



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 2008

The directors (the “Directors” or the “Board”) 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 2008 (the “Period”).

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2008

(Expressed in Hong Kong dollars)

	Six months ended		Increase
	30 September		
	2008	2007	
	\$'000	\$'000	
Turnover	186,381	132,136	41%
Gross profit	79,343	62,066	28%
Profit from operations	32,927	26,342	25%
Profit attributable to equity holders	23,384	15,015	56%
Earnings per share – basic (<i>HK cents</i>)	1.46	0.98	49%

RESULTS

Operations of the Company remained on a positive trend for the first half of 2008 with outstanding performance. During the Period, the turnover of the Group amounted to HK\$186,381,000, representing an increase of 41% over the corresponding period last year; profit attributable to equity holders amounted to HK\$23,384,000 representing a surge of 56% compared to the corresponding period last year.

DIVIDENDS

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

INDUSTRY REVIEW

According to the statistics on the pharmaceutical industry issued by the National Bureau of Statistics of China, the sales income from pharmaceutical industry during the period between January and August 2008 increased by 28.8% over the corresponding period last year, while the gross profit increased by 39.8% over the corresponding period last year. The pharmaceutical industry remained on a fast growth momentum, enjoying promising prospects.

* For identification purpose only

According to market forecasts, the pharmaceutical economy will maintain a fast growing pace in 2009. The new medical system reform will bring an expansion opportunity in the PRC market, and the industry will further concentrate and the price level of medicines will stabilize, which will provide solid industrial advantages and sound business development conditions to the Group.

BUSINESS REVIEW

During the period under review, the Group sold 33 types of drugs in total, in which the anti-infectious drugs accounted for 29.4%, musculo-skeletal and gastro-intestinal specialized drugs accounted for 29.3% and 35.4% respectively, whereas cerebral-cardiovascular and other specialized drugs accounted for 3.8% of the total sales. Among these, pharmaceutical products self-produced and sold by the Group (“Pharmaceutical Products”) accounted for 79.2% of the total sales, European pharmaceutical products distributed by the Group (“Trading Pharmaceutical Products”) accounted for 19.5% of the total sales, whereas health care products produced and sold by the Group and pharmaceutical bulk materials accounted for 0.9% and 0.4% of the total sales respectively.

Pharmaceutical Products and Trading Pharmaceutical Products

During the Period, the turnover of Pharmaceutical Products and Trading Pharmaceutical Products increased by 55.5% and 11.3% to HK\$147,718,000 and HK\$36,339,000 respectively; segment results increased by 9.3% and 45.1% to HK\$25,381,000 and HK\$9,932,000 respectively. The increase in sales was mainly due to strengthening of the Group’s brand name effect, expansion of sales network, and penetration of sales into the rural market. On the other hand, specialized new products with high profit margin were used by hospitals in major cities. The total sales of newly launched specialized drugs “Artrodar”, “Shi Si Tai”, “Huo Duo Shi” and “Jida Bente” increased by 113.2% as compared with the corresponding period last year, which reflected the emerging effects on the Group’s strategy on product mix, with the profit margin of newly launched specialized drugs maintained at a level of 69% during the Period.

However, the Group also faced the challenge of increased prices of antibiotics bulk materials. During the Olympic Game, some of the manufacturers were required to suspend production due to non-compliance of the State’s environmental protection policy requirement, resulting in a general surge in the prices of bulk materials. Nonetheless, the supply of bulk materials has returned to stable after a series of market adjustment. The management expects that there is hope for a downturn in the overall cost during the second half of the year.

The Group obtained the production approval of 3 types of specialized Pharmaceutical Products during the Period, including Citalopram Tablets, Sucralfate Gel Suspension and Edaravone Injection. Citalopram Tablets is a medicine used for anti-depression and the treatment of mental disorders. Apart from domestic sales, the Group is also developing the regulated markets, and has been negotiating for cooperation with distributors in Canada and the United States. Sucralfate Gel Suspension, a gastro-intestinal drug, is a unique dosage form in the PRC, it is clinically applied mainly for the treatment of diseases such as gastric ulcer, duodenal ulcer, acute gastro-enteritis and chronic gastro-enteritis with syndromes, gastro-enteritis caused by non-steroidal anti-inflammatory drug and esophageal ulcer. Edaravone Injection is mainly used for the treatment of stroke, improvement of nerve syndromes, activities of daily living and dysfunction caused by acute stroke.

It is expected that the above three new drugs, together with Risedronate Tablets that has obtained the production approval last year, will be launched in the market in 2009. As the bulk materials of these new drugs are self-produced by the Group, we are able to enjoy a higher profit margin and ensure the supply of bulk material and product quality, which in turn result in advantages in price and quality for the products' market introduction.

Health Care Products

During the Period, the sales of Health Care Products amounted to HK\$1,608,000, with the segmental results of HK\$370,000. In view of severe competition within the health care products market in Hong Kong, the Group will continue to implement rigorous control on the sales expenses.

Pharmaceutical Bulk Materials

During the Period, the pharmaceutical bulk materials segment recorded a loss of HK\$3,169,000, representing an increase of 22.8% over the corresponding period last year, which was mainly due to the recruitment of management personnel and technicians and additions to equipments.

In September 2008, the production of Citalopram in the bulk materials production plant in Jiangsu was awarded the GMP certification. The certification not only reflected that the production and quality management level of the Company has reached the state's SFDA standard, but also facilitated the market development of Citalopram in the domestic market and overseas semi-regulated markets. The Group has entered into supply agreements of Citalopram bulk materials with a number of large scale pharmaceutical enterprises in the PRC. Meanwhile, a number of distributors in overseas semi-regulated markets have initiated the import registration procedures of the Group's Citalopram in the drug regulation authorities in their countries.

The GMP certification of Citalopram further enhanced the popularity and reputation of the Group in domestic and overseas markets, and laid down a solid foundation for the export business of the Group. Our marketing department expects that this product will contribute to the Group's profits in the coming year. In addition, with the formal initiation of sales in foreign markets, the sales of this product will increase with a leap, and the sales prospects of this product is promising.

Key R & D projects

In December 2007, the Group and GeneHarbor (Hong Kong) Technologies Limited set up a joint venture to develop low-cost Reduced Glutathione by using a novel enzymatic technology. This project progressed well, as the research has been completed and enters into the stage of stepped-up trial production. Industrial production will commence and the Group will apply for GMP certification once the approval document of environmental protection is issued.

Reduced Glutathione is set to become a major profit growth engine of the Group. This product not only possesses technology advantages of low cost to existing product of the Group, it can also drive the development of international markets effectively with its innovative technology content. The Group will devote more efforts on the expansion of the Jiwa brand from the PRC market toward international pharmaceutical markets.

FINANCIAL REVIEW

Liquidity

As at 30 September 2008, cash and cash equivalents of the Group totaled approximately HK\$65.2 million (31 March 2008: approximately HK\$20.8 million), of which approximately 26.2 % are in Hong Kong dollars, 23.5 % in RMB, 23.3 % in US dollars, 26.9 % in Euro and 0.1 % in Macau Pataca.

As at 30 September 2008, the Group had aggregate banking facilities of approximately HK\$197.7 million (31 March 2008: approximately HK\$189.6 million) of which approximately HK\$152 million (31 March 2008: approximately HK\$119.5 million) was utilized, as to approximately HK\$111.2 million in long term bank loans, as to approximately HK\$19.7 million in short term bank loans and as to the balance of approximately HK\$21.1 million in letters of guarantee issued by the relevant banks to independent third parties. The Group's aggregate banking facilities of approximately HK\$197.7 million include approximately HK\$114.6 million equivalent in US dollars denominated banking facilities.

The increase in cash and cash equivalents and the increase in bank loans is mainly a result of the cash flow generated from operating activities and increase in bank loans.

As at 30 September 2008, the Group had current assets of approximately HK\$254.0 million (31 March 2008: approximately HK\$226.8 million) whilst current liabilities were approximately HK\$75.0 million (31 March 2008: approximately HK\$123.8 million).

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 2008, the gearing ratio was approximately 24% (31 March 2008: approximately 18%), calculated based on the Group's total bank borrowings of approximately HK\$130.9 million (31 March 2008: approximately HK\$91.5 million) over the Group's total assets of approximately HK\$547.9 million (31 March 2008: approximately HK\$506.2 million). The increase in gearing ratio is mainly due to the higher working capital requirement for business expansion and new project investment.

Foreign Currency Risk

The Group has for its hedging purposes a 1 million US dollar and 1 million Euro forward exchange contract banking facility in place as at 30 September 2008 and actively monitors its net foreign currency exposures. As the bulk of the Group's transactions and assets are denominated in HK dollars, US dollars and RMB, the impact of foreign currency fluctuations is minimal and the current hedging facilities are considered sufficient for the near future.

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 2008 of approximately HK\$9.0 million (31 March 2008: approximately HK\$5.9 million) of which approximately HK\$9.0 million had been contracted for (31 March 2008: approximately HK\$5.9 million). 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 2008, bank loans amounting to approximately HK\$128 million (31 March 2008: HK\$85.7 million) were secured by certain assets of the Group having a net book value of approximately HK\$114.8 million (31 March 2008: HK\$113.6 million).

Contingent Liabilities

As at 30 September 2008, 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.

PROSPECT

With the widening of the financial tsunami, many industries have been impacted in this turmoil. However, the market is of the view that the pharmaceutical industry is still in a relatively stable condition. The management expects that the Group will continue to benefit from the interactive roll out of the medical insurance system reform, health system reform and pharmaceutical circulation system reform. The Group is well prepared for the gradual establishment of national rural cooperative medical system and the perfection of urban social medical system, and strategies are laid out for special opportunities brought to the pharmaceutical industry.

The current global economic environment has resulted in a seemingly unfavourable condition for the pharmaceutical export industry in the PRC. For the Group, such a condition means a challenge as well as a rare opportunity. As the prices of patented drugs are driven high, it is expected that the worldwide demand for generic drugs as well as quality popular drug will increase. As a manufacturer of generic drug well known for its high quality, the Group will leverage on this opportunity with innovative technologies invested in recent years to explore the international markets, and to lead the Group progressing from the phase of "stable growth" to "high growth".

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2008

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2008	2007
		\$'000	\$'000
	Note	(Unaudited)	(Unaudited)
Turnover	2	186,381	132,136
Cost of sales		(107,038)	(70,070)
Gross profit		79,343	62,066
Other net income		3,706	2,924
Selling expenses		(21,261)	(16,532)
Administrative expenses		(26,647)	(20,843)
Share-based employee compensation		(1,285)	(837)
Other operating expenses		(929)	(436)
Profit from operations		32,927	26,342
Finance costs		(2,173)	(2,484)
Share of results of associates		(71)	—
Profit before income tax	3	30,683	23,858
Income tax expense	4	(520)	(3,674)
Profit for the period		30,163	20,184
Attributable to:			
Equity holders of the Company		23,384	15,015
Minority interest		6,779	5,169
Profit for the period		30,163	20,184
Earnings per share			
— Basic	5	1.46 cents	0.98 cents
— Diluted	5	1.45 cents	0.98 cents

The notes form part of this interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)*At 30 September 2008**(Expressed in Hong Kong dollars)*

		At 30 September 2008 \$'000 (Unaudited)	At 31 March 2008 \$'000 (Audited)
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		170,941	168,875
Land use rights		23,143	22,830
Construction in progress		50,736	42,810
Interests in associates		14,911	12,982
Intangible assets		2,701	593
Goodwill		978	978
Available-for-sale financial assets		26,920	26,874
Deferred tax assets		3,533	3,469
		<u>293,863</u>	<u>279,411</u>
Current assets			
Inventories		58,064	57,962
Accounts and bills receivable	6	93,482	101,473
Land use rights		651	631
Prepayments and other receivables		16,393	23,388
Amount due from related companies		17,265	19,651
Amount due from investee company		2,918	2,878
Tax recoverable		2	54
Cash and cash equivalents		65,273	20,774
		<u>254,048</u>	<u>226,811</u>
Current liabilities			
Bank loans		19,681	49,706
Accounts and bills payable	7	35,759	55,005
Accrued expenses and other payables		13,713	15,812
Tax payable		5,879	3,284
		<u>75,032</u>	<u>123,807</u>
Net current assets		179,016	103,004
Total assets less current liabilities		472,879	382,415

		At 30 September 2008 \$'000 (Unaudited)	At 31 March 2008 \$'000 (Audited)
Non current liabilities			
Bank loans		<u>111,209</u>	<u>41,826</u>
Net Assets		<u>361,670</u>	<u>340,589</u>
CAPITAL AND RESERVES			
Share capital	8	16,050	16,050
Reserves		<u>291,699</u>	<u>278,891</u>
Equity attributable to equity holders of the Company		307,749	294,941
Minority interest		<u>53,921</u>	<u>45,648</u>
		<u>361,670</u>	<u>340,589</u>

The notes form part of this interim financial statements.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2008

(Expressed in Hong Kong dollars)

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated accounts for the six months ended 30 September 2008 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and complied with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in the annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2008. The adoption of these new interpretations had no material effect on how the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group, except that the effects of the application of HKFRS 3 (Revised) and HKAS 27 (Revised) are not reasonably estimate.

The interim financial statements have been authorised for issue by the Board on 5 December 2008. These interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

2. Segment reporting

An analysis of the Group's revenue and results by business segments is as follows:

For the six months ended 30 September 2008

	Pharmaceutical Products		Trading Pharmaceutical Products		Health Care Products		Pharmaceutical Bulk Materials		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue										
Anti-infectious	54,853	45,459	—	—	—	—	—	—	54,853	45,459
Gastro-intestinal	42,545	14,936	23,371	21,762	—	—	—	—	65,916	36,698
Musculo-skeletal	41,597	31,295	12,968	10,893	—	—	—	—	54,565	42,188
Cerebro-cardiovascular	1,626	908	—	—	—	—	—	—	1,626	908
Others	7,097	2,428	—	—	1,608	4,436	716	19	9,421	6,883
	<u>147,718</u>	<u>95,026</u>	<u>36,339</u>	<u>32,655</u>	<u>1,608</u>	<u>4,436</u>	<u>716</u>	<u>19</u>	<u>186,381</u>	<u>132,136</u>
Segment results	25,381	23,222	9,932	6,844	370	(1,370)	(3,169)	(2,581)	32,514	26,115
Less: Unallocated (expenses)/ income									<u>1,697</u>	<u>1,063</u>
									<u>34,211</u>	<u>27,178</u>
Profit from operations										
— Share-based payment expenses									(1,285)	(837)
— Finance costs									(2,172)	(2,484)
— Taxation									(520)	(3,674)
— Minority interests									(6,779)	(5,168)
— Share of results of associates									<u>(71)</u>	<u>—</u>
Profit attributable to shareholders									<u>23,384</u>	<u>15,015</u>

3. Profit from ordinary activities before taxation

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

	Six months ended 30 September	
	2008	2007
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cost of inventories*	105,712	69,988
Staff costs	7,341	6,958
Retirement costs	1,446	785
Depreciation	4,751	4,831
Operating lease charges in respect of premises	1,550	1,256
Interest on bank advances wholly repayable within five years	2,173	2,279
Research and development costs	1,971	512

* Cost of inventories includes \$5,114,385 (2007: \$3,846,168) relating to staff cost, depreciation expenses, operating lease charges and retirement costs, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

4. Taxation

	Six months ended 30 September	
	2008	2007
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax	757	649
Provision for PRC income tax	3,156	2,923
PRC tax refund	(3,448)	—
	465	3,572
Deferred tax		
Current Period	55	102
	520	3,674

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the Period.

PRC Enterprise Income Tax (“EIT”) has been provided on the estimated assessable profits of subsidiaries operating in PRC at 24% (2007: 33%).

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

Pursuant to notices issued by the local tax bureau, PRC income tax of HK\$3,448,000 (2007: nil) was refunded to KJP in relation to purchase of equipment made in PRC under tax preferential policies in accordance with the relevant tax rules and regulations.

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profits attributable to shareholders of HK\$23,384,000 (2007: HK\$15,015,000) and on the weighted average of 1,605,000,000 (2007: 1,534,344,261) ordinary shares in issue during the period.

The diluted earnings per share is based on the profit attributable to shareholders of HK\$23,384,000 (2007: HK\$15,015,000) and the weighted average of 1,618,717,625 (2007: 1,534,344,261) ordinary shares in issue during the period, after adjusting the effect of all dilutive potential share under the Company's share option scheme.

6. Accounts and bills receivable

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

	At 30 September 2008 \$'000 (Unaudited)	At 31 March 2008 \$'000 (Audited)
Within 3 months	56,757	74,385
Aged over 3 months but less than 6 months	10,099	21,765
Aged over 6 months	18,378	5,222
	<u>85,234</u>	<u>101,372</u>
Bills receivable	8,248	101
	<u>93,482</u>	<u>101,473</u>

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

7. Accounts and bills payable

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

	At 30 September 2008 \$'000 (Unaudited)	At 31 March 2008 \$'000 (Audited)
Accounts payable		
— Within 3 months	13,485	26,464
— Over 3 months but within 6 months	868	298
— Over 6 months	327	258
Bills payable	21,079	27,985
	<u>35,759</u>	<u>55,005</u>

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

8. Share capital

	At 30 September 2008		At 31 March 2008	
	No. of shares	Amount \$'000 (Unaudited)	No. of shares	Amount \$'000 (Audited)
Authorised:				
Ordinary shares of \$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
	<u>1,605,000,000</u>	<u>16,050</u>	<u>1,605,000,000</u>	<u>16,050</u>

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

9. Dividends

	Six months ended 30 September	
	2008 \$'000 (Unaudited)	2007 \$'000 (Unaudited)
Dividend approved and paid during the period	<u>16,050</u>	<u>6,420</u>

Pursuant to the resolutions passed at the shareholders' meeting on 26 August 2008, a final dividend of \$16,050,000 (2007: \$6,420,000) payable to the shareholders of the Company was declared and approved in respect of the year ended 31 March 2008.

The Board does not recommend the payment of an interim dividend for the Period (2007: \$Nil).

10. Post balance sheet events

(a) Sale of Longchang

On 8 October 2008, Jiwa Development Co. Ltd. ("Jiwa Development"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Pang Yue Jun ("Mr. Pang"), a third party independent to the Company and connected person of the Group. Pursuant to which Mr. Pang agreed to purchase and Jiwa Development agreed to sale the 70% of the issued share capital of Shangxi Province Fanshi County Longchang Industrial Co. Ltd. ("Longchang") for a cash consideration of RMB27,000,000. Upon completion of the acquisition, Longchang will no longer be recognized as available for sale investment for the Group and it will cease to be a 70% owned subsidiary of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The management of the Group considered the acquisition of Longchang in 2007 as capital investment opportunity for the Group. Due to recent economic downturn and difficult operating environment in the mining industry of the PRC, the management recognized focusing on the Group's core pharmaceutical business would be more profitable.

(b) Acquisition of Jiwa P&C

On 28 October 2008, Jiwa Development entered into a sale and purchase agreement with Mr. Lau Yau Bor and Mr. Lau Kin Tung (“Vendors”), pursuant to which the Vendors agreed to sell and Jiwa Development agreed to purchase the entire 1,000 ordinary shares of Jiwa Pharm & Chemicals Limited (“Jiwa P&C”) at a consideration HK\$9,659,000. Jiwa Development will not and shall not purchase or assume any of the Assets (other than the PRC Interests), the Liabilities, and the PRC Receivables. Assets, PRC Interests, Liabilities and PRC Receivable shall have the meanings as defined in the announcement dated 29 October 2008.

Mr. Lau Yau Bor is a substantial shareholder, chairman and executive director of the Company, he owned 60% equity interest of Jiwa P&C. Mr. Lau Kin Tung is a vice-chairman and executive director of the Company, he owned 40% equity interest of Jiwa P&C, he is also the son of Mr. Lau Yau Bor. Since the vendors are directors of the Company, therefore the acquisition of Jiwa P&C constitute connected transaction of the Company under the Listing Rule.

Jiwa P&C is mainly engaged in marketing and distribution of pharmaceuticals in the PRC, it has a well established distribution network in the PRC for the sale of specialized drugs, the management of the Company considered the acquisition of Jiwa P&C would enhance the existing distribution network of the Group and bring synergy to the Group by merging the two marketing system of its own specialized areas.

OTHER INFORMATION

Employment and Remuneration Policy

As at 30 September 2008, the Group had a total of approximately 598 employees (31 March 2008: approximately 574 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 2008.

Corporate Governance

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of Stock Exchange 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 2008.

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 2008.

Publication of Detailed Interim Results Announcement on the Stock Exchange

The interim report for the period ended 30 September 2008 will be dispatched to the shareholders and published on both of the websites of the Stock Exchange and the Company in due course.

APPRECIATION

Thanks to the support, commitment and contribution of our entire management and staff, the Group's businesses remained prosperous during the Period. On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to them.

By order of the Board

Lau Kin Tung

Vice Chairman and Chief Executive Officer

Hong Kong, 5 December 2008

As at the date of this announcement, the Board comprises Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming as executive directors of the Company and Mr. Chiu Wai Piu, Mr. Fung Tze Wa and Mr. Choy Ping Sheung as independent non-executive directors of the Company.