cerebral, hepatitis, oncology, analgesia, respiratory system, diabetes and digestion system medicines. During the year under review, a total of 65 cases had completed clinical research, under clinical trial or applying for production approval. The Group received 14 production approvals from the SFDA. Currently, 22 cardio-cerebral medicines, 8 hepatitis medicines, 3 oncology medicines, 1 analgesia medicines, 3 respiratory system medicines and 5 diabetic medicines are being developed. The Group has obtained production approvals for 115 medicines.

The Group undertakes self-development and co-development of innovative drugs, and self-development of generic drugs. To enhance its R&D capabilities and accelerate the product development, the Group fully utilizes the society's R&D resources and conducts joint development projects with local and international R&D institutes. Viewing R&D as the foundation for its future development, the Group has invested HK$42.06 million, representing 5.7% of sales income in 2006.

The Group places great importance on intellectual right protection created in the R&D process. It diligently resorts to appropriate legal means to protect those rights, such as applying for invention patent, utility models patent and apparel design patents. It also pays attention to protecting its critical technologies so as to strengthen its competitive edges. During the year, the Group had filed 26 invention patent applications, obtained 24 patents and 39 announced invention patents. The Group owns a total of 34 invention patents, 3 utility model patents, 13 apparel design patents and 262 announced invention patents. The Group has also filed 36 product invention patents, one of which was international patent (PCT) application. Among its main patented products that have promising market potentials are the cardio-cerebral medicine Kaishi injections, Tianqingganmei injections and Mingzheng capsules.

In November 2003, the Group was granted a subsidy by the Innovation and Technology Commission of the Hong Kong SAR Government for a study on genetic engineering medicine for hepatitis jointly conducted with the Hong Kong Polytechnic University. The study is progressing smoothly into the application research stage.

FORMATION OF A JOINT VENTURE COMPANY

On 30 August, 2006, the Company through its wholly-owned subsidiary, CTRC, entered into a joint venture agreement with three companies to set up SXEC. The new company will be owned 43% by CTRC at a total contribution of RMB752,500,000. SXEC will refine coal into methanol to low carbon olefin (MTO) chemical products including ethylene and propylene in Yulin City, Shaanxi Province, the PRC.

It is the first coal into olefin project in the PRC and will employ several patented production technologies. Its technical specifications and installation scale are certified to be of international leading levels by the Chinese Petroleum and Chemical Industry Industrial Association. It will enhance to lower cost than the conventional methods of extracting similar products from petroleum. Against the backdrop of hefty petroleum price, participation in the project allows the Group to gain from the growing PRC coal into olefin business and continuously boost profitability.

The joint venture proposal was approved by shareholders at the Company's extraordinary general meeting on 12 October, 2006.

INVESTOR RELATIONS

The Group believes practicing good corporate governance will help to increase transparency of its operation. During the year under review, the Group had arranged various press conferences and investors presentations to keep analysts and fund managers up to date with the latest development of the Group. It also participated in different investor roadshows last year, including the CLSA China Forum, UBS Asian Healthcare Day and Goldman Sach's China Investment Frontier. In addition, the management had meetings with fund managers and analysts regularly to provide them with the latest information of the Group and strengthen investor relations. The Group also posts its annual and interim report, quarterly, interim and annual results announcements, disclosure and circulars on the Company website and the website of The Stock Exchange of Hong Kong Limited. Its aim is to maintain a high degree of transparency in relation to all disclosure of financial and other information.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December, 2006 with the exception of the following deviations:–

1. Code Provision A.2.1 – The Code Provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tse Ping is the Chairman and Chief Executive Officer of the Company. The board of Directors (the "Board") considers that Mr. Tse Ping's substantial experience in the pharmaceutical business and management will enhance the Company's decision making and operational efficiency. To help achieve a better balance of power and authority, the Chairman discusses important issues and decisions relating to the Group's business with other Executive Directors.

2. Code Provision E.1.2 – The Code Provision provides that the Chairman of the Board should attend the annual general meeting of the Company. Due to unexpected business commitment, Mr. Tse Ping, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 5 June, 2006. Mr. Tse Hsin, an Executive Director, was elected in accordance with the Company's Articles of Association to act as the chairman of the annual general meeting and together with other Directors present at the meeting, answered questions at the annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the year, the Group's primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited. As at 31 December, 2006, the Group's bank balance and cash in hand was approximately HK$1,684.16 million (2005: approximately HK$1,696.01 million).

CAPITAL STRUCTURE

As at 31 December, 2006, the Group did not have any loan (2005: Nil).

CHARGE ON ASSETS

As at 31 December, 2006, the Group did not have any charges on assets (2005: Nil).

CONTINGENT LIABILITIES

As at 31 December, 2006, the Group had contingent liabilities of HK$8,464,000 (2005: HK$4,970,000).

ASSETS AND GEARING RATIO

As at 31 December, 2006, the total assets of the Group amounted to approximately HK$2,215.11 million (2005: approximately HK$2,140.22 million) whereas the total liabilities amounted to approximately HK$183.61 million (2005: approximately HK$164.98 million). The gearing ratio (total liabilities over total assets) was approximately 8.3% (2005: approximately 7.7%).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December, 2006, the Group had about 2,694 (2005: 2,546) employees. The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme.

Total staff costs (including Directors' remuneration) for the year were HK$128,839,000 (2005: HK$154,312,000).

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 pledged 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 will continue to pursue dual business direction in the pharmaceutical and coal into olefin businesses with utmost diligence. Using profits generated from the pharmaceutical business and abundant capital reserves, the Group plans to:

1. **Explore potential within the Group**
   Although the pharmaceutical industry in the PRC will continue to consolidate and standardize, it is still a growth industry. It is believed that the pharmaceutical market will grow steadily and present players with both challenges and opportunities. The continuously booming Chinese economy, improving living standard of the people, increasing average medicine consumption level, the growing Chinese population and the aging trend, hastening urbanization of rural areas, deepening medical system reform, the development of community medical system and the enlarging coverage of new urban medical system are all driving forces for the pharmaceutical industry. The Group will continue to apply modernized Chinese medicinal technology and biotechnology to research, develop and manufacture medicines that address market needs. It will continue to focus on special treatment areas and develop relevant products and specialty brands to further enhance the Group's competitive advantage. In addition to hepatitis medicines and cardio-cerebral medicine lines, the Group will actively develop oncology medicines, analgesic medicines, respiratory system and anti-diabetic medicines. To accelerate business development, the Group will also continue to launch blockbuster drugs to address market needs and capture market share so as to lower the Group's operating costs and increase the profit margin.

2. **Accelerate the step of mergers, acquisitions and restructuring of the pharmaceutical companies**
   With consolidation and regulation of production, medicine registration and market circulation, pharmaceutical industry in the PRC is encountering dramatic changes. Opportunities and challenges exist in the enhancement of merger and acquisition, R&D capabilities, management skills, end market share and branding. A tendency of more centralized production and market will see in the future. With a strong reputation and profound investment management experience in the PRC pharmaceutical industry and abundant capital reserve, the Group has attracted merger and acquisition proposition from a number of large enterprises in and outside the country. The Group believes through such deals, it will be able to establish new income streams, develop its business in strong strides and reinforce its industry leadership.

3. **Invest in and develop the coal into olefin business**
   In view of currently high petroleum prices, the Group believes that producing olefin using lower priced coal will help establish a low cost supply channel for the coal into olefin industry. This is set to bring stable and promising returns to industry players while becoming another income stream for the Group in the long run.

The Group reported outstanding sales and profit with a CAGR of 16% and 33% respectively over the past five years. In addition, it has been among the top 100 enterprises in the PRC's pharmaceutical industry in terms of profitability over the past five years. The Group was also included among the "One of the Best Enterprises under a US Billion within the Asia Pacific region in 2005" by Forbes Asia, named as "Hong Kong Outstanding Enterprises 2005" by the Economic Digest and included in the "Red Herring Small Cap 100" list by the Red Herring Magazine and was awarded "Chinese Outstanding Enterprise Achievement Prize" by the Capital Magazine in May 2006. These accolades are a testament to outstanding leadership by the Group's management team and the impressive achievements that have resulted. The Group will continue to do its utmost to innovate, increase its market share, reduce the operational cost and enhance returns for shareholders.

APPRECIATION

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

RESULTS

The Board announces the consolidated results of the Group for the year ended 31 December, 2006 together with the comparative consolidated results for 2005 as follows:

Condensed Consolidated Income Statement
For the year ended 31 December, 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**734.652**	756,073
Cost of sales		**(138,788)**	(139,418)
Gross profit		**595,864**	616,655
Other income and gains	*3*	**91,486**	28,599
Selling and distribution costs		**(327,720)**	(310,609)
Administrative expenses		**(121,802)**	(110,866)
Other expenses		**(31,254)**	(42,224)
Finance costs	*4*	**(2,205)**	(2,729)
Share of profit of an associate		**704**	–
PROFIT BEFORE TAX AND BEFORE FAIR VALUE ADJUSTMENT FOR DERIVATIVE FINANCIAL INSTRUMENT	*5*	**205,073**	178,826
Fair value adjustment for derivative financial instrument		**–**	(66,315)
PROFIT BEFORE TAX AND AFTER FAIR VALUE ADJUSTMENT FOR DERIVATIVE FINANCIAL INSTRUMENT		**205,073**	112,511
Tax	*6*	**(22,106)**	(18,311)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**182,967**	94,200
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	152,213
Gain on disposal of subsidiaries		**–**	1,406,191
Total profit for the year from a discontinued operation		**–**	1,558,404
PROFIT FOR THE YEAR		**182,967**	1,652,604
Attributable to:			
Equity holders of the parent		**141,172**	1,532,929
Minority interests		**41,795**	119,675
		182,967	1,652,604
DIVIDENDS			
– Interim	*7*	**67,920**	216,592
– Proposed final		**45,279**	33,959
		113,199	250,551
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the year		**HK6.24 cents**	HK69.39 cents
– For profit from continuing operations		**HK6.24 cents**	HK1.93 cents

Condensed Consolidated Balance Sheet
As at 31 December, 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**237,955**	198,662
Prepaid land lease payments		**16,541**	7,438
Goodwill		**42,031**	41,948
Other intangible assets		**19,343**	3,802
Interests in an associate		**5,189**	–
Available-for-sale investments		**29,820**	29,820
Deferred tax assets		**4,244**	3,647
TOTAL NON-CURRENT ASSETS		**355,123**	285,317
CURRENT ASSETS			
Inventories		**40,877**	44,339
Trade receivables	*9*	**112,268**	102,013
Prepayments, deposits and other receivables		**20,488**	11,446
Due from related companies		**2,192**	1,094
Cash and cash equivalents	*10*	**1,684,162**	1,696,013
TOTAL CURRENT ASSETS		**1,859,987**	1,854,905
CURRENT LIABILITIES			
Trade payables	*11*	**23,868**	20,559
Other payables and accruals		**136,249**	133,688
Tax payable		**9,873**	7,146
Due to related companies		**917**	1,181
TOTAL CURRENT LIABILITIES		**170,907**	162,574
NET CURRENT ASSETS		**1,689,080**	1,692,331
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,044,203**	1,977,648
NON-CURRENT LIABILITIES			
Deferred government grants		**7,475**	–
Deferred tax liabilities		**5,229**	2,404
TOTAL NON-CURRENT LIABILITIES		**12,704**	2,404
NET ASSETS		**2,031,499**	1,975,244
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Issued capital	*12*	**56,599**	56,599
Reserves		**1,806,684**	1,762,689
Proposed final dividend		**45,279**	33,959
		1,908,562	1,853,247
MINORITY INTERESTS		**122,937**	121,997
TOTAL EQUITY		**2,031,499**	1,975,244

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") 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 periodic re-measurement of certain buildings. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December, 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Impact of new and revised Hong Kong Financial Reporting Standards

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

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as Consequence of the Compliance (Amendment) Ordinance 2005
HKAS 39 & HKAS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the company's financial statements.

Impact of issued but not yet effective Hong Kong Financial Reporting Standards

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December, 2006 and 2005:

Year ended 31 December, 2006	Continuing operations: Modernised medicines and chemical medicines *HK$'000*	Continuing operations: Investment *HK$'000*	Continuing operations: Others *HK$'000*	Continuing operations: Eliminations *HK$'000*	Continuing operations: Total *HK$'000*	Discontinued operation: Biopharmaceutical medicines *HK$'000*	Consolidated *HK$'000*
Segment revenue:							
Sales to external customers	723,606	–	5,334	–	728,940	–	728,940
Dividend income	–	5,712	–	–	5,712	–	5,712
Total	723,606	5,712	5,334	–	734,652	–	734,652
Segment results	197,288	(47,782)	(3,164)	–	146,342	–	146,342
Interest income and unallocated gains					91,486	–	91,486
Share of profit of an associate					704	–	704
Unallocated expenses					(31,254)	–	(31,254)
Finance costs					(2,205)	–	(2,205)
Profit before tax					205,073	–	205,073
Tax					(22,106)	–	(22,106)
Profit for the year					182,967	–	182,967
Assets and liabilities							
Segment assets	571,722	1,590,619	43,744	–	2,206,085	–	2,206,085
Interest in an associate	–	4,781	–	–	4,781	–	4,781
Other unallocated assets					4,244	–	4,244
Total assets					2,215,110	–	2,215,110
Segment liabilities	148,790	17,173	2,546	–	168,509	–	168,509
Other unallocated liabilities					15,102	–	15,102
Total liabilities					183,611	–	183,611
Other segment information:							
Depreciation and amortisation	20,057	1,486	795	–	22,338	–	22,338
Capital expenditure	45,551	5,319	28,253	–	79,123	–	79,123
Other non-cash expenses	100	–	–	–	100	–	100

Year ended 31 December, 2005	Continuing operations: Modernised medicines and chemical medicines HK$'000	Investment HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000	Discontinued operation: Biopharmaceutical medicines HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	744,378	–	4,175	–	748,553	479,838	1,228,391
Dividend income	–	7,520	–	–	7,520	–	7,520
Total	744,378	7,520	4,175	–	756,073	479,838	1,235,911
Segment results	190,963	7,686	(896)	–	197,753	173,650	371,403
Interest income and unallocated gains					28,599	4,431	33,030
Unallocated expenses					(44,797)	–	(44,797)
Fair value adjustment to embedded derivative of convertible bonds					(66,315)	–	(66,315)
Finance costs					(2,729)	(732)	(3,461)
Profit before tax					112,511	177,349	289,860
Tax					(18,311)	(25,136)	(43,447)
Profit for the year					94,200	152,213	246,413
Assets and liabilities							
Segment assets	551,947	1,579,514	5,114	–	2,136,575	–	2,136,575
Other unallocated assets					3,647	–	3,647
Total assets					2,140,222	–	2,140,222
Segment liabilities	145,981	8,398	1,049	–	155,428	–	155,428
Other unallocated liabilities					9,550	–	9,550
Total liabilities					164,978	–	164,978
Other segment information:							
Depreciation and amortisation	19,011	1,185	672	–	20,868	10,838	31,706
Capital expenditure	34,439	322	1,385	–	36,146	41,160	77,306
Other non-cash expenses	2,166	2	–	–	2,168	145	2,313

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the year ended 31 December,	
	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**728,940**	1,228,391
Dividend income	**5,712**	7,520
	734,652	1,235,911
Attributable to continuing operations reported in the consolidated income statement	**734,652**	756,073
Attributable to a discontinued operation	**–**	479,838
	734,652	1,235,911
Other income		
Bank interest income	**80,648**	21,358
Government grants	**3,347**	6,671
Sale of scrap materials	**2,715**	1,930
Others	**4,581**	2,867
	91,291	32,826
Attributable to continuing operations	**91,291**	28,395
Attributable to a discontinued operation	**–**	4,431
	91,291	32,826
Gains		
Gain on disposal of property, plant and equipment	**73**	204
Revaluation surplus of property, plant and equipment	**122**	–
	195	204
Attributable to continuing operations	**195**	204
Attributable to a discontinued operation	**–**	–
	195	204
Total other income and gains		
Attributable to continuing operations reported in the consolidated income statement	**91,486**	28,599
Attributable to a discontinued operation	**–**	4,431
	91,486	33,030

4. FINANCE COSTS

	For the year ended 31 December, 2006 HK$'000	2005 HK$'000
Interest on bank loans wholly repayable within one year	**2,205**	2,996
Interest on the debt component of convertible bonds	**–**	465
Total interest	**2,205**	3,461
Attributable to continuing operations reported in the consolidated income statement	**2,205**	2,729
Attributable to a discontinued operation	**–**	732
	2,205	3,461

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the year ended 31 December, 2006 HK$'000	2005 HK$'000
Attributable to continuing operations reported in the consolidated income statement:		
Cost of sales	**138,788**	139,418
Depreciation	**21,267**	20,153
Amortization of intangible assets	**771**	715
Minimum lease payments under operating leases:		
Land and buildings	**3,752**	2,931
Research and development costs	**27,183**	46,661
Auditors' remuneration	**1,031**	937
Provision for/(write-back) of doubtful debts	**415**	1,134
Staff costs (including directors' remuneration)		
– Wages and salaries	**123,120**	136,942
– Pension contributions	**5,719**	17,370
	128,839	154,312
and after crediting:		
Exchange gain/(loss), net	**(1,308)**	(1,164)

6. TAX

	For the year ended 31 December, 2006 HK$'000	2005 HK$'000
Provision for the year:		
Mainland China income tax	**12,258**	11,708
Deferred tax	**1,459**	(1,152)
	13,717	10,556
Tax attributable to a jointly controlled entity	**8,389**	7,755
Total tax charge for the year	**22,106**	18,311

No Hong Kong profits tax has been provided for the year ended 31 December, 2006 as there was no assessable profit arising in or derived from Hong Kong during the year (2005: Nil).

PRC income tax is provided at the rates applicable to enterprises in the PRC on the income for statutory reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretation thereof.

Pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws, joint venture companies are subject to the statutory income tax rate of 33% (30% state income taxes plus 3% local income taxes) unless the enterprise is qualified as a "High and New Technology Enterprise" or "Advanced Technology Enterprise" or is located in specially designated regions or cities for which more favorable effective tax rates apply. The Group's principal operating subsidiaries are qualified as "High and New Technology Enterprises" to which a preferential tax rate of 15% applies and are entitled to an income tax exemption for two years commencing from the first profitable year (after deducting losses carried forward), and a 50% reduction for the succeeding three years. If these Foreign Investment Enterprises are qualified as "Advanced Technology Enterprises", they can extend three more years for 50% tax reduction. The Group's principal operating subsidiaries and a jointly-controlled entity are qualified as "High and New Technology Enterprises" and "Advanced Technology Enterprises".

As at 31 December, 2006, JCTT and Beijing Tide are subject to an income tax rate of 15% and 12% respectively (2005: 15% and 12%).

7. DIVIDENDS

The Board has recommended a final dividend of HK2 cents per ordinary share for the year ended 31 December, 2006 (2005: HK1.5 cents). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend will be paid to shareholders on Friday, 22 June, 2007 whose names appear on the Register of Members of the Company on Monday, 18 June, 2007.

The Register of Members of the Company will be closed from Thursday, 14 June, 2007 to Monday, 18 June, 2007, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 13 June, 2007.

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

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$141,172,000 (2005: HK$1,532,929,000), and the weighted average number of 2,263,968,736 (2005: 2,209,126,246) ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2006	2005
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**141,172**	42,644
From a discontinued operation	**–**	1,490,285
	141,172	1,532,929
Attributable to:		
Continuing operations	**141,172**	42,644
Discontinued operation	**–**	1,490,285
	141,172	1,532,929

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,263,968,736**	2,209,126,234

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 term is generally up to 90 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-interesting bearing.

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

	2006	2005
	HK$'000	*HK$'000*
Current to 90 days	**105,900**	94,947
91 days to 180 days	**4,367**	5,266
Over 180 days	**2,001**	1,800
	112,268	102,013

10. CASH AND CASH EQUIVALENTS

	2006	2005
	HK$'000	*HK$'000*
Cash and bank balances	**122,923**	223,532
Time deposits	**1,561,239**	1,472,481
	1,684,162	1,696,013

11. TRADE PAYABLES

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

	2006	2005
	HK$'000	*HK$'000*
Current to 90 days	**22,015**	18,944
91 days to 180 days	**1,033**	790
Over 180 days	**820**	825
	23,868	20,559

12. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each (2005: 4,000,000,000 ordinary shares of HK$0.025 each)	**100,000**	100,000
Issued and fully paid:		
2,263,968,736 ordinary shares of HK$0.025 each (2005: 2,263,968,736 ordinary shares of HK$0.025 each)	**56,599**	56,599

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

The Group has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of the independent non-executive directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed three INEDs including one with financial management expertise, details of their biographies will be set out in the 2006 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 financial statements of the Company for the year ended 31 December, 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year from 1 January, 2006 to 31 December, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Sino Biopharmaceutical Limited
Tse Ping
Chairman

PRC, 3 April, 2007

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

Please also refer to the published version of this announcement in International Herald Tribune.