



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)



*for identification only

2011
INTERIM REPORT



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Lau Yau Bor (*Chairman*)

Lau Kin Tung (*Vice Chairman*)

Chan Hing Ming

Independent Non-Executive Directors

Chiu Wai Piu

Choy Ping Sheung

Fung Tze Wa

Authorised Representatives

Lau Yau Bor

Lau Kin Tung

Company Secretary

Yue Pui Kwan

Audit Committee

Fung Tze Wa (*Chairman*)

Chiu Wai Piu

Choy Ping Sheung

Remuneration Committee

Choy Ping Sheung (*Chairman*)

Chiu Wai Piu

Fung Tze Wa

Nomination Committee

Chiu Wai Piu (*Chairman*)

Choy Ping Sheung

Fung Tze Wa

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business In Hong Kong Registered Under Part XI of The Company Ordinance

2904 & 2906, Tower One

Lippo Centre

89 Queensway

Central

Hong Kong

Auditors

BDO Limited

Certified Public Accountants

Principal Bankers

Hang Seng Bank Limited

Nanyang Commercial Bank Ltd.

Standard Chartered Bank (Hong

Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Principal Share Registrar and Transfer Office

HSBC Securities Services (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

Results

The directors (the “Directors”) of Jiwa Bio-Pharm Holdings Limited (the “Company”) are pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2011 (the “Period”).

During the Period, profit attributable to owners of the Company amounted to HK\$39,484,000, representing an increase of 11.7% compared to approximately HK\$35,342,000 of the same period in 2010. Basic earnings per share was HK\$2.45 cents, up by 11.4% from the same period last year.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

Structural reorganization and Exploration of Business Opportunities

2011 was a crucial year for the Group’s progression towards the new milestone. To actualize optimal resource allocation for expansion of its core pharmaceutical business and exploration of new opportunities, the Group has already completed the first phase of structural reorganization. In the next half of the year, the Group will kick-off the second phase that includes preparation for listing of the pharmaceutical business in the PRC and the finalization of the new investment project in due course.



In early 2011, the Company has placed and issued 30% equity in Kunming Jida Pharmaceutical Company Limited ("Kunming Jida", originally held by the Group as to 70%) to strategic investors, and also included Yunnan Jiwa Pharm Logistics Company Limited ("Yunnan Jiwa") and Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("Jiangsu Jiwa"), both originally wholly-owned by the Company, into the PRC pharmaceutical business structure that is headed by Kunming Jida. Since 30 March 2011, Kunming Jida, Yunnan Jiwa and Jiangsu Jiwa (collectively, "Jida Group") have become associated companies held by the Company as to 49%. During the Period, the operating results and financial position of Jida Group have ceased to be consolidated into the Group's consolidated financial statements. In terms of the revenue in the amount of HK\$209,150,000 generated from the reorganization, the Group has been actively working on various investment projects during the Period; wishing to materialize multi-directional development and boost shareholders' return. The Company wishes to implement 1 to 2 projects during the 2011/2012 financial year.

Business Review and Prospects

During the Period, the Group's profit was still mainly derived from the Jida Group, as well as trading of pharmaceutical products (also known as continuing operations) wholly-owned by the Group.

During the Period, turnover from trading of pharmaceutical products amounted to HK\$129,719,000, up by 28.2% from the same period last year; segment result was HK\$23,452,000, up by 19% from the same period last year. The turnover of Jida Group amounted to HK\$341,446,000, up by 0.4% from the same period last year; gross profit amount to HK\$149,565,000, up by 6% from the same period last year; net profit was HK\$29,624,000, up by 13.6% from the same period last year. After the structural reorganization, the Company holds 49% interests of Jida Group, and the profits contribution to the Company made by Jida Group amounted to HK\$14,514,000, down by HK\$3,120,000 compared to the same period last year of 70% before the reorganization, representing a decrease of 17.7% in the profit contribution.



Jida Group restructured its marketing system during the Period, in an effort to source and pool strengths for realization of RMB1 billion sales in three years' time. Despite Jida Group being only an associated company of the Company, as its sole major shareholder, the Company will push for its listing plan in the PRC. Meanwhile, in order to boost return generated from pharmaceutical project to the shareholders of the Company, it will continue to optimize the allocation of pharmaceutical projects and further materialize its actual value through the listing plan of Jida Group.

In its aggressive pursuit for a diversified business development, the management is committed to capitalizing existing investment opportunities and market trends, riding on its profound understanding of the Chinese economy and culture as well as its experience in the operation of the capital market. The Company will devote more resources in business expansion, looking for investment projects with high potentials on the premise of effective risk control.

During the Period, the Group has not materialize investments other than the pharmaceutical industry. The Group has invested the proceeds from the reorganization on a principal-guaranteed basis, with the investment segment generating segment results of HK\$4,134,000, accounting for 15% of the operating profits of the Company. The Group is committed to exploring other businesses, enhance the proportion attributable to other investment projects in the overall profit of the Company, with the objectives of mitigating the risks of the pharmaceutical industry and progressing towards to being an integrated investment company.



FINANCIAL REVIEW

Liquidity

As at 30 September 2011, cash and cash equivalents of the Group totaled approximately HK\$85,141,000 (31 March 2011: approximately HK\$9,506,000), of which approximately 20.86% are in Hong Kong dollars, 73.71% in RMB, 3.55% in US dollars, 1.69% in Euro, 0.14% in Swiss Franc and 0.05% in Macau Pataca.

As at 30 September 2011, the Group had aggregate banking facilities of approximately HK\$602,430,000 (31 March 2011: approximately HK\$363,350,000) of which approximately HK\$359,056,000 (31 March 2011: approximately HK\$155,037,000) was utilized, as to approximately HK\$315,556,000 in short term bank loans and as to the balance of approximately HK\$43,500,000 in letters of guarantee issued by the relevant banks to independent third parties. The increase in total bank borrowings are mainly due to the increase in the banks borrowings against pledged bank deposits and pledged investments.

The increase in cash and cash equivalents is mainly a result of the receipt of cash proceed under the mentioned structural reorganisation in March 2011 and an increase in bank borrowings.

As at 30 September 2011, the Group had current assets of approximately HK\$615,994,000 (31 March 2011: approximately HK\$483,985,000) whilst current liabilities were approximately HK\$512,064,000 (31 March 2011: approximately HK\$297,748,000).



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 2011, the gearing ratio was approximately 30% (31 March 2011: approximately 15%), calculated based on the Group's total bank borrowings of approximately HK\$315,556,000 (31 March 2011: approximately HK\$135,505,000) over the Group's total assets of approximately HK\$1,062,820,000 (31 March 2011: approximately HK\$905,098,000). The higher in gearing ratio is mainly due to the increase in the short term bank borrowings which had been pledged by bank deposits.

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 EURO Forward contracts 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 2011 of approximately HK\$11,707,000 (31 March 2011: approximately HK\$7,647,000) of which approximately HK\$11,707,000 had been contracted for (31 March 2011: approximately HK\$7,647,000). 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 2011, bank loans amounting to approximately HK\$17,750,000 (31 March 2011: HK\$20,250,000) were secured by certain assets of the Group having a net book value of approximately HK\$6,671,000 (31 March 2011: HK\$6,719,000).

Contingent Liabilities

As at 30 September 2011, 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		Six months ended 30 September	
	Notes	2011 HK\$'000	2010 HK\$'000 (Restated) (Unaudited)
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	129,719	101,152
Cost of sales		(105,565)	(72,807)
Gross profit		24,154	28,345
Other income		11,771	2,262
Selling expenses		(569)	(2,746)
Administrative expenses		(7,425)	(7,004)
Other operating expenses		(345)	(1,145)
Operating profit		27,586	19,712
Finance costs		(616)	(327)
Share of results of associates	10	14,480	(47)
Profit before income tax	5	41,450	19,338
Income tax expense	6	(1,966)	(1,408)
Profit for the period from continuing operations		39,484	17,930
Discontinued operations			
Profit for the period from discontinued operations		—	25,853
Profit for the period		39,484	43,783
Non-controlling interests		—	(8,441)
Profit attributable to Owners of the Company		39,484	35,342
Earnings per share			
Basic (cents)	8	2.45	2.20
Diluted (cents)	8	2.45	2.18

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 September 2011*

	Six months ended 30 September	
	2011	2010
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Restated) (Unaudited)
Profit for the period	39,484	43,783
Other comprehensive income/ (loss), including reclassification adjustment		
Currency translation difference	522	8,308
Other comprehensive (loss)/ income for the period, including reclassification adjustments and net of tax	522	8,308
Total comprehensive income for the period	40,006	52,091
Total comprehensive income attributable to:		
Owners of the Company	40,006	41,899
Non-controlling interests	—	10,192
	40,006	52,091

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

		At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	9,866	8,349
Interests in associates	10	415,513	400,999
Intangible assets		21,447	11,765
		446,826	421,113
Current assets			
Inventories		23,274	13,980
Accounts and bills receivable	11	130,906	71,431
Deposits, prepayments and other receivables		56,345	155,458
Amount due from associates		—	146,172
Derivative financial assets		165,998	1,291
Pledged bank deposits	12	144,672	76,455
Cash and cash equivalents	12	85,141	9,506
		606,336	474,293
Non-current assets held for sales	10	9,658	9,692
Total current assets		615,994	483,985
Current liabilities			
Bank loans		315,556	135,505
Accounts and bills payable	13	58,492	20,256
Amounts due to associates		12,031	3,000
Accrued expenses and other payables		11,573	15,257
Tax payable		16,192	16,892
Derivative financial liabilities	14	98,220	106,838
		512,064	297,748



	At	At
	30 September	31 March
	2011	2011
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net current assets	103,930	186,237
Total assets less current liabilities	550,756	607,350
Net assets	550,756	607,350
EQUITY		
Share capital	15 16,100	16,100
Reserves	534,660	591,254
Equity attributable to owners of the Company	550,760	607,354
Non-controlling interests	(4)	(4)
Total equity	550,756	607,350

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Equity attributable to equity holders of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	General reserve fund HK\$'000	Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Revaluation adjustment HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-Controlling interests HK\$'000	Total equity HK\$'000
(Audited)														
At 1 April 2010	16,100	56,097	2,000	12,722	57	26,878	(320)	2,830	1,265	20,930	247,940	386,519	75,981	462,500
Dividend paid in respect of the previous year	-	-	-	-	-	-	-	-	-	(20,930)	-	(20,930)	-	(20,930)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(576)	(576)	576	-
Dividend relating to 2009	-	-	-	-	-	-	-	-	-	-	-	-	(5,294)	(5,294)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(83,359)	(83,359)
Release of NCI's portion of translation reserve	-	-	-	-	-	-	-	-	-	-	8,865	8,865	(8,865)	-
Grant of share options	-	-	-	-	-	-	-	-	4,551	-	-	4,551	-	4,551
Transactions with owners	-	-	-	-	-	-	-	-	4,551	(20,930)	8,289	(8,090)	(96,942)	(110,032)
Profit for the year	-	-	-	-	-	-	-	-	-	-	255,663	255,663	19,205	274,868
Other comprehensive income														
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	5,490	-	-	-	-	-	5,490	1,752	7,242
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	-	(32,228)	-	-	-	-	-	(32,228)	-	(32,228)
Total comprehensive income for the year	-	-	-	-	-	(26,738)	-	-	-	-	255,663	228,925	20,957	249,882
Proposed final dividend (note 7)	-	-	-	-	-	-	-	-	-	96,600	(96,600)	-	-	-
Disposal of subsidiaries	-	-	-	(17,331)	(57)	-	320	(2,830)	-	-	19,898	-	-	-
Transfer to reserve	-	-	-	4,609	-	-	-	-	-	-	(4,609)	-	-	-
At 31 March 2011	16,100	56,097	2,000	-	-	140	-	-	5,836	96,600	430,581	607,354	(4)	607,350
(Unaudited)														
At 1 April 2011	16,100	56,097	2,000	-	-	140	-	-	5,836	96,600	430,581	607,354	(4)	607,350
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	522	-	-	-	-	-	522	-	522
Profit for the year	-	-	-	-	-	-	-	-	-	-	39,484	39,484	-	39,484
Total comprehensive income for the year	-	-	-	-	-	522	-	-	-	-	39,484	40,006	-	40,006
Final dividend paid in respect of the previous years (Note 7)	-	-	-	-	-	-	-	-	-	(96,600)	-	(96,600)	-	(96,600)
At 30 September 2011	16,100	56,097	2,000	-	-	662	-	-	5,836	-	470,065	550,760	(4)	550,756

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2011*

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	235,752	25,367
Net cash used in investing activities	(244,090)	(14,998)
Net cash generated from financing activities	83,451	19,579
Net increase in cash and cash equivalents	75,113	29,948
Translation difference	522	—
Cash and cash equivalents at 1 April	9,506	34,803
Cash and cash equivalents at 30 September	85,141	64,751

The notes on page 15 to 25 form part of this interim financial statements.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2011

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised HKFRSs").

The application of new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items in Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can accounted for using the equity method of accounting or proportionate accounting. The directors consider that the application of HKFRS 11 will have no material impact on the results and the financial position of the Group.

The directors of the Company anticipate that the application of other new or revised standards will also have no material impact on the results and the financial position of the Group.

3. Operating segment information

For management purposes, the Group is organized into business units based on their products and services and has two reportable segments as follows:

- (a) the trading segment comprises the trading of Pharmaceutical products and healthcare products;
- (b) the investment segment is engaged in long term and short term investments.

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

4. Segment Reporting

For the six months ended 30 September 2011

	Trading Pharmaceutical Products and Health Care Products		Investments		Consolidated	
	2011 '000	2010 '000 (Restated)	2011 '000	2010 '000 (Restated)	2011 '000	2010 '000 (Restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations						
Segment Revenue						
Gastro-intestinal	103,042	80,374	—	—	103,042	80,374
Musculo-skeletal	26,231	19,948	—	—	26,231	19,948
Others	446	830	—	—	446	830
	129,719	101,152	—	—	129,719	101,152
Segment results	23,452	19,712	4,134	—	27,586	19,712
Profit from operations					27,586	19,712
Finance costs					(616)	(327)
Taxation					(1,966)	(1,408)
Minority interest					—	(8,441)
Share of results of associates					14,480	(47)
Profit from discontinued operations					—	25,853
Profit attributable to shareholders					39,484	35,342



5. Profit from ordinary activities before taxation

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

	Six months ended	
	30 September	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cost of inventories	105,565	242,478
Staff costs	2,593	12,637
Retirement costs	57	1,997
Depreciation	205	7,711
Operating lease charges in respect of premises	1,490	1,730
Interest on bank advances wholly repayable within five years	615	2,823
Research and development costs	—	3,767
	<hr/>	<hr/>

6. Taxation

	Six months ended	
	30 September	
	2011	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Continuing Operations		
Current tax		
Provision for Hong Kong Profits Tax	1,966	1,408
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the Period.



7. Dividends

Six months ended	
30 September	
2011	2010
\$'000	\$'000
(Unaudited)	(Unaudited)

Dividend approved and paid during
the Period

96,600	20,930
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Pursuant to the resolutions passed at the shareholders' meeting on 30 August 2011, a final dividend of \$96,600,000 (2010: \$20,930,000) payable to the shareholders of the Company was declared and approved in respect of the year ended 31 March 2011.

The Board does not recommend the payment of an interim dividend for the Period (2010: \$Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profits attributable to shareholders of \$39,484,000 (2010: \$35,342,000) and on the weighted average of 1,610,000,000 (2010: 1,610,000,000) ordinary shares in issue during the Period.

The diluted earnings per share is based on the profit attributable to shareholders of \$39,484,000 (2010: \$35,342,000) and the weighted average of 1,614,094,521 (2010: 1,620,020,821) ordinary shares in issue during the Period, after adjusting the effect of all dilutive potential share under the Company's share option scheme.



9. Property, plant and equipment

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Opening net book amount		
At 1 April 2011/1 April 2010	8,349	242,034
Additions	1,398	6,559
Disposals	—	(12)
Depreciation	(338)	(15,886)
Transfer from construction in progress	404	8,931
Disposal of subsidiaries	—	(238,811)
Translation difference	53	5,534
Net book amount		
At 30 September 2011/31 March 2011	9,866	8,349

As at 30 September 2011, certain assets (buildings) of the Group with an aggregate carrying value of approximately \$6,671,000 (31 March 2011: \$6,719,000) were pledged to secure loans and borrowing facilities utilized by the Group.

10. Interests in associates – Group

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Non-current portion		
Opening net book amount		
At 1 April 2011/1 April 2010	400,999	19,738
Fair value of retained equity interest in former subsidiaries	—	391,047
Share of results of associates	14,480	(94)
Transfer to non-current assets held for sale	34	(9,692)
Net book amount		
At 30 September 2011/31 March 2011	415,513	400,999
Non-current assets held for sales	9,658	9,692



Particulars of the associates at 30 September 2011 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	% of issued capital held	Principal activities and place of operation
Leader Forever Limited	BVI, limited liability company	2,500 ordinary shares of US\$1 each	40%	Research and development of pharmaceutical products
Vital Element Investments Limited	BVI, limited liability company	4,000 ordinary shares of US\$1 each	25%	Research and development of pharmaceutical products
Kunming Jida Pharmaceutical Company Limited	PRC, limited liability company	Reminbi ("RMB") 189,048,600	49%	Manufacturing and distribution of pharmaceutical products, PRC

11. Accounts and bills receivable

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

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Within 3 months	84,585	37,427
Aged over 3 months but less than 6 months	9,228	18,662
Aged over 6 months	37,093	15,342
	130,906	71,431

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

**12. Pledged bank deposits and cash and cash equivalents – GROUP**

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Cash and bank balance	229,813	85,961
Less: Pledged bank deposits	<u>(144,672)</u>	<u>(76,455)</u>
Cash and cash equivalents	<u>85,141</u>	<u>9,506</u>

As at 30 September 2011, the Group had pledged bank deposits of HK\$144,672,000 (31 March 2011: HK\$76,455,000) to banks to secure bank loans as at 30 September 2011.

13. Accounts and bills payable

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

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Accounts payable		
– Within 3 months	48,029	8,700
– Over 6 months	–	479
Bills payable	<u>10,463</u>	<u>11,077</u>
	<u>58,492</u>	<u>20,256</u>

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



14. Derivative financial liabilities

	2011	At 31 March 2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fair value of profit guarantee	20,264	28,882
Fair value of put options	77,956	77,956
	98,220	106,838

15. Share capital

	At 30 September 2011		At 31 March 2011	
	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>1,610,000,000</u>	<u>16,100</u>	<u>1,610,000,000</u>	<u>16,100</u>

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



16. Share-based employee compensation

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

	As at 1 April 2011	Granted during the Period	Exercised during the Period	As at 30 September 2011	Date of grant	Exercise Period	Exercise price per share
Director							
Lau Kin Tung	15,000,000	—	—	15,000,000	14/4/2008	14/4/2008 to 13/4/2013	HK\$0.18
	15,000,000	—	—	15,000,000	19/10/10	19/10/2010 to 18/10/2015	HK\$0.58
Employee							
In aggregate	<u>3,000,000</u>	<u>—</u>	<u>—</u>	<u>3,000,000</u>	17/02/2011	17/02/2011 to 16/02/2016	HK\$0.52
	<u>33,000,000</u>	<u>—</u>	<u>—</u>	<u>33,000,000</u>			

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

17. Commitments

(a) Commitments under operating leases

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

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Within one year	2,070	2,881
After one year but within five years	<u>—</u>	<u>1,160</u>
	<u>2,070</u>	<u>4,041</u>

(b) Capital commitments

The Group had capital commitments outstanding as at 30 September 2011 not provided for in the interim financial statements as follows:

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
Contracted for — acquisition of property, plant and equipment	11,707	7,647

18. 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 2011 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
	<i>Notes</i>		
Rentals paid:			
— Mr. Lau Yau Bor	<i>(i)</i>	360	348
— Jiwa Investment Limited	<i>(ii)</i>	1,020	985

Notes:

- (i) 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.
- (ii) 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.

19. Approval of the interim financial statements

The interim financial statements were approved by the Board on 24 November 2011.



OTHER INFORMATION

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2011, the Group had a total of approximately 35 employees (31 March 2011: approximately 1,184 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 2011.

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 16 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 2011 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("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 Rules Governing the Listing of Securities on the Stock Exchange (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	94,860,000 <i>(Note 1)</i>	116,712,000 <i>(Note 2)</i>	840,000,000 <i>(Note 4)</i>	1,051,572,000	65.32%
Lau Kin Tung	– <i>(Note 1)</i>	–	105,000,000 <i>(Note 5)</i>	105,000,000	6.52%
Chan Hing Ming	41,712,000 <i>(Note 1)</i>	934,860,000 <i>(Note 3)</i>	75,000,000 <i>(Note 6)</i>	1,051,572,000	65.32%



Notes:

1. 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, 41,712,000 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, 94,860,000 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 2011, 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 2011 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	52.17%
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.52%

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 2011.

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 2011.

APPRECIATION

The sustained growth of the Group's results is hinged on the continuous support, commitment and contributions of the management and staff during the Period and the support shown to us by our investors. On behalf of the Board, I would like to express our deepest gratitude to the investors of the Company and the staff of the Group.

By order of the Board

Lau Kin Tung

Vice Chairman and Executive Director

Hong Kong, 24 November 2011