



JIWA BIO-PHARM HOLDINGS LIMITED

積華生物醫藥控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2327)



Interim Report 2009

*for identification only



CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Income Statement	13
Condensed Consolidated Statement of Comprehensive Income	14
Condensed Consolidated Statement of Financial Positions	15
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Cash Flow Statements	19
Notes on The Interim Financial Statements	20
Other Information	33

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lau Yau Bor (*Chairman*)

Mr. Lau Kin Tung

(*Vice Chairman and Chief Executive Officer*)

Madam Chan Hing Ming

Independent Non-Executive Directors

Mr. Chiu Wai Piu

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

Company Secretary

Mr. Chu Kim Ho (FCCA, FCPA)

Audit Committee

Mr. Fung Tze Wa (*Chairman*)

Mr. Chiu Wai Piu

Mr. Choy Ping Sheung

Remuneration Committee

Mr. Choy Ping Sheung (*Chairman*)

Mr. Chiu Wai Piu

Mr. Fung Tze Wa

Nomination Committee

Mr. Chiu Wai Piu (*Chairman*)

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong

2904 & 2906, Tower One

Lippo Centre

89 Queensway

Central

Hong Kong

Auditors

Grant Thornton

Certified Public Accountants

Principal Bankers

Nanyang Commercial Bank Limited

Standard Chartered Bank

(Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of

China (Asia) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Hong Kong

Company Website

www.jiwa.com.hk

Stock Code

2327

MANAGEMENT DISCUSSION AND ANALYSIS

The directors (the "Directors") of Jiwa Bio-Pharm Holdings Limited (the "Company") are pleased to present the unaudited interim reports of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2009 (the "Period").

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		Increase
	2009 HK\$'000	2008 HK\$'000	
Turnover	326,722	186,381	75.3%
Gross profit	145,434	79,343	83.3%
Profit from operations	49,398	32,927	50.0%
Profit attributable to equity holders	31,994	23,384	36.8%
Earnings per share — basic (HK cents)	1.99	1.46	36.3%

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period ended 30 September 2009 (2008: Nil).

INDUSTRY REVIEW

The long-anticipated National Essential Drug List of China was published in August this year. The Ministry of Health issued three documents in respect thereof: “Administrative Measures on National Essential Drug List (Interim)”, “Implementing Opinions on Establishment of National Essential Drug System” and “National Essential Drug List – Part for Primary Medical and Public Health Institutions Use (2009 Version)”. Under the policies, the pilot project for the essential drug system will start in 2009. The system will be initially established by 2011 and fully implemented covering urban and rural areas by 2020.

The essential drug system will report in an industry shuffle. Production and distribution enterprises will be concentrated gradually. The medical reform in the PRC will drive significant growth in the demand of pharmaceutical market with leverage effect, and the increase in the purchasing power of patients will upgrade medicine consumption directly.

Under “expansion” and “consumption upgrade” of the industry, only enterprises with “cost advantages” and “brand advantages” can capitalize on the opportunities arising from the policies. The management of the Company had the foresight to anticipate and made enormous efforts in alignment with the changing environment, the effects of which have been gradually realized in the reports of the Group.

BUSINESS REVIEW

As at 30 September 2009, the profit from operations of the Group amounted to HK\$49,398,000, representing an increase of 50% as compared with the corresponding period last year. The profit from operations was mainly derived from the finished drugs ("Finished Drugs") produced and sold by Kunming Jida Pharmaceutical Company Limited ("KJP"), representing approximately 72.6% of the profit from operations in all profitable businesses. In addition, approximately 24% of the profit from operations was derived from the Group's trading business ("Trading Pharmaceutical Products and Health Care Products"), while the remaining 3.4% was derived from the pharmaceutical products distribution business acquired in October 2008 ("Distribution Business"). Pharmaceutical bulk materials production business ("Pharmaceutical Bulk Materials") was still in investment phase, and recorded a loss from operations of HK\$4,892,000. The profit attributable to equity holders of the Group for the Period amounted to HK\$31,994,000, representing an increase of 36.8% as compared with the corresponding period last year.

Finished Drugs

The pharmaceutical products produced by KJP comprise mainly of anti-infectious, gastro-intestinal, musculo-skeletal, cerebro-cardiovascular, anti-depressant and psychiatric disorder category. Other specific drugs and Chinese medicine healthcare products are also produced. During the Period, the sales of Finished Drugs amounted to HK\$178,349,000, representing an increase of 20.7% as compared with the corresponding period last year. The segment reports amounted to HK\$39,274,000, representing an increase of 54.7%.

Anti-infectious drugs

During the Period, anti-infectious drugs represented approximately 35.2% of the total sales of KJP. With the stabilization of raw material prices, its gross profit margin increased 3.5% from the corresponding period last year to 44.5%.

Five of the Group's anti-infectious drugs are included in the first essential drug list for the primary medical institutions announced by the State. These products have reached a certain degree of coverage in some markets and their distinguished quality has been widely recognized, giving the products a competitive edge.

Upon inclusion in the essential drug list, the products' market capacity will increase significantly. The Group plans to focus on capturing areas with higher market penetration, and seek opportunistic sales in other areas. The use of new equipment, sales increase, production efficiency improvement and price volume effect of raw materials will further enhance the cost advantages of products. Consequently, target markets will be expanded from key markets to all markets.

In addition, the Group's R&D project on intermediates of cephalosporins has made satisfactory progress. The Group expects to achieve breakthroughs in new-generation cephalosporin products. The GMP Certificate for Cefpirome, a sterile bulk material, was obtained in the third quarter of 2009. With the achievements of these projects, the anti-infectious products of the Group can enjoy advantages in both cost and quality, and relieve its competition pressure on price, to take full advantage of the growth in profit and production scale fueled by expansion.

Specific drugs

During the Period, specific drugs represented approximately 64.8% of the total sales of KJP, with an average gross profit margin of 55.8%. Transton (Triamcinolone Acetonide Injection), Song Taisi (Reduced Glutathione for Injection) and Jida Bente (Tamsulosin Hydrochloride sustained-release tablet) are the key products among the specific drugs. The total sales of the three products amounted to HK\$88,861,000, representing an increase of 20.1% as compared with the corresponding period last year, with an average gross profit margin of 55.9%. The three products enjoy competitive advantages in terms of remarkable efficacy and reasonable price, and accordingly, are widely used in the market.

On the other hand, the key new drug for the year, Jiwa Youmin (Edaravone Injection), recorded robust growth in sales for the Period with a strong growth momentum. As the Company commences and carries out work on tenders in new provinces, adopts a more precise product positioning and steps up academic promotion, the market share of Jiwa Youmin will increase rapidly. Jiwa Youmin is a new category II chemical drug that boasts a high level of technical input. There are only a few edaravone injection producers in the market, and therefore, Jiwa Youmin enjoys a relatively high gross profit. Jiwa Youmin will become one of the profit growth areas of the Group. The Group obtained the production approval and certification for edaravone, beating the many enterprises that hope to develop the medicine, testifies the leading position of the Group's R&D capacity in the PRC.

Trading Pharmaceutical Products and Health Care Products

During the Period, the Group distributed four pharmaceutical products and other health care products, and recorded sales of HK\$45,157,000, representing an increase of 19% as compared with the corresponding period last year. The segment reports amounted to HK\$12,965,000, representing an increase of 25.8%. Under the consumption upgrade of the pharmaceutical market in the PRC, the market demand on imported pharmaceutical products has increased.

Calco (Calcitonin Salmon Injection) is a product imported from Italy, for which the Group acts as the distribution agent. The product received the "Registration Certificate for Imported Drugs" on re-registration, which is valid until 2014. The success of the re-registration of such a variety of drug means that the Group has the chance to capture early opportunities in the calcitonin salmon injection market and can continue to satisfy growing clinical demand in the PRC. As such, the Group is set to increase its market share and enjoy substantial profits over the next five years.

Distribution Business

Subsequent to the finalization of policy details on the medical reform, the Group will further expand its sales team, build brands in specific therapeutic areas, vigorously launch extensive network for selected key products, establish presence in national market, with the objective to create various key products with sales over a hundred million, and fuel the corporate brand with the key products.

Pharmaceutical Bulk Materials

During the Period, Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("JJRP"), the Group's subsidiary engaged in the production of bulk materials, obtained the GMP Certificate for Cefpirome Sulphate issued by the State Food and Drug Administration of China. The obtaining of the GMP Certificate marked a milestone in the development of the Group's bulk materials business, and enable the Group to become the first sterile bulk pharmaceutical production enterprise in Wuxi. The Group will strengthen its control over costs and investment expenditure, and strive for the activation of US Drug Master File (DMF) in the second quarter next year by its clients.

R&D

As at 30 September 2009, the Group had eight clinical approval documents and five products under research that were undergoing clinical trials and applying for production approval.

The Group received gold, silver and bronze awards at the 18th National Invention Exhibition. A total of 1,740 projects participated in the exhibition. The Group's three newest drugs and one invention patent that were showcased at the exhibition won high acclaim. Risedronate Sodium tablet, a new category II chemical drug for the treatment of osteoporosis, received a gold award; and Edaravone injection, a new category II chemical drug for the treatment of acute brain infarction, and Tamsulosin Hydrochloride sustained-release tablet, a new

category V chemical drug for the treatment of hyperplasia of the prostate, both received silver awards. The oral drug combination of Citalopram and Betacyclodextrin for the treatment of depression received a bronze award. These awards play an active role in enhancing corporate image and increasing public recognition of these products.

FINANCIAL REVIEW

Liquidity

As at 30 September 2009, cash and cash equivalents of the Group totaled approximately HK\$53,510,000 (31 March 2009: approximately HK\$42,420,000), of which approximately 11.8% are in Hong Kong dollars, 56% in RMB, 14.4% in US dollars, 17.5% in Euro, 0.1% in Swiss Franc and 0.2% in Macau Pataca.

As at 30 September 2009, the Group had aggregate banking facilities of approximately HK\$277,300,000 (31 March 2009: approximately HK\$224,400,000) of which approximately HK\$140,800,000 (31 March 2009: approximately HK\$175,700,000) was utilized, as to approximately HK\$89,400,000 in long term bank loans, as to approximately HK\$32,400,000 in short term bank loans and as to the balance of approximately HK\$19,000,000 in letters of guarantee issued by the relevant banks to independent third parties. The Group's aggregate banking facilities of approximately HK\$277,300,000 include approximately HK\$8,100,000 equivalent in RMB denominated bank borrowings.

The increase in cash and cash equivalents and the decrease in bank loans is mainly a report of the cash inflow generated from prosperous operating business activities and stringent stock level control.

As at 30 September 2009, the Group had current assets of approximately HK\$321,400,000 (31 March 2009: approximately HK\$317,500,000) whilst current liabilities were approximately HK\$133,000,000 (31 March 2009: approximately HK\$134,100,000).

Interest Rate Risk

In view of comparatively high RMB interest rates, the Group had strategically borrowed the new bank loans mainly denominated in Hong Kong dollars and US dollars in order to minimise the interest rate risk during the period.

As at 30 September 2009, the gearing ratio was approximately 19% (31 March 2009: approximately 23%), calculated based on the Group's total bank borrowings of approximately HK\$121,800,000 (31 March 2009: approximately HK\$151,900,000) over the Group's total assets of approximately HK\$650,000,000 (31 March 2009: approximately HK\$651,500,000). The decrease in gearing ratio is mainly due to the increase in the cash inflow generated from operating business activities and the reduction of bank loan during the period.

Foreign Currency Risk

The Group is subject to foreign currency risk as its certain bills payable arising from import of purchase from European countries are denominated in EURO dollars. Management had hedged with certain account receivable denominated in EURO dollars to minimize the foreign currency risk.

Credit Risk

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed on credit and the payment conduct of clients are monitored both to facilitate the determination of credit limit as well as a control over whether new sale deliveries should be made. The Group's sale staff and marketing agents pay regular visits to customers to promote the Group's products and at the same time would update information on the client's credit worthiness. The remuneration of sales staff and marketing agents are structured so that there is a goal congruence in maintaining a robust credit risk management system.

Capital Commitments

The Group had capital commitments outstanding as at 30 September 2009 of approximately HK\$15,400,000 (31 March 2009: approximately HK\$10,200,000) of which approximately HK\$15,400,000 had been contracted for (31 March 2009: approximately HK\$10,200,000). Funding for the Group's capital commitments would come from internally generated cash flows as well as bank borrowings.

Charge on Group Assets

As at 30 September 2009, bank loans amounting to approximately HK\$121,800,000 (31 March 2009: HK\$146,000,000) were secured by certain assets of the Group having a net book value of approximately HK\$139,000,000 (31 March 2009: HK\$140,900,000).

Contingent Liabilities

As at 30 September 2009, the Group has not provided any form of guarantees for any company outside the Group and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

PROSPECTS

The Group was accredited as “Best Under a Billion” in 2009 by Forbes Asia, an internationally renowned business magazine, in September this year.

Forbes Asia’s “Best Under a Billion” comprises 200 enterprises with substantial growth in sales and profit in the past three years and a promising future. These enterprises are selected out of 12,000 listed companies in the Asia-Pacific region with annual sales of up to USD1 billion. According to Forbes Asia, this year’s list of the best small and midsize companies throughout the Asia-Pacific region is chock-full of survival stories and lessons for entrepreneurs. Unprecedented dislocations in the global economy disrupted supply chains over the past 12 months, froze lines of credit, depleted consumer coffers and sent business spending into hibernation. The 64 companies returning from last year are a testament to fearless management; 136 new entrants have seized opportunities arising from the economic uncertainty. The accreditation as “Best Under a Billion” this year fully demonstrates the Company’s extraordinary resilience and strong competitive edges in this challenging economic environment. The award demonstrates that the Company not only attracts the attention of the media and investors in Hong Kong, but that it has won recognition from the international media, which has boosted Jiwa’s confidence in extending its reach in the international market.

Looking forward to the second half of the year, the Group will concentrate its efforts to enhance and promote selected products with strong potential to create various key products with sales over a hundred million. On the other hand, the Group will actively undertake research in new technologies to create competitive advantages through “low cost” and “high efficacy”, and to enable its products to penetrate into all major towns, cities and rural markets in the PRC, and countries in ASEAN and South America, to capture the opportunities arising from economic recovery.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2009

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2009	2008
		\$'000	\$'000
	Notes	(Unaudited)	(Unaudited)
Turnover	2	326,722	186,381
Cost of sales		(181,288)	(107,038)
Gross profit		145,434	79,343
Other net income		3,101	3,706
Selling expenses		(68,288)	(21,261)
Administrative expenses		(30,076)	(26,647)
Share-based employee compensation	13	—	(1,285)
Other operating expenses		(773)	(929)
Profit from operations		49,398	32,927
Finance costs		(2,539)	(2,173)
Share of reports of associates		(49)	(71)
Profit before income tax	3	46,810	30,683
Income tax expense	4	(4,963)	(520)
Profit for the period		41,847	30,163
Attributable to:			
Equity holders of the Company		31,994	23,384
Minority interest		9,853	6,779
Profit for the period		41,847	30,163
Earnings per share			
— Basic	6	1.99 cents	1.46 cents
— Diluted	6	1.99 cents	1.45 cents

The notes on page 20 to 32 form part of this interim financial statement.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**

For the six months ended 30 September 2009

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>31,994</u>	<u>23,384</u>
Currency translation difference	<u>37</u>	<u>4,191</u>
Other comprehensive income for the period, net of tax	<u>37</u>	<u>4,191</u>
Total comprehensive income for the period, net of tax	<u>32,031</u>	<u>27,575</u>
Attributable to:		
Equity holders of the parent	41,847	30,163
Minority interest	<u>(9,853)</u>	<u>(6,779)</u>
	<u>31,994</u>	<u>23,384</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS (UNAUDITED)

At 30 September 2009

(Expressed in Hong Kong dollars)

		At 30 September 2009 \$'000 Notes (Unaudited)	At 31 March 2009 \$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	238,800	241,629
Land use rights	8	28,692	29,059
Construction in progress		11,559	9,950
Interests in associates		19,790	19,839
Intangible assets		6,018	5,231
Goodwill		9,066	9,066
Other receivables		10,694	15,291
Deferred tax assets		3,875	3,930
		328,494	333,995
Current assets			
Inventories		62,633	71,662
Accounts and bills receivable	9	122,296	135,766
Land use rights	8	868	935
Deposit, prepayments and other receivables		60,363	46,781
Amount due from related companies	15	15,284	13,544
Pledged bank deposits		6,401	6,400
Cash and cash equivalents	10	53,510	42,420
		321,355	317,508

	At 30 September 2009 \$'000 (Unaudited)	At 31 March 2009 \$'000 (Audited)
Current liabilities		
Bank loans	32,359	36,343
Accounts and bills payable	11 63,802	76,379
Accrued expenses and other payables	30,928	17,610
Tax payable	5,878	3,764
	132,967	134,096
Net current assets	188,388	183,412
Total assets less current liabilities	516,882	517,407
Non current liabilities		
Bank loans	89,381	115,528
Deferred tax liabilities	6,221	6,421
	95,602	121,949
Net Assets	421,280	395,458
CAPITAL AND RESERVES		
Share capital	12 16,050	16,050
Reserves	336,400	320,431
Equity attributable to equity holders of the Company	352,450	336,481
Minority interest	68,830	58,977
	421,280	395,458

The notes on 20 to 32 form part of this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2009

(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company											Total	Minority interest	Total equity
	Share capital	Share premium	Contributed surplus	General reserve fund (ii)	Enterprise expansion fund (ii)	Translation reserve	Revaluation adjustment (iii)	Capital reserve (i)	Share option reserve	Proposed final dividend	Retained Profits			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Audited)														
At 1 April 2008	16,050	54,132	2,000	4,782	57	20,772	(320)	2,830	515	16,050	178,073	294,941	45,648	340,589
Translation difference/ Net income recognised directly in equity	-	-	-	-	-	6,100	-	-	-	-	-	6,100	1,514	7,614
Profit for the year	-	-	-	-	-	-	-	-	-	-	51,522	51,522	11,815	63,337
Total recognised income and expense for the year	-	-	-	-	-	6,100	-	-	-	-	51,522	57,622	13,329	70,951
Employee share-based compensation (Note 13)	-	-	-	-	-	-	-	-	1,285	-	-	1,285	-	1,285
Share of post-acquisition losses from an associate which became a subsidiary during the year	-	-	-	-	-	-	-	-	-	-	(1,317)	(1,317)	-	(1,317)
Dividend paid in respect of the previous year	-	-	-	-	-	-	-	-	-	(16,050)	-	(16,050)	-	(16,050)
Proposed dividend	-	-	-	-	-	-	-	-	-	16,050	(16,050)	-	-	-
Transfer to reserve	-	-	-	3,103	-	-	-	-	-	-	(3,103)	-	-	-
At 31 March 2009	16,050	54,132	2,000	7,885	57	26,872	(320)	2,830	1,800	16,050	209,125	336,481	58,977	395,458
(Unaudited)														
At 1 April 2009	16,050	54,132	2,000	7,885	57	26,872	(320)	2,830	1,800	16,050	209,125	336,481	58,977	395,458
Translation difference/ Net income recognised directly in equity	-	-	-	-	-	37	-	-	-	-	-	37	-	37
Profit for the year	-	-	-	-	-	-	-	-	-	-	31,994	31,994	9,853	41,847
Total recognised income and expense for the year	-	-	-	-	-	37	-	-	-	-	31,994	32,031	9,853	41,884
Final dividend paid in respect of the previous years (Note 5)	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)	-	(16,050)
Transfer to reserves	-	-	-	(12)	-	-	-	-	-	-	-	(12)	-	(12)
At 30 September 2009	16,050	54,132	2,000	7,873	57	26,909	(320)	2,830	1,800	16,050	225,069	352,450	68,830	421,280

Notes:

- (i) Upon completion of the capital verification on 25 April 2003, KJP capitalised the enterprise expansion fund of RMB3,000,000 to its registered share capital according to a board resolution of KJP dated 18 January 2003. The amount was recognised as capital reserve in the consolidated balance sheet.
- (ii) In accordance with the articles of association and equity joint venture agreement, the subsidiaries in the PRC are required to set up a general reserve fund and an enterprise expansion fund, which were non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries.
- (iii) Revaluation adjustment represents the fair value adjustment, which is attributed to the 5% increase in the shareholding of KJP. It is the portion of revaluation difference that arose since the original acquisition date that is attributable to the increase in the Group's interest. This reserve adjustment will be recognised in the income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(UNAUDITED)**

For the six months ended 30 September 2009

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	50,631	37,894
Cash outflow from investing activities	(6,871)	(14,530)
Net cash inflow/(outflow) from financing activities	(32,670)	21,135
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,090	44,499
Cash and cash equivalents at 1 April	42,420	20,774
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	53,510	65,273
	<hr/>	<hr/>

The notes on page 20 to 32 form part of this interim financial statements

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2009

(Expressed in Hong Kong dollars)

1 Basis of preparation and significant accounting policies

The unaudited condensed consolidated accounts for the six months ended 30 September 2009 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and complied with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated accounts have been prepared on the historical cost basis except for certain financial assets and financial liabilities measured at amortised cost.

The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2009.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in the annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2009. The adoption of these new interpretations had no material effect on the reported reports and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new/revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised 2008)	Business Combinations ¹
HKFRS 8	Operating Segments
HK(IFRIC) – Int 17	Distributions of Non-Cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference arising on the translation of overseas operation. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

HKFRS 8 Operating Segments

As a result of the adoption of HKFRS 8, reported segment information is now based on internal management reporting information that is regularly reviewed by the senior executive management. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The adoption of HKFRS 8 has not affected the identified and reportable operating segments but to provide comparative amounts in respect of items disclosed for the first time in 2009.

The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the reports and the financial position of the Group.

The interim financial statements have been authorised for issue by the Board of Directors (the "Board") on 30 November 2009. These interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

2 Segment reporting

For the six months ended 30 September 2009

	Trading Pharmaceutical									
	Finished Drugs		Products and Health Care Products		Distribution Business		Pharmaceutical Bulk Materials		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue										
Anti-infectious	62,709	54,853	-	-	-	-	-	-	62,709	54,853
Gastro-intestinal	45,314	42,545	30,366	23,371	80,621	-	-	-	156,301	65,916
Musculo-skeletal	46,368	41,597	13,860	12,968	16,249	-	-	-	76,477	54,565
Cerebro-cardiovascular	12,483	1,626	-	-	-	-	-	-	12,483	1,626
Anti-depressant and psychiatric disorder	51	-	-	-	220	-	2,063	-	2,334	-
Others	11,424	7,097	931	1,608	4,063	-	-	716	16,418	9,421
	178,349	147,718	45,157	37,947	101,153	-	2,063	716	326,722	186,381
Segment reports	39,274	25,381	12,965	10,302	1,839	-	(4,892)	(3,169)	49,186	32,514
Less: Unallocated (expenses)/income									212	1,697
Profit from operations									49,398	34,211
- Share-based payment expenses									-	(1,285)
- Finance costs									(2,539)	(2,172)
- Taxation									(4,963)	(520)
- Minority interests									(9,853)	(6,779)
- Share of reports of associates									(49)	(71)
Profit attributable to shareholders									31,994	23,384

3 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cost of inventories*	199,537	105,712
Staff costs	11,917	7,341
Retirement costs	1,659	1,446
Depreciation	6,891	4,751
Operating lease charges in respect of premises	1,936	1,550
Interest on bank advances wholly repayable within five years	2,539	2,173
Research and development costs	2,187	1,971

* Cost of inventories includes \$7,262,155 (2008: \$5,114,385) relating to staff cost, depreciation expenses, operating lease charges and retirement costs, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

4 Taxation

	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax	1,196	757
Provision for PRC income tax	5,895	3,156
PRC tax refund	(1,984)	(3,448)
	5,107	465
Deferred tax		
Current Period	(144)	55
	4,963	520

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the Period.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (2008: 24%).

The subsidiary Kunming Jida Pharmaceutical Company Limited ("KJP"), located in Kunming, Yunnan, PRC is entitled to preferential PRC EIT rate of 15% (2008: 15%) in accordance to the continuous implementation of the Western Development tax preferential policies pursuant to the New PRC Income Tax Law which was approved on 16 March 2007.

Pursuant to notices issued by the local tax bureau, PRC income tax of \$1,984,000 (2008: \$3,448,000) was refunded to KJP in relation to purchase of equipment made in PRC under tax preferential policies in accordance with the relevant tax rules and regulations.

5 Dividends

	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Dividend approved and paid during the period	16,050	16,050

Pursuant to the resolutions passed at the shareholders' meeting on 28 August 2009, a final dividend of \$16,050,000 (2008: \$16,050,000) payable to the shareholders of the Company was declared and approved in respect of the year ended 31 March 2009.

The Board does not recommend the payment of an interim dividend for the Period (2008: \$Nil).

6 Earnings per share

The calculation of basic earnings per share is based on the Group's profits attributable to shareholders of \$31,994,000 (2008: \$23,384,000) and on the weighted average of 1,605,000,000 (2008: 1,605,000,000) ordinary shares in issue during the period.

The diluted earnings per share is based on the profit attributable to shareholders of \$31,994,000 (2008: \$23,384,000) and the weighted average of 1,608,014,422 (2008: 1,618,717,625) ordinary shares in issue during the period, after adjusting the effect of all dilutive potential share under the Company's share option scheme.

7 Property, plant and equipment

	At	At
	30 September	31 March
	2009	2009
	\$'000	\$'000
	(Unaudited)	(Audited)
Opening net book amount		
At 1 April 2009/1 April 2008	241,629	168,875
Additions	1,944	4,872
Acquisition of subsidiaries	—	29,740
Disposals	(317)	(54)
Depreciation	(6,891)	(13,010)
Transfer from construction in progress	2,654	45,529
Translation difference	(219)	5,677
	<hr/>	<hr/>
Net book amount		
At 30 September 2009/31 March 2009	238,800	241,629
	<hr/>	<hr/>

As at 30 September 2009, certain assets (buildings) of the Group with an aggregate carrying value of approximately \$109,447,000 (31 March 2008: \$110,901,000) were pledged to secure loans and borrowing facilities utilized by the Group.

8 Land use right

	At	At
	30 September	31 March
	2009	2009
	\$'000	\$'000
	(Unaudited)	(Audited)
Opening net carry amount		
At 1 April 2009/1 April 2008	29,994	23,461
Acquisition of subsidiaries	—	6,633
Annual charges of prepaid operating lease payment	(434)	(760)
Translation difference	—	660
	<hr/>	<hr/>
Net carrying amount		
At 30 September 2009/31 March 2009	29,560	29,994
	<hr/>	<hr/>

Land use rights with carrying amount of \$29,560,000 (31 March 2009: \$29,994,000) was pledged to secure bank loans and borrowing facilities utilized by the Group.

9 Accounts and bills receivable

An ageing analysis of the accounts and bills receivable is as follows:

	At	At
	30 September	31 March
	2009	2009
	\$'000	\$'000
	(Unaudited)	(Audited)
Within 3 months	106,416	84,715
Aged over 3 months but less than 6 months	14,946	47,051
Aged over 6 months	934	4,000
	<hr/>	<hr/>
	122,296	135,766
	<hr/>	<hr/>

All of the above balances are expected to be recovered within one year.

10 Pledged bank deposits and cash and cash equivalents – GROUP

	At 30 September 2009 \$'000 (Unaudited)	At 31 March 2009 \$'000 (Audited)
Cash and bank balance	59,911	48,820
Less: Pledged bank deposits	(6,401)	(6,400)
	<hr/>	<hr/>
Cash and cash equivalents	53,510	42,420
	<hr/>	<hr/>

11 Accounts and bills payable

An ageing analysis of the accounts and bills payable is as follows:

	At 30 September 2009 \$'000 (Unaudited)	At 31 March 2009 \$'000 (Audited)
Accounts payable		
– Within 3 months	42,384	62,048
– Over 3 months but within 6 months	2,605	1,076
– Over 6 months	513	1,893
Bills payable	18,300	11,362
	<hr/>	<hr/>
	63,802	76,379
	<hr/>	<hr/>

All of the above balances are expected to be settled within one year.

12 Share capital

	At 30 September 2009		At 31 March 2009	
	No. of shares	Amount \$'000 (Unaudited)	No. of shares	Amount \$'000 (Audited)
Authorised:				
Ordinary shares of \$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:	<u>1,605,000,000</u>	<u>16,050</u>	<u>1,605,000,000</u>	<u>16,050</u>

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

13 Share-based employee compensation

Movements in share options granted during the Period were as follows:

	As at 1 April 2009	Granted during the period	Exercised during the period	As at 30 September 2009	Date of grant	Exercise period	Exercise price per share
Directors							
Lau Kin Tung	15,000,000	–	–	15,000,000	14/4/2008	14/4/2008 to 13/4/2013	HK\$0.180
Consultant/ Employees							
In aggregate	5,000,000	–	–	5,000,000	01/11/2007	01/11/2008 to 31/10/2013	HK\$0.300
Total	<u>20,000,000</u>	<u>–</u>	<u>–</u>	<u>20,000,000</u>			

The consideration paid by each individual for the options granted was \$1.

14 Commitments

(a) Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2009 \$'000 (Unaudited)	At 31 March 2009 \$'000 (Audited)
Within one year	2,627	2,867
After one year but within five years	76	1,118
	2,703	3,985

(b) Capital commitments

The Group had capital commitments outstanding as at 30 September 2009 not provided for in the interim financial statements as follows:

	At 30 September 2009 \$'000 (Unaudited)	At 31 March 2009 \$'000 (Audited)
Contracted for		
– acquisition of property, plant and equipment	10,403	7,192
– acquisition of technical know-how	4,979	2,972
	15,382	10,164
Authorised but not contracted for		
– acquisition of property, plant and equipment	–	–
	15,382	10,164

15 Material related party transactions

- (a) *The following represents a summary of material recurring transactions during the relevant period between the Group and the related parties:*

		Six months ended	
		30 September	
		2009	2008
		\$'000	\$'000
Notes	(Unaudited)	(Unaudited)	
Sales of goods:			
— Yunnan Pharmaceutical and industrial Corporation Limited and its subsidiaries ("Yunnan Pharm Group")	(i)	6,363	6,457
Rentals paid:			
— Mr. Lau Yau Bor	(ii)	348	298
— Jiwa Investment Limited	(iii)	978	910

Notes:

- (i) Yunnan Pharm Group is a minority shareholder of Kunming Jida Pharmaceutical Co. Ltd, a subsidiary of the Group. The Group sold pharmaceutical products to Yunnan Pharm Group, based on the prevailing market prices.
- (ii) During the relevant period, a Director, Mr Lau Yau Bor, leased a staff quarter to the Group. The terms were negotiated on an arm's length basis and rentals are determined in accordance with the prevailing market rate.

- (iii) Jiwa Investment Limited, which is controlled by the Directors, Mr. Lau Yau Bor and Madam Chan Hing Ming, leased staff quarters and office premises to the Group. The terms were negotiated on an arm's length basis and rentals are determined in accordance with the prevailing market rate.

The Directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of the Group's business.

(b) Amounts due from/(to) related companies

Amount due from related companies

	At	At
	30 September	31 March
	2009	2009
	\$'000	\$'000
	(Unaudited)	(Audited)
Yunnan Pharm Group	<u>15,284</u>	<u>13,544</u>

16 Approval of the interim financial statements

The interim financial statements were approved by the Board on 30 November 2009.

OTHER INFORMATION

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2009, the Group had a total of approximately 955 employees (31 March 2009: approximately 842 employees). The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes. The Company may also grant share options to eligible employees under its share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2009.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 24 September 2003 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and consultants and advisers to the Group (subject to the eligibility requirements) to take up options to subscribe for shares of the Company representing up to a maximum of 10% of the shares in issue from time to time. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant. The options vested are exercisable within a period of five years from date of grant. Each option gives the holder the right to subscribe for one share.

Details of the movement of the share options during the Period under the share option scheme are set out in Note 13 to the interim financial statements.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interest in Shares

The directors and chief executive of the Company who held office as at 30 September 2009 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of the SFO) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules:

Interests in Issued Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total number of Shares held	% of total issued Shares
Lau Yau Bor	97,878,000 <i>(Note 1)</i>	117,906,000 <i>(Note 2)</i>	840,000,000 <i>(Note 4)</i>	1,055,784,000	65.78%
Lau Kin Tung	33,648,000 <i>(Note 1)</i>	–	105,000,000 <i>(Note 5)</i>	138,648,000	8.64%
Chan Hing Ming	42,906,000 <i>(Note 1)</i>	937,878,000 <i>(Note 3)</i>	75,000,000 <i>(Note 6)</i>	1,055,784,000	65.78%

Notes:

- The Shares are registered under the name of the Directors or chief executive of the Company who are the beneficial owners.

2. 75,000,000 Shares are held by MINGS Development Holdings Limited which is wholly and beneficially owned by Chan Hing Ming, the spouse of Lau Yau Bor, 42,906,000 Shares are held by Chan Hing Ming as beneficial owner.
3. 840,000,000 Shares are held by LAUs Holding Co. Ltd. which is wholly and beneficially owned by Lau Yau Bor, the spouse of Chan Hing Ming, 97,878,000 Shares are held by Lau Yau Bor as beneficial owner.
4. These Shares are held by LAUs Holding Co. Ltd., the entire issued share capital of which is held by Lau Yau Bor.
5. These Shares are held by WHYS Holding Co. Ltd, the entire issued share capital of which is held by Lau Kin Tung.
6. These Shares are held by MINGS Development Holdings Limited, the entire issued share capital of which is held by Chan Hing Ming.

Interests in Underlying Shares

The directors and chief executive of the Company have been granted options under the Company's share option scheme (the "Share Option Scheme"), details of which are set out in the section "Share Option Scheme".

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

As at 30 September 2009, the Company had been notified by the following person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at 30 September 2009 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Issued Shares

Name of substantial shareholders	Capacity	Total Interests	Percentage of total issued Shares
LAUs Holdings Co. Ltd.	Beneficial owner	840,000,000	52.34
MINGS Development Holdings Limited	Beneficial owner	75,000,000	4.67
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.54

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading, "Directors' and Chief Executive's interests in shares" and "Share option scheme" above, at no time during the Period or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors. The Company, having made specific enquiry, confirms that all directors have complied with the required standards set out in Model Code throughout the six months ended 30 September 2009.

REVIEW OF INTERIM REPORTS

The audit committee, comprising of the three independent non-executive directors of the Company, has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 September 2009.

APPRECIATION

The reports of the Group have continued to grow during financial tsunami. The enviable success is attributable to the continuous support, commitment and contribution from all management and staff during the Period, and the support of all investors to the Company. On behalf of the Board, I would like to express my deepest gratitude to the investors of the Company and all staff of the Group.

By order of the Board

Lau Kin Tung

Vice Chairman and Chief Executive Officer

Hong Kong, 30 November 2009