

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 RESULTS**

**For the six months ended 30 September 2011**

#### **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.

#### **DIVIDENDS**

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.

\* *for identification purpose only*

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	
		2011	2010
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Restated) (Unaudited)
<b>Continuing operations</b>			
Revenue	4	129,719	101,152
Cost of sales		<u>(105,565)</u>	<u>(72,807)</u>
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		<u>(345)</u>	<u>(1,145)</u>
Operating profit		27,586	19,712
Finance costs		(616)	(327)
Share of results of associates	9	<u>14,480</u>	<u>(47)</u>
Profit before income tax	5	41,450	19,338
Income tax expense	6	<u>(1,966)</u>	<u>(1,408)</u>
Profit for the period from continuing operations		<u>39,484</u>	<u>17,930</u>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations		<u>—</u>	<u>25,853</u>
Profit for the period		39,484	43,783
Non-controlling interests		<u>—</u>	<u>(8,441)</u>
Profit attributable to Owners of the Company		<u>39,484</u>	<u>35,342</u>
<b>Earnings per share</b>			
Basic (cents)	8	<u>2.45</u>	<u>2.20</u>
Diluted (cents)	8	<u>2.45</u>	<u>2.18</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 September 2011*

		At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,866	8,349
Interests in associates	9	415,513	400,999
Intangible assets		21,447	11,765
		<u>446,826</u>	<u>421,113</u>
<b>Current assets</b>			
Inventories		23,274	13,980
Accounts and bills receivable	10	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		144,672	76,455
Cash and cash equivalents		85,141	9,506
		<u>606,336</u>	<u>474,293</u>
<b>Non-current assets held for sales</b>	9	<u>9,658</u>	<u>9,692</u>
<b>Total current assets</b>		<u>615,994</u>	<u>483,985</u>
<b>Current liabilities</b>			
Bank loans		315,556	135,505
Accounts and bills payable	11	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		98,220	106,838
		<u>512,064</u>	<u>297,748</u>

		At 30 September 2011 <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2011 <i>HK\$'000</i> <b>(Audited)</b>
<b>Net current assets</b>		<u>103,930</u>	<u>186,237</u>
<b>Total assets less current liabilities</b>		<u>550,756</u>	<u>607,350</u>
<b>Net assets</b>		<u>550,756</u>	<u>607,350</u>
<b>EQUITY</b>			
Share capital	<i>12</i>	16,100	16,100
Reserves		<u>534,660</u>	<u>591,254</u>
Equity attributable to owners of the Company		550,760	607,354
Non-controlling interests		<u>(4)</u>	<u>(4)</u>
<b>Total equity</b>		<u><u>550,756</u></u>	<u><u>607,350</u></u>

The notes form part of the 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 <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items in Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> 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 be 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	2010	2011	2010	2011	2010
Continuing operations	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Revenue	(unaudited)	(Restated) (unaudited)	(unaudited)	(unaudited)	(unaudited)	(Restated) (unaudited)
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
	<b>129,719</b>	101,152	—	—	<b>129,719</b>	101,152
<b>Segment results</b>	<b>23,452</b>	19,712	<b>4,134</b>	—	<b>27,586</b>	19,712
Profit from operations					<b>27,586</b>	19,712
Finance costs					<b>(616)</b>	(327)
Taxation					<b>(1,966)</b>	(1,408)
Minority interest					—	(8,441)
Share of results of associates					<b>14,480</b>	(47)
Profit from discontinued operations					—	25,853
Profit attributable to shareholders					<b>39,484</b>	<b>35,342</b>

## 5. Profit from ordinary activities before taxation

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

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

## 6. Taxation

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

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Dividend approved and paid during the Period	<b><u>96,600</u></b>	<u>20,930</u>

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. Interests in associates — Group

	At 30 September 2011 \$'000 (Unaudited)	At 31 March 2011 \$'000 (Audited)
<b>Non-current portion</b>		
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)
	<hr/>	<hr/>
Net book amount		
At 30 September 2011/31 March 2011	<u>415,513</u>	<u>400,999</u>
Non-current assets held for sales	<u>9,658</u>	<u>9,692</u>

## 10. 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
	<hr/>	<hr/>
	<u>130,906</u>	<u>71,431</u>

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

## 11. 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><b>58,492</b></u>	<u><b>20,256</b></u>

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

## 12. Share capital

	At 30 September 2011		At 31 March 2011	
	No. of shares	Amount \$'000 (Unaudited)	No. of shares	Amount \$'000 (Audited)
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>	<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.

## 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.

## **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 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 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

*As at the date of this announcement, members of the Board comprise three executive Directors, namely Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung and three independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa.*