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 2005

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 2005 (the "Period") together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2005	2004
	Notes	***$'000***	*$'000*
		(Unaudited)	(Unaudited)
Turnover	*2*	**94,269**	105,865
Cost of sales		**(52,729)**	(49,193)
Gross profit		**41,540**	56,672
Other revenue		**222**	317
Other net income/(loss)		**331**	(11)
Selling expenses		**(12,473)**	(12,450)
Administrative expenses		**(17,045)**	(16,652)
Other operating expenses		**(1,301)**	(289)
Profit from operations		**11,274**	27,587
Negative goodwill	*1*	**3,262**	–
Finance cost	*3a*	**(1,981)**	(1,210)
Profit before tax	*3*	**12,555**	26,377
Taxation	*4*	**(967)**	(3,024)
Profit for the period		**11,588**	23,353
Attributable to:			
Equity holders of the Company		**10,453**	19,601
Minority interest		**1,135**	3,752
		11,588	23,353
Earnings per share			
– Basic	*6*	**2.09 cents**	3.92 cents
– Diluted	*6*	**2.09 cents**	3.92 cents

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 September 2005
(Expressed in Hong Kong dollars)

	Notes	At 30 September 2005 $'000 (Unaudited)	At 31 March 2005 $'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**142,100**	113,924
Prepaid lease payments on land use rights	*1*	**22,434**	11,974
Construction in progress		**20,117**	24,742
Intangible assets		**3,115**	596
Goodwill		**897**	880
Investments securities	*1*	**–**	1,148
Available-for-sale financial assets	*1*	**1,170**	–
Deferred tax assets		**5,564**	5,436
		195,397	158,700
Current assets			
Inventories		**41,096**	29,287
Accounts receivable		**57,617**	64,683
Prepayments and other receivables		**25,771**	21,151
Prepaid lease payments on land use rights	*1*	**522**	386
Amount due from related companies		**9,523**	10,683
Tax recoverable		**1,496**	1,695
Cash and cash equivalents		**33,978**	56,682
		170,003	184,567
Current liabilities			
Bank loans		**81,731**	42,453
Accounts and bills payable		**32,760**	22,935
Accrued expenses and other payables		**13,569**	7,196
Tax payable		**(149)**	377
		127,911	72,961
Net-current assets		**42,092**	111,606
Total assets less current liabilities		**237,489**	270,306
Non-current liabilities			
Bank loans		**–**	47,170
Deferred Tax Liabilities		**237**	–
		237	47,170
Net Assets		**237,252**	223,136

CAPITAL AND RESERVES		
Share capital	**5,000**	5,000
Reserves	**186,206**	181,859
Equity attributable to equity holders of the Company	**191,206**	186,859
Minority interest	**46,046**	36,277
TOTAL EQUITY	**237,252**	223,136

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and 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.

The accounting policies used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively where permitted. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied HKFRS 3 Business Combinations, which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant provisions in HKFRS 3. The Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period.

In the current period, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates, which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Company. Therefore, no prior period adjustment has been made.

Negative Goodwill

Negative goodwill arises from the acquisition of Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("JRPCL") during the period. In accordance to the HKFRS 3, the Group reassess the identification and measurement of JRPCL's net fair value of the identifiable assets, liabilities and contingent liabilities, and the cost of the combination; and recognize immediately in profit or loss any excess remaining after that reassessment as negative goodwill.

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

In prior years, equity investments, other than investments in subsidiaries, associates, joint ventures and jointly controlled companies, were classified as investment securities, where the investments were held on a continuing basis for an identifiable long-term purpose and were stated at cost less any provisions for diminution in value.

With effect from 1 April 2005, and in accordance with HKASs 32 and 39, all non-trading investments, other than investments in subsidiaries, associates, joint ventures and jointly controlled companies, are classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognized in the fair value reserve under equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale financial assets is recognized directly in the fair value reserve. If there is no reasonable estimate on the fair value, the available-for-sale financial asset is stated at cost less impairment loss. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39. The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Operating Leases

In accordance to HKAS 17, leases of land and of buildings are classified as operating or finance leases in the same way as leases of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease because the title of the land is not expected to pass to the Group by the end of lease term, and is reclassified from fixed assets to prepaid lease payments on land use rights, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid lease payments on land use rights under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 March 2005 have been restated to reflect the reclassification of leasehold land.

The interim financial statements have been authorised for issue by the Board of Directors (the "Board") on 20 December 2005. 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

	Pharmaceutical products		Trading products		Health care products		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue								
Anti-infectious	**34,252**	36,573	**1,287**	–	**–**	–	**35,539**	36,573
Gastro-intestinal	**5,963**	9,657	**12,762**	21,641	**–**	–	**18,725**	31,298
Musculo-skeletal	**24,013**	22,384	**10,220**	10,476	**–**	–	**34,233**	32,860
Cerebro-cardiovascular	**33**	–	**–**	–	**–**	–	**33**	–
Others	**1,150**	543	**–**	42	**4,589**	4,549	**5,739**	5,134
	65,411	69,157	**24,269**	32,159	**4,589**	4,549	**94,269**	105,865
Segment results	**10,804**	12,190	**4,539**	12,660	**(85)**	1,338	**15,258**	26,188
Less: Unallocated (expenses)/income								
– Negative Goodwill							**3,262**	–
– Finance costs							**(1,981)**	(1,210)
– Taxation							**(967)**	(3,024)
– Minority interests							**(1,135)**	(3,752)
– Others							**(3,984)**	1,399
Profit attributable to equity holders of the Company							**10,453**	19,601

3 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(Unaudited)	(Unaudited)
(a) Finance cost:		
Interest on bank advances wholly repayable within five years	**1,981**	2,776
Less: Borrowings cost capitalized into construction in progress	**–**	(1,566)
	1,981	1,210
Annual capitalization rate of borrowing costs	**–**	5.1%
(b) Other items:		
Cost of inventories*	**51,812**	49,193
Staff costs	**6,099**	6,395
Retirement costs	**646**	533
Depreciation	**1,859**	2,292
Operating lease charges in respect of premises	**1,283**	1,043
Research and development costs	**1,084**	941

* *Cost of inventories includes $3,663,000 (2004: $3,335,000) 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	
	2005	2004
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for Hong Kong Profits Tax	**804**	2,808
Provision for PRC income tax	**484**	1,049
Capital Gain Tax	**1,067**	–
Tax refunded	**(1,496)**	(1,022)
	859	2,835
Deferred tax		
Origination and reversal of temporary differences	**108**	189
	967	3,024

The provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the Period.

Profits of Kunming Jida Pharmaceutical Co. Ltd ("KJP"), a subsidiary of the Company in the People's Republic of China (the "PRC") was subject to PRC income tax at 24%. As KJP is recognised as a new high technology enterprise, according to the Provisions on the Tax Policy of State High Technology Development Zone, Kunming, KJP is entitled to a reduced tax rate of 15%. On 18 January 2002, KJP received an approval from the local tax bureau, pursuant to which KJP was granted a 50% tax relief for the period up to 31 December 2004. As stipulated by Implementation Procedures of the Ministry of Finance on the Adoption of Rules Governing Preferential Tax Treatments in the "Provisions of the State Council for the Encouragement of Foreign Investment", the minimum PRC income tax rate applicable to a new high technology enterprise is 10%. Consequently, KJP was granted a preferential tax rate of 10% from 1 January 2002 to 31 December 2004 pursuant to approval documents issued by the local tax bureau on 14 March 2003 and 17 January 2004.

Pursuant to a notice issued by the local tax bureau on 22 September 2005, PRC income tax of Renminbi ("RMB") 1,555,556 (2004: RMB1,083,333) was refunded to KJP in accordance with the relevant tax rules and regulations.

Tax refund is credited to the consolidated income statement as a reduction in the tax charge for the Period when the tax refund is approved. There is no assurance that the Group will receive such refund in the future.

5 DIVIDENDS

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Dividend approved during the period	**7,500**	6,500

Pursuant to the resolutions passed at the shareholders' meeting on 8 August 2005, a final dividend of $7,500,000 (2004: $6,500,000) payable to the shareholders of the Company was declared and approved in respect of the year ended 31 March 2005.

The Board does not recommend the payment of an interim dividend for the Period (2004: Nil).

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of $10,453,000 (2004: $19,601,000) and on 500,000,000 (2004: 500,000,000) ordinary shares in issue during the period.

The diluted earnings per share is based on the profit attributable to equity holders of $10,453,000 and the 500,068,484 ordinary shares in issue during the period, after adjusting the effect of all dilutive potential share under the Company's share option scheme (2004: there was no dilutive potential ordinary share in existence during the period).

7 POST BALANCE SHEET EVENTS

On 2 November 2005, the Company acquired the remaining 20% interests in JRPCL from the minority shareholders at a consideration of RMB6 million equivalent in foreign currency. The PRC sino-foreign equity joint venture is converted into a wholly owned foreign enterprise as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Solid foundation enables quick market response

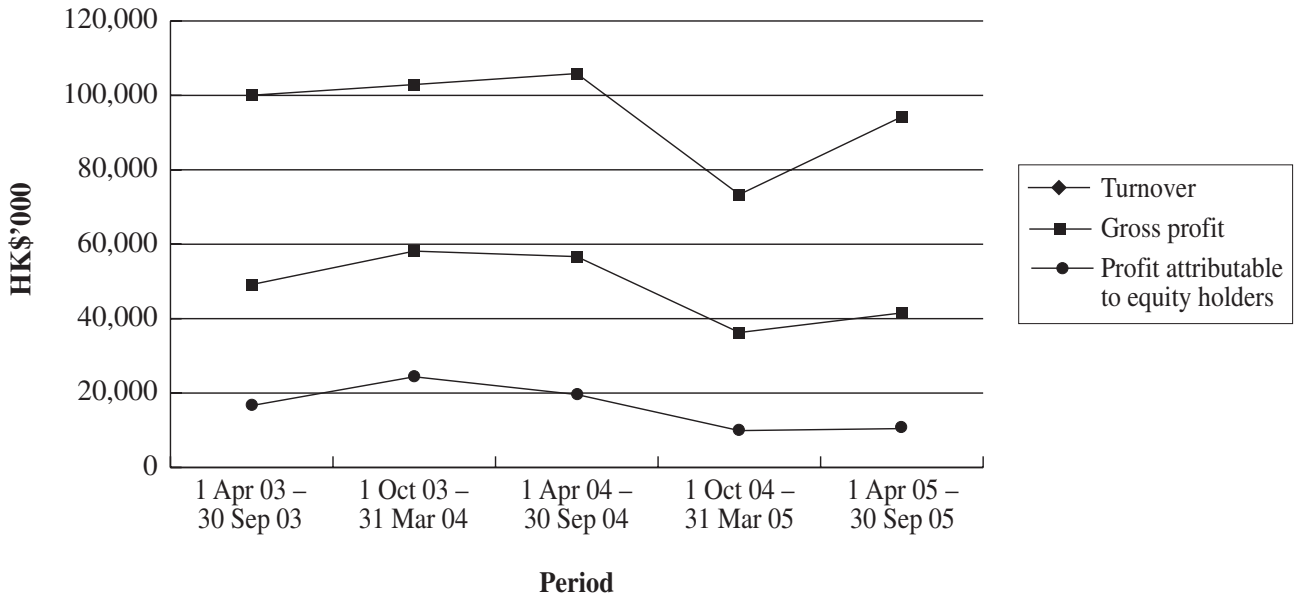
The Period under review saw a carried over effect of the last price cut on antibiotics promulgated by the China National Development and Reform Commission ("CDRC") in June 2004, which placed further pressure on the Group's revenue. Internally, the successful acquisition of JRPCL (a pharmaceutical bulk plant in Jiangsu province), and the relocation of four finished product manufacturing lines to the new Kunming plant, have posed great operational challenges to the Group. During the period, the China pharmaceutical market continued to record healthy growth, and demand for pharmaceutical material from China was steadily increasing. For the Group, this is a period of consolidation and development, with quite a few important progresses being made.

We saw a drop in results for the Period under review as compared to the same Period last year: turnover amounted to approximately HK$94.3 million (2004: approximately HK$105.9 million), representing a decrease of approximately 11.0%, gross profit amounted to approximately HK$41.5 million (2004: approximately HK$56.7 million), representing a decrease of approximately 26.8%, and the profit attributable to equity holders of the Company amounted to approximately HK$10.5 million (2004: approximately HK$19.6 million), representing a decrease of approximately 46.4%. The comparison of a year on year interim results reflect a combination of factors, which include the reduction in price of 13 of our anti-infectious products since June 2004, a delay in production of a few key products, and an increase in operating and finance costs due to capital investments and the operation of the new plant.

Our damage control efforts in respect of the CDRC induced pressures on margins are seeing encouraging results as reflected in a rebound in turnover and gross profits of the Group when compared to the second half of the preceding financial year (see "Profit Trend"). We believe this growth momentum will continue in the near future.

Results of the Group would be enhanced when new products launched recently start to contribute to our performance, and one of our most exciting phase of growth will come when we see our sales mix moving significantly towards our promising new products over the next few years. The other engine of growth in the near future would come from our export of bulk pharmaceuticals to the US from our newly acquired plant in Jiangsu province, PRC.

Profit Trend



RESULTS ANALYSIS

Pharmaceutical products

Self manufactured pharmaceutical products representing approximately 69.4% of the Group's turnover for the Period (2004: approximately 65.3%) and amounted to approximately HK$65.4 million (2004: approximately HK$69.2 million), reflecting a mild drop of approximately 5.5% over the corresponding period. Segment results was approximately HK$10.8 million (2004: approximately HK$12.2 million), a decrease of approximately 11.5% compared with the same period last year.

Anti-infectious drugs remain the main contributor of the self manufactured pharmaceutical products, and accounted for approximately 52.4% of the pharmaceutical products segment, turnover for self manufactured anti-infectious drug amounted to approximately HK$34.3 million (2004: approximately HK$36.6 million), representing a decrease of approximately 6.3% over the corresponding period last year.

Sales of muscular-skeletal and cerebro-cardiovascular products increased during the period, the later brought about by the launch of Huo Duo Shi (Low Molecular Weight Heparin). These increases, albeit not contributing significantly to the segment results, are in line with our strategy of product mix adjustment. It is expected that as products currently in development being launched in the next few years, there will be a better balance of our product mix structure and mitigate the risk of reliance on anti-infectious products.

Trading products

Revenue for trading of pharmaceutical products accounted for approximately 25.7% of the Group's turnover for the Period (2004: approximately 30.4%) and amounted to approximately HK$24.3 million (2004: approximately HK$32.2 million); representing a decrease of approximately 24.5% over the corresponding Period last year. Segment results amounted to approximately HK$4.5 million (2004: approximately HK$12.7 million), representing a decrease of approximately 64.6% over the same Period last year.

In June this year, the Group decided to relocate 4 production lines from the old plant to the new production complex in Kunming. The objective is to centralise production, control and reduce management overhead. However, the relocation would entail a 3 months' loss of production time for the affected products, which created problems at production rescheduling and is largely responsible for the decline in turnover and segment results. A significant portion of license manufacturing orders were rescheduled for production in the third quarter this year, which would enhance results in the next period. Fierce competition from PRC domestic brands also contributed to the decline in trading segment results this period.

Health care products

Revenue for health care products for the Period accounted for approximately 4.9% of the Group's turnover for the Period (2004: approximately 4.3%) and amounted to approximately HK$4.6 million (2004: approximately HK$4.5 million), representing an increase of approximately 2.2% over the corresponding Period last year. Segment results amounted to a loss of approximately HK$0.09 million (2004: gain of approximately HK$1.3 million), representing a decrease of approximately 106.9% over the same Period last year. The segment loss was mainly due to a one time investment in testing and registration fees of more than 20 new products in Hong Kong during the Period. These products are expected to obtain sales licenses in 2006 and 2007.

LOOKING AHEAD

Our strategy is simple: accelerate new product development, enrich our product mix with higher margins new products in the five therapeutic categories (anti-infectious, gastro-intestinal, muscular-skeletal system, cerebro-cardiovascular system, antidepressants and psychiatric disorder drugs) and at the same time keeping an eye on the international market, for bulk materials with patents expiring before 2010.

New product contribution

Following the successful launch of Calco (Synthetic Salmon Calcitonin Injection) in 2004, the Company has launched a major break-through product in the treatment of osteoarthritis – Artrodar (Diacerein Capsules) in May this year. This product is developed by the Swiss company TRB CHEMEDICA, who holds a worldwide patent on the product. The Group is currently the sole agent in China for Artrodar.

Artrodar falls under a new category of drug called Symptomatic Slow Acting Drugs in Osteoarthritis (SYSADOA), which treats degenerative joint disease. A multi-center, double blind, 3 year study in France has proven its positive action on joint structure modifying. This renders Artrodar as one of the world's most promising compound in actually curing Osteoarthritis, instead of just being a pain-killer as in most available products currently. The Group has assisted TRB CHEMEDICA, after 4 years' effort in registration and clinical trials in the PRC, to finally obtain the PRC import drug license for Artrodar.

In addition to Artrodar, Shi Si Tai (Somatostatin for Injection) and Huo Duo Shi (Low Molecular Weight Heparin) were also launched during the Period.

Shi Si Tai is a Somatostatin for treating a variety of neoplasms, as well as giantism and acromegaly, due to its ability to inhibit growth hormone secretion. Cooperating with China Medical Science Academy (中國醫學科學院), the Group has developed a state-of-the-art solid phase synthesis production method for this product.

Huo Duo Shi is a Low Molecular Weight Heparin which demonstrates a greater antithrombotic effect relative to its anticoagulant activity when compared with the unfractionated heparin. Moreover, subcutaneous injection has a greater bioavailability and longer half-life than heparin, permitting once-daily administration for the prophylaxis of deep venous thrombosis (DVT) or the treatment of established vascular disorders, including phlebopathies and related syndromes, as well as peripheral arterial occlusive disease. Huo Duo Shi also showed benefit as an adjunctive therapy in patients with angina pectoris. Huo Duo Shi is in prefilled-syringe dosage form, which not only make it easier to use for out-patients but also ensure the best product quality.

A new drug in the PRC would normally take about 12 to18 months from date of launch before it could contribute to turnover in a meaningful way. Products launched by the Group in the second half of 2004 and during the Period, including Loratadine for relieving symptoms of allergic rhinitis, Calco for osteoporosis, Yankening Pian, a kind of traditional Chinese medicine for inflammation, Artrodar, Shi Si Tai and Huo Duo Shi are receiving positive market responses. Our next target would be winning hospital tenders in 2006, and continue to build brand awareness of these new key products.

Progress of products in development

During the Period under review, the Group received from the State Food and Drug Administration of the PRC ("SFDA") two production permits and one registration certificate for imported medicines. The Group's on-going research and development of 10 new medicines went smoothly: 4 are in the pre-clinical research stage, 2 are in the process of clinical research and the remaining 4 have gone through clinical research. These new products have expected launch dates somewhere in 2006 and 2007 and would start contributing to the Group's sales in 2007 and 2008.

More GMP certification

During the period, the Group successfully obtained additional two GMP certificates covering the manufacturing of lyophilized powder for injection, small volume parenteral solutions, powder for injection, and somatostatin bulk material by solid phase synthesis.

The Group considered GMP certification of production lines for its new products to be launched as one of its top priorities this year. It is expected by the end of 2006, all production lines in the new Kunming complex will be fully GMP compliant. The range of GMP compliant production lines then would ensure that new products approved by the SFDA can be launched immediately in the market.

Update of bulk material development

The board of directors of JRPCL held their first board meeting in the Period, where initial management structure, financial policies, modification plans on the existing plant and new products to be developed are discussed and resolutions made.

Modification of the existing plant to comply fully with SFDA (PRC) and FDA (US) requirements are expected towards the first quarter of 2006 and export of pharmaceutical raw materials is envisaged by the end of 2007. For this bulk materials project, a lot would need to be achieved in 2006, ensuring plant modification proceeds smoothly and filing of Drug Master File (DMF) to the FDA (US) is on schedule.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 September 2005, cash and cash equivalents of the Group totaled approximately HK$34.0 million (31 March 2005: approximately HK$56.7 million), of which approximately 18% are in Hong Kong dollars ("HK$"), 29% in RMB, 49% in US dollars ("US$") and 4% in Euro. The Group has for its hedging purposes a US$2 million forward exchange contract banking facility in place as at 30 September 2005 and actively monitors the foreign currency exposure of its net monetary assets. As the bulk of the Group's transactions and assets are denominated in HK$, US$ and RMB, the impact of foreign currency fluctuations in US$ and Euro is minimal and the current hedging facilities are considered sufficient for the near future. Revaluation of the RMB during the period has resulted in an exchange translation surplus (including minority interests' share) of approximately HK$2.2 million (31 March 2005: Nil) for the Group as at 30 September 2005.

As at 30 September 2005, the Group had aggregate banking facilities of approximately HK$115.5 million (31 March 2005: approximately HK$173.2 million) of which approximately HK$86.4 million (31 March 2005: approximately HK$96.3 million) was utilised (as to approximately HK$81.7 million in short term bank loans and as to the balance of approximately HK$4.7 million in letters of guarantee issued by the relevant banks to independent third parties). The Group's aggregate banking facilities of approximately HK$115.5 million includes approximately HK$81.7 million equivalent in RMB denominated banking facilities.

Interest rates applicable to the RMB denominated bank borrowings are renewable annually and are fixed at approximately 4.84% per annum (weighted average) for RMB85 million in short term bank loans as at the end of the Period.

As at 30 September 2005, the gearing ratio was approximately 22.4% (31 March 2005: approximately 26.1%), calculated based on the Group's total bank borrowings of approximately HK$81.7 million (31 March 2005: approximately HK$89.6 million) over the Group's total assets of approximately HK$365.4 million (31 March 2005: approximately HK$343.3 million).

The Group maintained cash and cash equivalents totaling approximately HK$34.0 million against aggregate utilized banking facilities of approximately HK$86.4 million as at 30 September 2005 to reserve funds for working capital, relocation of the manufacturing facilities from its old plant to the new plant in PRC and to pay for its intended acquisition of the remaining 20% interests in JRPCL from the minority shareholders. Cash and cash equivalents as at 30 September 2005 of approximately HK$34.0 million (31 March 2005: approximately HK$56.7 million) decreased primarily as a result of increased cash outflow on investing activities on fixed assets and increased cash outflow on financing activities as a result of dividend payment and repayment of bank loans.

As at 30 September 2005, the Group had current assets of approximately HK$170.0 million (31 March 2005: approximately HK$184.6 million) whilst current liabilities were approximately HK$127.9 million (31 March 2005: approximately HK$73.0 million). Inventories as at 30 September 2005 of approximately HK$41.1 million (31 March 2005: approximately HK$29.3 million) increased as a result of higher safety stock levels needed in anticipation of the relocation of the old plant in PRC to the new production complex in Kunming where production of certain drugs would be stopped during the relocation period. Accounts and bills payables as at 30 September 2005 of approximately HK$32.8 million (31 March 2005: approximately HK$22.9 million) increased as a result of better supplier credit terms negotiated.

The Group had capital commitments outstanding as at 30 September 2005 of approximately HK$8.5 million (31 March 2005: approximately HK$7.0 million) of which approximately HK$4.5 million had been contracted for (31 March 2005: approximately HK$1.2 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 2005, certain of the Group's buildings with a net book value of approximately HK$39.3 million (31 March 2005: Nil) were pledged to a bank to obtain credit facilities.

Contingent liabilities

As at 30 September 2005, 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.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 September 2005 (2004: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2005, the Group had a total of approximately 453 employees (31 March 2005: approximately 391 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 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors in accordance to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they confirmed that they have complied with the Model Code.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance (the "Code")

As at 30 September 2005, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance as set out in Appendix 14 to the Listing Rules ("Code Provision").

During the Period, steps were taken to amend or repeal the bye-laws of the Company in respect of the service term and rotation of directors under Code Provision A.4.2. with a view to ensuring full compliance with the requirements of the Code Provisions. Resolutions of amendments of the relevant bye-laws of the Company were passed at the Company's Annual General Meeting held on 8 August 2005.

Pursuant to Code Provision A.4.2., every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years, Accordingly, the Bye-laws was amended to specify that notwithstanding any other provisions in the Bye-laws of the Company, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than, instead of not greater than, one-third) shall retire from office by rotation. As a result of the said proposed amendment, every Director is subject to retirement by rotation at least once every three years.

Code Provision A.4.2. also provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, the Bye-laws was amended to specify that any Director appointed to fill a casual vacancy shall hold office until the next following general meeting, instead of the next following annual general meeting.

Appointment of New Independent Non-Executive Director

Mr. Soo Ping Shu, Samuel, an Independent Non-executive Director of the Company, ceased to hold office upon expiry (31 August 2005) of his service contract. A new Independent Non-executive Director, Mr. Seet Lip Chai, was appointed on 1 September 2005.

Mr. Seet, aged 62, has held senior management positions in major global pharmaceutical companies such as Ciba-Geigy, SmithKline Beecham and GlaxoWellcome both in the Asian Region and in China prior to taking up an academic position as Associate Professor in Strategy and Entrepreneurship in Nanyang Technological University, Singapore in 1999. Besides holding Directorships in several private companies, Mr. Seet is presently also an Independent Non-executive Director and Non-executive Chairman of the Board of Directors of a medical diagnostic company listed on the Australian Stock Exchange.

Mr. Seet holds degrees of Bachelor of Medicine and Bachelor of Surgery, a Diploma in Public Health (with Distinction) from the University of Singapore and is a Fellow of the Academy of Medicine, Singapore.

The board believes Mr. Seet would bring to his role a wealth of experience in the pharmaceutical market and his expertise will benefit the Group's development.

Audit Committee

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 2005.

Remuneration Committee

The Company has set up a Remuneration Committee during the Period, comprising of the three Independent Non-executive Directors of the Company. Chaired by Mr. Choy Ping Sheung, the Committee is responsible for reviewing and making recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management.

Nomination Committee

The Company has set up a Nomination Committee during the Period, comprising of the three Independent Non-executive Directors of the Company. Chaired by Mr. Seet Lip Chai, the Committee is responsible for reviewing and making recommendations to the board on relevant matters relating to the appointment, re-appointment and succession planning for the board members.

PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE

A detailed results announcement of the Group for the Period containing all information required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Directors, I would like to express our gratitude to our shareholders and business associates for their continued support, and extend our sincere appreciation to all management and staff members of the Group for their ongoing dedication, commitments and contributions throughout the Period.

By Order of the Board
Lau Kin Tung
Vice Chairman and Chief Executive Officer

Hong Kong, 20 December 2005

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. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai.

* *For identification only*

"Please also refer to the published version of this announcement in China Daily"