The board of directors of Wanji Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim accounts of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2003 (the "interim accounts") together with the comparative figures for the corresponding period in 2002. The interim accounts have been reviewed by the Company's audit committee. The Company's auditors, PricewaterhouseCoopers, has performed a review on the interim accounts in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	Note	Unaudited Six months ended 30 September 2003 HK$'000	2002 HK$'000
Turnover	2	**8,934**	9,052
Cost of sales		**(5,452)**	(6,204)
Gross profit		**3,482**	2,848
Other revenues	2	**1,281**	1,554
General and administrative expenses		**(6,570)**	(8,256)
Other operating expenses		**–**	(499)
Operating loss	3	**(1,807)**	(4,353)
Finance costs	4	**(355)**	(1,758)
Loss before taxation		**(2,162)**	(6,111)
Taxation	5	**–**	–
Loss attributable to shareholders		**(2,162)**	(6,111)
Basic loss per share	7	**(0.04 cents)**	(1.38 cents)
Diluted loss per share	7	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2003

	Note	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Non-current assets			
Fixed assets		**10,490**	10,754
Other receivables		**153**	326
		10,643	11,080
Current assets			
Properties for sale		**8,573**	8,573
Inventories		**4,251**	3,516
Debtors, prepayments and deposits	8	**5,629**	3,848
Bank balances and cash		**10,236**	15,690
		28,689	31,627
Current liabilities			
Creditors, accrued liabilities and deposits received	9	**10,479**	10,900
Amount due to the ultimate holding company		**–**	23
Amount due to a related company	10	**654**	–
Secured bank loans and overdrafts	11	**1,131**	3,090
		12,264	14,013
Net current assets		**16,425**	17,614
Total assets less current liabilities		**27,068**	28,694
Financed by:			
Share capital	13	**54,423**	54,423
Reserves		**(34,959)**	(32,797)
Shareholders' funds		**19,464**	21,626
Non-current liabilities			
Secured bank loans	11	**604**	68
Convertible note	12	**7,000**	7,000
		7,604	7,068
		27,068	28,694

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	Unaudited Six months ended 30 September 2003 HK$'000	2002 HK$'000
Net cash used in operating activities	**(4,003)**	(13,953)
Net cash (used in)/generated from investing activities	**(28)**	90
Net cash generated from financing activities	**1,532**	12,645
Net decrease in cash and cash equivalents	**(2,499)**	(1,218)
Cash and cash equivalents at beginning of period	**12,735**	6,126
Cash and cash equivalents at end of period	**10,236**	4,908
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**10,236**	8,401
Bank overdrafts	**–**	(3,493)
	10,236	4,908

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	Unaudited				
	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2003	**54,423**	**31,824**	**–**	**(64,621)**	**21,626**
Loss for the period	**–**	**–**	**–**	**(2,162)**	**(2,162)**
At 30 September 2003	**54,423**	**31,824**	**–**	**(66,783)**	**19,464**
At 1 April 2002	4,423	33,472	(66)	(56,533)	(18,704)
Loss for the period	–	–	–	(6,111)	(6,111)
At 30 September 2002	4,423	33,472	(66)	(62,644)	(24,815)

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA").

These unaudited interim accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2003.

The accounting policies and methods of computation used in the preparation of these unaudited interim accounts are consistent with those used in the audited annual accounts for the year ended 31 March 2003 except for the adoption of SSAP 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The adoption of SSAP 12 (revised) has no material effect on the Group's accounts for the periods presented.

2 Turnover, revenue and segment information

(a) The Group is engaged in the distribution of medical equipment and medicinal and other products in Hong Kong. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2003	2002
	HK$'000	HK$'000
Turnover		
Sales of medical equipment	**7,604**	9,052
Sales of medicinal and other products	**1,330**	–
	8,934	9,052
Other revenues	**1,281**	1,554
Total revenues	**10,215**	10,606

2 Turnover, revenue and segment information (continued)

(b) Segment information

Analysis of the Group's unaudited results by major business segment is as follows:

	Unaudited Six months ended 30 September 2003			
	Medical equipment HK$'000	**Medicinal and other products HK$'000**	**Corporate revenues/ (expenses) HK$'000**	**Total HK$'000**
Turnover	**7,604**	**1,330**	**–**	**8,934**
Other revenues	**1,262**	**–**	**19**	**1,281**
Total revenues	**8,866**	**1,330**	**19**	**10,215**
Segment results	**508**	**(1,029)**	**(1,286)**	**(1,807)**
Finance costs				**(355)**
Loss before taxation				**(2,162)**
Taxation				**–**
Loss attributable to shareholders				**(2,162)**

	Unaudited Six months ended 30 September 2002			
	Medical equipment HK$'000	Medicinal and other products HK$'000	Corporate revenues/ (expenses) HK$'000	Total HK$'000
Turnover	9,052	–	–	9,052
Other revenues	1,446	–	108	1,554
Total revenues	10,498	–	108	10,606
Segment results	269	–	(4,622)	(4,353)
Finance costs				(1,758)
Loss before taxation				(6,111)
Taxation				–
Loss attributable to shareholders				(6,111)

2 Turnover, revenue and segment information (continued)

(b) Segment information (continued)

Except for the rental income of HK$300,000 (2002: HK$371,000) for the period ended 30 September 2003 derived from the properties for sale located in the mainland of the People's Republic of China (the "PRC"), all other operating profits are sourced in Hong Kong. Accordingly, no geographical segment information is separately presented.

3 Operating loss

Operating loss is stated after charging the following:

	Unaudited Six months ended 30 September	
	2003	2002
	HK$'000	HK$'000
Depreciation	**292**	364
Staff costs (including directors' remuneration)		
Salaries, wages, allowances and bonuses	**3,074**	3,933
Pension costs – defined contribution plan	**118**	140

4 Finance costs

	Unaudited Six months ended 30 September	
	2003	2002
	HK$'000	HK$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**74**	148
Convertible note	**281**	–
Loan from the former ultimate holding company	**–**	1,606
Others	**–**	4
	355	1,758

5 Taxation

No provision for profits tax has been made in the accounts as the Group did not have any estimated assessable profit for the period (2002: Nil).

6 Dividend

The directors do not recommend the payment of interim dividend for the period (2002: Nil).

7 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the period of HK$2,162,000 (2002: HK$6,111,000) and the weighted average of 5,442,325,172 (2002: 442,325,172) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 September 2003 is not presented as the conversion of convertible note is anti-dilutive.

Diluted loss per share for the period ended 30 September 2002 was not presented as the exercise of share options was anti-dilutive.

8 Debtors, prepayments and deposits

The Group allows an average general credit period of 30 to 90 days to its customers, except for certain well-established customers where the terms are extended beyond 90 days.

An ageing analysis of the Group's trade debtors as at 30 September 2003, net of provisions, is as follows:

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Trade debtors:		
Current – 90 days	**2,925**	1,868
91 – 180 days	**13**	8
181 – 365 days	**1,107**	43
	4,045	1,919
Prepayments, deposits and other debtors	**1,584**	1,929
	5,629	3,848

9 Creditors, accrued liabilities and deposits received

An ageing analysis of the Group's trade creditors as at 30 September 2003 is as follows:

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Trade creditors:		
Current – 90 days	**1,435**	892
91 – 180 days	**136**	7
181 – 365 days	**13**	202
Over 365 days	**227**	–
	1,811	1,101
Accrued liabilities, deposits received and other creditors	**8,668**	9,799
	10,479	10,900

10 Amount due to a related company

Balance is unsecured, interest-free and has the similar credit term as other trade creditors.

11 Secured bank loans and overdrafts

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Secured bank loans and overdrafts wholly repayable within five years	**1,735**	3,158
Less: current portion	**(1,131)**	(3,090)
	604	68

11 Secured bank loans and overdrafts (continued)

As at 30 September 2003, the Group's secured bank loans and overdrafts were repayable as follows:

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Within one year	**1,131**	3,090
In the second year	**604**	68
	1,735	3,158

Note:

As at 30 September 2003, the Group's banking facilities were secured by the following:

– A leasehold land and building with net book value of approximately HK$5,392,000; and

– A property for sale with carrying amount of HK$900,000.

12 Convertible note

The convertible note bears interest at Hong Kong dollar prime lending rate plus 3% per annum and will mature on 4 October 2004. The convertible note is convertible on any business day following the 12 months after the date of issue and is redeemable at the maturity date.

13 Share capital

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
5,442,325,172 ordinary shares of HK$0.01 each	**54,423**	54,423

14 Contingent liabilities

As at 30 September 2003, the banking facilities granted to a subsidiary of the Company which were secured by a corporate guarantee of HK$20,000,000 given by the Company were utilised to the extent of approximately HK$1,600,000 (31 March 2003: HK$2,966,000).

15 Operating lease arrangements

(a) As lessor

The Group leases out certain of its leasehold land and buildings and properties for sale under operating lease arrangements, with lease terms ranging from one to three years.

As at 30 September 2003, the Group had future minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Within one year	**497**	326
In the second to fifth years, inclusive	**242**	90
	739	416

(b) As lessee

As at 30 September 2003, the Group had commitments in respect of land and buildings under non-cancellable operating leases to make minimum lease payments as set out below:

	Unaudited 30 September 2003 HK$'000	Audited 31 March 2003 HK$'000
Within one year	**464**	636
In the second to fifth years, inclusive	**72**	266
	536	902

16 Related party transactions

During the period, purchases amounting to HK$648,000 from a related company were conducted at similar price and terms charged by the related company to other similar distributors in the PRC.

17 Subsequent events

On 22 July 2003, Wanji (BVI) Limited ("Wanji BVI"), a wholly-owned subsidiary of the Company entered into a sino-foreign equity joint venture agreement ("JV Agreement") with 江西國藥有限責任公司 (Jiangxi Guo Yao Pharmaceutical Limited Liability Company) ("Guo Yao"), a company incorporated in the PRC with principal activities engaging in the manufacturing and sales of Chinese medicines and healthcare products in the PRC, to establish a sino-foreign equity joint venture, namely 江西金水康製藥有限公司 (Jiangxi Jinshuikang Medicine Co. Ltd.).

Subsequently on 5 November 2003, Wanji BVI, Oboe Full Company Limited ("Oboe Full"), Guo Yao and 江西金水康藥業有限公司(Jiangxi Jin Shui Kang Pharmaceutical Co. Ltd.) ("JJP") entered into an agreement in relation to a proposed direct investment in JJP ("Agreement"). Oboe Full and Guo Yao owns 40% and 60% respective interest in JJP, which is a PRC sino-foreign equity joint venture incorporated in 1996 and principally engaged in the manufacturing and sale of Chinese medicines in the PRC. Pursuant to the Agreement, Wanji BVI agreed to acquire the existing 58.3% interest in JJP from Oboe Full and Guo Yao at a cash consideration of RMB7 million (equivalent to approximately HK$6.5 million) and inject RMB3.5 million (equivalent to approximately HK$3.3 million) cash into JJP simultaneously. Upon the completion of the Agreement, the shareholding of JJP will be held as to about 67.7% by Wanji BVI and 32.3% by Guo Yao. The Group's investment in JJP of RMB10.5 million (equivalent to approximately HK$9.8 million) will be funded by the Group's internal resources and, if necessary, external borrowing.

On 25 November 2003, Wanji BVI received a written confirmation from Guo Yao confirming that after the execution of the Agreement, the JV Agreement on 22 July 2003 was no longer effective. The directors of the Company confirmed that as of the date of the approval of these interim accounts, Wanji BVI and Guo Yao have no claims against each other in respect of the JV Agreement.

Management Discussion and Analysis

Operating results

The Group's unaudited consolidated turnover for the six months ended 30 September 2003 was HK$8,934,000, representing an approximately 1% decrease from HK$9,052,000 of the corresponding period in the previous year. Loss attributable to shareholders for the period ended 30 September 2003 amounted to HK$2,162,000, a further decrease of approximately 65% from HK$6,111,000 of the corresponding six months period in the previous year.

Business review

Turnover of the distribution of medical equipment business of the Group recorded an approximately 16% decrease from the corresponding period in the previous year. Due to the outbreak of the Severe Acute Respiratory Syndrome incident ("SARS") in the beginning of the period, hospitals have tightened their budgeted expenditure immediately and allocated the resources towards combating the disease. Also, all the hospitals had imposed restrictions on visitors to the hospitals during the SARS period, which resulted in the Group's sales activities being greatly affected. On the other hand, the disease had brought with the Group additional income from sales of equipment and products directly or indirectly related to SARS, which mitigated the influence of the disease on its overall business income.

Moreover, the Group had successfully launched the flagship products – four products of the Wanji ginseng series – of the Shenzhen Wanji Medicine Products Co. Ltd. ("Shenzhen Wanji") in Hong Kong in September this year, which brought with the Group new operating revenue. The Group had been actively preparing the distribution business for Shenzhen Wanji's products early in the year, but the launching of new products was pushed back due to the outbreak of SARS. As such, the results for the period can only reflect the sales revenue and performance of the product distribution business for less than two months.

Acquisition of 江西金水康藥業有限公司 (Jiangxi Jin Shui Kang Pharmaceutical Co. Ltd.) ("JJP")

On 22 July 2003, the Group entered into a sino-foreign equity joint venture agreement ("JV Agreement") with 江西國藥有限責任公司 (Jiangxi Guo Yao Pharmaceutical Limited Liability Company) ("Guo Yao") in relation to establishing a sino-foreign equity joint venture ("Joint Venture"). However, as a requisite medicine manufacturing license for the Joint Venture could not be obtained from the PRC authority pursuant to the provisions of the JV Agreement, both parties agreed not to execute the JV Agreement. The Group had therefore pursued other investment opportunities and on 5 November 2003 entered into an agreement relating to acquisition and equity injection ("Agreement") with Guo Yao and Oboe Full Company

Limited in relation to the proposed investment in JJP. Pursuant to the Agreement, the Group will acquire 58.3% interest in JJP at a consideration of RMB7 million, and inject RMB3.5 million into JJP in cash at the same time. Upon completion, the Group will own a 67.7% interest in JJP. The aggregate cash consideration of RMB10.5 million (equivalent to approximately HK$9.8 million) payable by the Group under the Agreement will be funded by its internal resources and, if necessary, external borrowing.

JJP is a sino-foreign equity joint venture incorporated in the PRC in 1996 and is principally engaged in the manufacturing and sale of Chinese medicines in the PRC. The products of JJP include 17 categories such as 腎寶合劑 (Shenbao Heji), 蟲草川貝膏 (Cordyceps Chuanbeigao) and 強肝糖漿 (liver syrup). Cordyceps Chuanbeigao has been granted approval for clinical application (Chinese Medicine Class 3 New Medicine) while other products including Shenbao Heji were classified as State Chinese Medicines for Protection.

The directors believe that there will be great potential for the Chinese medicine and healthcare industry as the living standard of the Chinese people rises and they become more health-conscious. The directors are confident that investment in JJP will boost the development of the Group's medicine and healthcare business and bring additional revenue to shareholders.

Prospects

The Group will further expand its distribution business of healthcare and Chinese medicinal products through its established sales network and market strength, capitalizing on the gradual recovery of the Hong Kong economy as well as the strong concern of healthcare of Hong Kong people. The Group has planned to launch more Wanji brands and other marketable high quality products of Shenzhen Wanji in Hong Kong and overseas markets after the Lunar New Year in 2004, aiming to generate more revenue from the distribution business. Moreover, the Group will also speed up the completion of its acquisition of JJP and plan to strengthen its sales network upon completion, so that the quality products of JJP will soon be distributed to various areas in the PRC and the Hong Kong markets.

Financial review

Liquidity and financial resources

As at 30 September 2003, the Group's cash and bank balances were HK$10,236,000 and after deducting the total borrowings of approximately HK$8,735,000 (including the convertible note) as at the end of the financial period, cash reserve was HK$1,501,000 (31 March 2003: HK$5,532,000). Accordingly, the gearing ratios, defined as net borrowings to equity, as at 30 September 2003 and 31 March 2003 were both zero. As at 30 September 2003, the Group's current assets and current liabilities were HK$28,689,000 and HK$12,264,000 respectively with liquidity ratio at 2.34 times (31 March 2003: 2.26 times). The substantial cash resources in hand can be effectively deployed on its operating activities.

Bank facilities and pledge of assets

As at 30 September 2003, the Group had unutilised bank facilities of HK$3.9 million. In March 2003, the Group re-arranged its portfolio of bank facilities and interest rates, resulting in a lowering of finance costs.

As at 30 September 2003, the Group had pledged a property for sale and a leasehold land and building with aggregate carrying amount of HK$6,292,000 to secure certain bank credit facilities.

Currency and financial risk

The Group's revenue and expenditure are primarily denominated in Hong Kong dollars for the period under review.

All borrowings and debts are denominated in Hong Kong dollars with interests calculated on a floating rate basis.

More than 99% of cash and bank deposits are denominated in Hong Kong dollars. Any cash surplus is placed into saving accounts and as short-term bank deposits for interest income.

Apart from properties for sale in the PRC, the Group's foreign currency assets are insignificant. The Group's foreign exchange exposure is minimal and there is no need to use financial instruments for hedging purpose.

Capital commitment

As at 30 September 2003, the Company had no capital commitments apart from the Agreement relating to the acquisition of JJP.

Management and employees

As at 30 September 2003, there were 24 employees in the Group. In addition to salaries, the Group also provides staff benefits such as medical insurance and mandatory provident fund. The Group also implements a discretionary performance-linked bonus scheme for staff to grant year end bonus or share options to them as an incentive in accordance with the performance of the Group and individual employees.

The share option scheme (the "Scheme"), approved by the shareholders on 24 September 1998, was cancelled and terminated on 26 August 2003, and prior to that termination date, there were no outstanding share options. The Company had adopted a new share option scheme (the "New Scheme") on 26 August 2003 to grant share options to eligible employees and directors to subscribe for newly issued shares of the Company in accordance with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period ended 30 September 2003, no option was granted by the Company to any eligible employees and directors pursuant to the New Scheme.

Audit Committee

The Group has an audit committee comprising three non-executive directors. The audit committee has reviewed the interim accounts with the board of directors.

Directors' Interests in Securities

As at 30 September 2003, none of the directors (including their respective spouses, infant children, related trusts and companies controlled by them) had any interests or short positions in the Company's shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), which required notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position in which any such director is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Shareholders with Notifiable Interests

As at 30 September 2003, so far as is known to the directors, the following persons had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of interested party	**Number of shares held**	**Percentage of issued share capital**
Wealth Generator Limited *(Note 1)*	3,809,627,884	70.00%
Chen Shini *(Note 1)*	3,809,627,884	70.00%
Quam Finance Limited *(Note 2)*	3,809,627,884	70.00%
Quam Limited *(Note 3)*	4,297,721,884	78.96%

Shareholders with Notifiable Interests (continued)

Notes:

1. Wealth Generator Limited, a company wholly-owned by Chen Shini, interested in 3,809,627,884 shares. Wealth Generator Limited and Chen Shini are deemed to be interested in the same parcel of shares by virtue of Part XV of the SFO.

2. 3,809,627,884 shares held by Wealth Generator Limited were pledged to secure a loan from Quam Finance Limited. Quam Finance Limited is deemed to have the same interests in the shares as those of Wealth Generator Limited by virtue of Part XV of the SFO.

3. Quam Limited indirectly held 100% interest in Quam Finance Limited. Quam Finance Limited and Quam Limited are deemed to be interested in the same parcel of 3,809,627,884 shares by virtue of Part XV of the SFO. In addition, Quam Limited directly held 488,094,000 shares.

Save as disclosed above, so far as is known to the directors, as at 30 September 2003, no other persons had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Purchases, Sales or Redemptions of Shares

There have been no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period under review.

Compliance with the Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except that the non-executive directors were not appointed for a specific term as they are subject to retirement and re-election at the Company's annual general meeting in accordance with the Company's bye-laws.

On behalf of the Board

Chen Wei Dong
Chairman

Hong Kong, 18 December 2003