



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)

2012



INTERIM REPORT

* for identification only

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Lau Yau Bor (*Chairman*)

Lau Kin Tung (*Vice Chairman*)

Chan Hing Ming

(*Chief Executive Officer*)

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 2012 (the “Period”).

During the Period, profit attributable to owners of the Company amounted to HK\$45,211,000, representing an increase of 14.5% compared to approximately HK\$39,484,000 of the same period in 2011. Basic earnings per share was HK\$2.78 cents, up by 13.5% 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 2012 (2011: Nil).

Significant Event

Disposal of a Subsidiary

On 21 September 2012, Jiwa Pharm & Chemicals Limited (“Jiwa Pharm & Chem”), an indirect wholly-owned subsidiary of the Company, and Kunming Jida Pharmaceutical Company Limited (“Kunming Jida”), an associate owned as to 49% by the Group, entered into an equity interest disposal agreement, pursuant to which Jiwa Pharm & Chem agreed to sell and Kunming Jida agreed to purchase the entire equity interest in Jiwa Biotech Limited (“Jiwa Biotech”) for an aggregate consideration of RMB19,000,000 (equivalent to approximately HK\$23,200,000).

Material Contract

On 23 July 2012, the Group entered into a technology transfer agreement with Jiwa Biotech (the “Technology Transfer Agreement”), pursuant to which an aggregate consideration of RMB110,000,000 (equivalent to approximately HK\$135,400,000) is payable by Jiwa Biotech upon satisfaction of the pre-condition set for each of the following three phases construction, production and registration:

- at phase 1, the Group (the “Vendor”) will transfer the technical documents of a distinctive technology related to one of the key pharmaceutical products of Kunming Jida (the “Key Product Technology”) to Jiwa Biotech (the “Purchaser”) within six months upon signing the Technology Transfer Agreement;
- at phase 2, the Group has to assist Jiwa Biotech to construct a production plant with its ancillary facilities for the production of bulk materials relating to the Key Product Technology to be qualified by the Group and Jiwa Biotech within a prescribed construction budget, and to obtain the production licence from the 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by 31 December 2013; and
- at phase 3, the Group has to assist Jiwa Biotech to commence (i) full scale of production of bulk materials relating to the Key Product Technology with a prescribed production capacity and ensuring the production cost of such bulk materials relating thereto not exceeding the prescribed unit cost, and (ii) obtaining the registration certificates of such products as well as the certification of “Good Manufacturing Practice” by 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by no later than 31 March 2015.

According to the Technology Transfer Agreement, RMB40.0 million, RMB20.0 million and RMB51.0 million (equivalent to approximately HK\$48.8 million, HK\$24.4 million and HK\$62.2 million respectively) will be settled upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above.

The above payment schedule may be extended by mutual agreement between the contracting parties to the Technology Transfer Agreement; while the maximum consideration will be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full. As ancillary to the Technology Transfer Agreement, the Company (being the Guarantor) and Jiwa Biotech further entered into a guarantee agreement on 23 July 2012 (the "Guarantee Agreement"), pursuant to which Jiwa Biotech has been guaranteed by the Company for the implementation of all the pre-conditions as set out therein. In case of Jiwa Biotech's failure of obtaining the requisite registration certificates of such products as well as the certification of "Good Manufacturing Practice" by 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by 31 December 2016, the Purchaser may request the vendor and/or the Company (as the Guarantor) to repurchase the technology that had already been transferred to Jiwa Biotech; while the vendor and/or the Company (as the Guarantor) has to repay the full consideration that had already been paid to Kunming Jida up to that time. Based on the Group's current estimate, failure of fulfilling the above pre-conditions under the Technology Transfer Agreement so as leading to the vendor's and/or the Company's obligations for making repayment to the Purchaser is remote.

Business Review

Trading Business

During the period, turnover from trading business was HK\$20,255,000, representing a decrease of 84.4% from the previous year; the segment results amounted to HK\$2,766,000, down by 88.2% from the previous year. Trading product sales of the Company mainly include import prescription drugs sold indirectly to Kunming Jida via an authorized independent import and export company, and a small portion of health care products manufactured in the PRC. After completion of the reorganization, Kunming Jida has established a trading company in Hong Kong, which is specifically responsible for direct procurement of bulk materials from foreign suppliers and import drugs operation, resulting in a decrease in the sales of this segment of the Group.

During the Period, the Group has ardently sought potential products, and continued to explore trading opportunities building on its long-established platform in trading business and professional management staff.

R&D and Project Management

The Group has commenced to participate in the R&D and project management business since 2007; during the Period, turnover of this segment amounted to HK\$48,781,000 and segment results of HK\$18,787,000 were recorded. The management is optimistic towards this business and is proactively propelling the existing projects as well as putting continuous efforts in identifying R&D projects with strong potentials. It is expected that this business segment will bring along considerable income to the Group.

During the Period, one of the Group's R&D projects of pharmaceutical products has attained phasal achievement. On 23 July 2012, the Group entered into a technology transfer agreement ("Technology Transfer Agreement") with Jiwa Biotech, pursuant to which an aggregate consideration of RMB111,000,000 (equivalent to approximately HK\$135,400,000) was payable by Jiwa Biotech upon satisfaction of the pre-condition stipulated for each of the following three phases of construction, production and registration:

At phase 1, the Group will transfer the technical documents of the product technology to Jiwa Biotech within six months upon signing the Technology Transfer Agreement; at phase 2, the Group has to assist Jiwa Biotech to construct a production plant and ancillary facilities for the production of the pharmaceutical bulk materials products to be qualified by the Group and Jiwa Biotech within a specific construction budget, and to obtain the production licence from the State Food and Drug Administration of the PRC by 31 December 2013; and at phase 3, the Group has to assist Jiwa Biotech to commence (i) full scale of production of such pharmaceutical bulk materials products at a specific production capacity and ensuring the production cost of such bulk materials relating thereto not exceeding the specific unit cost, and (ii) obtaining the registration certificates of such products as well as the certification of "Good Manufacturing Practice" by the State Food and Drug Administration of the PRC by no later than 31 March 2015.

According to the Technology Transfer Agreement, RMB40,000,000, RMB20,000,000 and RMB51,000,000 (equivalent to approximately HK\$48,800,000, HK\$24,400,000 and HK\$62,200,000 respectively) will be settled upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above.

The above payment schedule may be extended by mutual agreement between the contracting parties to the Technology Transfer Agreement; while the maximum consideration will be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full. As ancillary to the Technology Transfer Agreement, the Company (being the Guarantor) and Jiwa Biotech further entered into a guarantee agreement on 23 July 2012 (the "Guarantee Agreement"), pursuant to which Jiwa Biotech has been guaranteed by the Company for the implementation of all the pre-conditions as set out therein. In case of Jiwa Biotech's failure of obtaining the requisite registration certificates of such products as well as the certification of "Good Manufacturing Practice" by 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by 31 December 2016, the Purchaser may request the vendor and/or the Company (as the Guarantor) to repurchase the technology that had already been transferred to Jiwa Biotech; while the vendor and/or the Company (as the Guarantor) has to repay the full consideration that had already been paid to Kunming Jida up to that time. Based on the Group's current estimate, failure of fulfilling the above pre-conditions under the Technology Transfer Agreement so as leading to the vendor's and/or the Company's obligations for making repayment to the Purchaser is remote.

Investment and Financial Business

During the Period, profit of this segment amounted to HK\$4,501,000, representing an increase of 8.9% compared to the previous year, which was mainly derived from gain from treasury products and rental income. In May 2012, the Group acquired a unit in Grade A commercial building for HK\$20,070,000 that can be used in conjunction with the adjacent unit currently held by the Group to enhance the overall value of the properties. During the period under review, both the rental and selling prices of the commercial properties in Hong Kong, especially the Grade A commercial buildings, have put on a powerful performance.

Strategic Investments

During the period, profit from results attributable to an associate amounted to HK\$21,052,000, representing an increase of 45.4% from the previous year, which was mainly derived from Kunming Jida.

Prospects

Disposal of Jiwa Biotech has enabled the Group to allocate more resources for exploring other businesses and enhance the proportion attributable to other investment projects, with the objectives of progressing towards to being an integrated investment company.

In addition, in view of the relatively unstable global economy around the world, the Group considers that it is wise and prudent to realize the Group's investments in certain R&D projects in the current or later phase into agreeable returns; and subsequently the Group can focus on other existing projects and strengthen other existing businesses.

In face of the complexity of the global economy, the Group will continue to adopt a prudent approach in the coming six months, in an effort to righteously perform the risk management when participating in various investment projects. At the same time, it will strategically transform the potential value of each of the investment projects into shareholder's value, generating sustained revenue for its shareholders.

FINANCIAL REVIEW

Liquidity

As at 30 September 2012, cash and cash equivalents of the Group totaled approximately HK\$27,943,000 (31 March 2012: approximately HK\$58,532,000), of which approximately 30.80% are in Hong Kong dollars, 30.11% in RMB, 20.95% in US dollars, 17.02% in Euro, 0.92% in Swiss Franc and 0.20% in Macau Pataca.

As at 30 September 2012, the Group had aggregate banking facilities of approximately HK\$563,393,000 (31 March 2012: approximately HK\$581,030,000) of which approximately HK\$241,909,000 (31 March 2012: approximately HK\$283,988,000) was utilized, as to approximately HK\$240,573,000 in short term bank loans and as to the balance of approximately HK\$1,336,000 in letters of guarantee issued by the relevant banks to independent third parties. The decrease in total bank borrowings are mainly due to the decrease in the banks borrowings against pledged bank deposits.

The decrease in cash and cash equivalents is mainly due to the payment of proposed dividend and repayment of bank loans.

As at 30 September 2012, the Group had current assets of approximately HK\$470,021,000 (31 March 2012: approximately HK\$448,517,000) whilst current liabilities were approximately HK\$331,221,000 (31 March 2012: approximately HK\$327,178,000).

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 2012, the gearing ratio was approximately 25% (31 March 2012: approximately 27%), calculated based on the Group's total bank borrowings of approximately HK\$240,573,000 (31 March 2012: approximately HK\$256,071,000) over the Group's total assets of approximately HK\$950,095,000 (31 March 2012: approximately HK\$932,953,000). The lower in gearing ratio is mainly due to the decrease 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.

Capital Commitments

The Group had no capital commitments outstanding as at 30 September 2012 (31 March 2012: approximately HK\$65,921,000, of which approximately HK\$65,921,000 had been contracted for).

Charge on Group Assets

As at 30 September 2012, bank loans amounting to approximately HK\$22,613,000 (31 March 2012: HK\$15,250,000) were secured by the investment properties of the Group having a net book value approximately HK\$50,028,000 (31 March 2012: HK\$29,000,000). In additions, bank loans amounting to HK\$79,960,000 (31 March 2012: HK\$97,821,000) were secured by the Group's pledged bank deposits amounting HK\$72,143,000 (31 March 2012: HK\$90,008,000). The bank loans amounted to approximately HK\$127,000,000 (31 March 2012: HK\$127,000,000) were secured by the Group's treasury products amounting HK\$144,663,000 (31 March 2012: HK\$141,427,000).

Contingent Liabilities

As at 30 September 2012, the group has issued corporate guarantees HK\$221,000,000 (31 March 2012: HK\$150,323,000) of which approximately HK\$123,973,000 (31 March 2012: HK\$33,323,000) was utilized.

The group 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 2012

		Six months ended	
		30 September	
		2012	2011
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	69,036	129,719
Cost of sales		<u>(45,657)</u>	<u>(105,565)</u>
Gross profit		23,379	24,154
Other income		7,613	7,637
Investment income		4,501	4,134
Selling expenses		(16)	(569)
Administrative expenses		(5,246)	(7,425)
Other operating expenses		(1,369)	(345)
Other gain, net			
Write back of impairment		4,692	—
Operating Profit		33,554	27,586
Finance costs		(1,447)	(616)
Share of results of associates	10	<u>21,052</u>	<u>14,480</u>
Profit before income tax	5	53,159	41,450
Income tax expense	6	<u>(7,948)</u>	<u>(1,966)</u>
Profit for the Period		<u>45,211</u>	<u>39,484</u>
Profit attributable to Owners of the company		<u>45,211</u>	<u>39,484</u>
Earnings per share			
— Basic (cents)	8	<u>2.78</u>	<u>2.45</u>
— Diluted (cents)	8	<u>2.78</u>	<u>2.45</u>

The notes on page 18 to 29 form part of this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the Period	<u>45,211</u>	<u>39,484</u>
Other comprehensive income, including reclassification adjustment		
Release of translation reserve upon disposal of subsidiary	(1,002)	—
Currency translation difference	<u>—</u>	<u>522</u>
Other comprehensive income for the Period, including reclassification adjustment and net of tax	<u>(1,002)</u>	<u>522</u>
Total comprehensive income for the Period	<u>44,209</u>	<u>40,006</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>44,209</u>	<u>40,006</u>
	<u>44,209</u>	<u>40,006</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	530	2,652
Investment property		50,028	29,000
Interests in associates	10	429,516	408,464
Intangible assets		—	29,994
Deposit for land use right		—	14,326
		480,074	484,436
Current assets			
Inventories		236	586
Accounts and bills receivable	10	24,155	59,126
Deposit, prepayments and other receivables		22,410	25,100
Amount due from associates		154,416	50,011
Derivative financial assets		3,885	4,019
Treasury products at fair value through profit or loss	12	164,730	161,032
Tax recoverable		103	103
Pledged bank deposits	13	72,143	90,008
Cash and cash equivalents	13	27,943	58,532
Total current assets		470,021	448,517

		At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Bank borrowings		240,573	256,071
Accounts and bills payable	14	11,895	4,992
Accrued expenses and other payables		10,073	5,442
Tax payable		14,976	6,969
Derivative financial liabilities	15	53,704	53,704
		331,221	327,178
Net current assets		138,800	121,339
Total assets less current liabilities		618,874	605,775
Non current liabilities			
Deferred tax liabilities		1,192	1,192
Net Assets		617,682	604,583
EQUITY			
Share capital	16	16,250	16,100
Reserves		601,438	588,489
Equity attributable to owners of the Company		617,688	604,589
Non-controlling interests		(6)	(6)
Total equity		617,682	604,583

The notes on page 18 to 29 form part of this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Equity attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed Surplus HK\$'000	Translation reserve HK\$'000	Assets revaluation 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 2011	16,100	56,097	2,000	140	-	5,836	96,600	430,581	607,354	(4)	607,350
Dividend paid in respect of the previous year	-	-	-	-	-	-	(96,600)	-	(96,600)	-	(96,600)
Transaction with owners	-	-	-	-	-	-	(96,600)	-	(96,600)	-	(96,600)
Profit for the year	-	-	-	-	-	-	-	70,620	70,620	(2)	70,618
Other comprehensive income											
Exchange gain on translation of financial statements of foreign operations	-	-	-	862	-	-	-	-	862	-	862
Fair value adjustment upon transfer of owner-occupied properties to investment property	-	-	-	-	22,353	-	-	-	22,353	-	22,353
Total comprehensive income for the year	-	-	-	862	22,353	-	-	70,620	93,835	(2)	93,833
Proposed final dividend (Note 7)	-	-	-	-	-	-	33,810	(33,810)	-	-	-
At 31 March 2012	16,100	56,097	2,000	1,002	22,353	5,836	33,810	467,391	604,589	(6)	604,583
(Unaudited)											
At 1 April 2012	16,100	56,097	2,000	1,002	22,353	5,836	33,810	467,391	604,589	(6)	604,583
Profit for the period	-	-	-	-	-	-	-	45,211	45,211	-	45,211
Release of translation reserve upon disposal of subsidiary	-	-	-	(1,002)	-	-	-	-	(1,002)	-	(1,002)
Total comprehensive income for the period	-	-	-	(1,002)	-	-	-	45,211	44,209	-	44,209
Issue of ordinary shares upon exercise of share options (Note 17)	150	3,835	-	-	-	(1,285)	-	-	2,700	-	2,700
Final dividend paid in respect of the previous years (Note 7)	-	-	-	-	-	-	(33,810)	-	(33,810)	-	(33,810)
At 30 September 2012	16,250	59,932	2,000	-	22,353	4,551	-	512,602	617,688	(6)	617,682

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2012*

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	46,252	235,752
Net cash used in investing activities	(26,531)	(244,090)
Net cash (used in)/generated from financing activities	(49,308)	83,451
Net increase/(decrease) in cash and cash equivalents	(29,587)	75,113
Translation difference	(1,002)	522
Cash and cash equivalents at 1 April	58,532	9,506
Cash and cash equivalents at 30 September	27,943	85,141

The notes on page 18 to 29 form part of this interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2012

(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".

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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

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 2012 were authorised for issuance and are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
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
HKAS 32 (Amendments)	Presentation – Offsetting financial assets and financial liabilities ³

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

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

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

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 three reportable segments as follows:

- (a) the trading pharmaceutical and health products segment comprises the trading of pharmaceutical products and healthcare products;
- (b) the investment and treasury function segment comprises investment holding and treasury function;
- (c) the research and development segment comprises research and development of chemical and biological products.

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 2012

	Trading Pharmaceutical Products and Health Care Products		Investment and Treasury Function		Research and Development		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	20,255	129,719	-	-	48,781	-	69,036	129,719
Segment results	2,766	23,452	4,501	4,134	18,787	-	26,054	27,586
Write back of impairment							4,692	-
Unallocated income							2,808	-
Profit from operations							33,554	27,586
Finance costs							(1,447)	(616)
Taxation							(7,948)	(1,966)
Share of results of Associates							21,052	14,480
Profit attributable to shareholders							45,211	39,484

5. Profit from ordinary activities before taxation

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

	Six months ended 30 September	
	2012 \$'000 (Unaudited)	2011 \$'000 (Unaudited)
Cost of inventories	15,771	105,565
Staff costs	1,909	2,593
Retirement costs	21	57
Depreciation	158	205
Operating lease charges in respect of premises	1,540	1,490
Interest on bank advances wholly repayable within five years	1,449	615

6. Taxation

	Six months ended	
	30 September	
	2012	2011
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax	144	1,966
Provision for PRC income tax	7,804	—
	7,948	1,966

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the Period.

PRC withholding tax has been provided on the phase 1 payment of \$48,781,000 payable by Yunnan Jiwa Biotech Limited for the proceed of the key product technology transfer.

7. Dividends

	Six months ended	
	30 September	
	2012	2011
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Dividend approved and paid during the Period	33,810	96,600

Pursuant to the resolutions passed at the shareholders' meeting on 6 July 2012, a final dividend of \$33,810,000 (2011: \$96,600,000) payable to the shareholders of the Company was declared and approved in respect of the year ended 31 March 2012.

The Board does not recommend the payment of an interim dividend for the Period (2011: \$Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profits attributable to shareholders of \$45,211,000 (2011: \$39,484,000) and on the weighted average of 1,625,000,000 (2011: 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 \$45,211,000 (2011: \$39,484,000) and the weighted average of 1,625,000,000 (2011: 1,614,094,521) 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 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Opening net book amount At 1 April 2012/1 April 2011	2,652	8,349
Additions	—	1,543
Depreciation	(158)	(663)
Gain on revaluation upon transfer	—	22,353
Transfer to investment property	—	(29,000)
Disposal of subsidiaries	(1,964)	—
Translation difference	—	70
	<hr/>	<hr/>
Net book amount At 30 September 2012/ 31 March 2012	530	2,652

As at 30 September 2012, the investment properties of the Group with a net book value approximately \$50,028,000 (31 March 2012: \$29,000,000) were pledged to secure loans and borrowing facilities utilized by the Group.

10. Interests in associates – Group

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Non-current portion		
Opening net book amount		
At 1 April 2012/1 April 2011	408,464	400,999
Share of results of associates	21,052	40,737
Dividend received	—	(33,272)
Net book amount		
At 30 September 2012/31 March 2012	429,516	408,464

Particulars of the associates at 30 September 2012 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
Kunming Jida Pharmaceutical Company Limited	PRC, limited liability company	Renminbi ("RMB") 330,000,000	49%	Manufacturing and distribution of pharmaceutical products, PRC
Wuxi Jida Pharmaceutical Company Limited	PRC, limited liability company	RMB73,000,000	49%	Manufacturing and distribution of pharmaceutical products, PRC
Kunming Jida Pharmaceutical Distribution Co. Ltd.	PRC, limited liability company	RMB17,382,154	49%	Distribution of pharmaceutical products, PRC
Jida Pharm (HK) Trading Co Limited	HK, limited liability company	300,000 ordinary shares of HK\$1 each	49%	Trading of pharmaceutical products, HK
Yunnan Jiwa Biotech Limited	PRC, limited liability company	RMB23,623,392	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 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Within 3 months	21,455	15
Aged over 3 months but less than 6 months	2,700	57,933
Aged over 6 months	—	1,178
	<u>24,155</u>	<u>59,126</u>

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

12. Treasury products at fair value through profit or loss

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Unlisted debt securities with principal protected at maturity by Bankers — Designated at fair value through profit or loss	<u>164,730</u>	<u>161,032</u>

The Group's treasury products as at 30 September 2012 include the followings:

- debt securities (including embedded derivatives) of HK\$60,117,000 with redemption amount that is indexed to the value of equity instruments and principal protected at maturity by Standard Chartered Bank London;

- debt securities (including embedded derivatives) of HK\$45,212,000 with redemption amount that is indexed to the London Interbank Offered Rate and principal protected at maturity by The Hongkong and Shanghai Banking Corporation Limited; and
- debt securities (including embedded derivatives) of HK\$59,401,000 with redemption amount that is indexed to exchange rates of a basket of currencies and principal protected at maturity by Standard Chartered Bank London.

During the period, fair value gain of HK\$3,698,000 (31 March 2012: fair value loss of HK\$428,000) was recognised.

13. Pledged bank deposits and cash and cash equivalents – GROUP

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Cash and bank balance	27,943	58,532
Time deposits	72,143	90,008
Less: Pledged bank deposits	(72,143)	(90,008)
	27,943	58,532

As at 30 September 2012, the Group had pledged bank deposits of HK\$72,143,000 (31 March 2012: HK\$90,008,000) to banks to secure bank loans as at 30 September 2012.

14. Accounts and bills payable

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

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Accounts payable		
– Within 3 months	10,559	–
– Over 6 months	–	–
Bills payable	1,336	4,992
	11,895	4,992

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

15. Derivative financial liabilities

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Fair value of put options	53,704	53,704
	53,704	53,704

16. Share capital

	At 30 September 2012		At 31 March 2012	
	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>	10,000,000,000	100,000
Issued and fully paid:	<u>1,625,000,000</u>	<u>16,250</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.

17. Share-based employee compensation

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

	As at 1 April 2012	Granted during the Period	Exercised during the Period	As at 30 September 2012	Date of grant	Exercise Period	Exercise price per share
Director							
Law 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
Consultant:							
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>15,000,000</u>	<u>18,000,000</u>			

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

18. Commitments

(a) Commitments under operating leases

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

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Within one year	3,456	840
After one year but within five years	3,168	700
	<u>6,624</u>	<u>1,540</u>

(b) Capital commitments

The Group had capital commitments outstanding as at 30 September 2012 not provided for in the interim financial statements as follows:

	At 30 September 2012 \$'000 (Unaudited)	At 31 March 2012 \$'000 (Audited)
Contracted for		
— acquisition of property, plant and equipment	<u>—</u>	<u>65,921</u>

19. 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	
		2012	2011
		\$'000	\$'000
<i>Notes</i>	(Unaudited)	(Unaudited)	
Rentals paid:			
	<i>(i)</i>	374	360
	<i>(ii)</i>	1,064	1,020

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.

20. Approval of the interim financial statements

The interim financial statements were approved by the Board on 24 October 2012.

OTHER INFORMATION

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2012, the Group had a total of approximately 8 employees (31 March 2012: approximately 25 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 2012.

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 17 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 2012 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	96,390,000 <i>(Note 1)</i>	116,712,000 <i>(Note 2)</i>	840,000,000 <i>(Note 4)</i>	1,053,102,000	64.81%
Lau Kin Tung	15,000,000 <i>(Note 1)</i>	—	105,000,000 <i>(Note 5)</i>	120,000,000	7.38%
Chan Hing Ming	41,712,000 <i>(Note 1)</i>	936,390,000 <i>(Note 3)</i>	75,000,000 <i>(Note 6)</i>	1,053,102,000	64.81%

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, 96,390,000 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 2012, 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 2012 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	51.69%
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.46%

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 2012.

REVIEW OF INTERIM RESULTS

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 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim report will be dispatched to shareholders as well as made available on our Company's website at www.jiwa.com.hk and the Stock Exchange's website at www.hkexnews.hk.

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

Chan Hing Ming

Executive Director and Chief Executive Officer

Hong Kong, 24 October 2012