



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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

FINANCIAL HIGHLIGHTS (HK\$'000)

| | 2007 | 2006 | Change |
|---|----------------|----------------|--------|
| REVENUE | | | |
| Pharmaceutical products | 143,014 | 119,386 | 20% |
| Trading pharmaceutical products | 56,422 | 42,869 | 32% |
| Health care products | 7,136 | 8,030 | -11% |
| | <u>206,572</u> | <u>170,285</u> | 21% |
| OPERATING RESULTS | | | |
| Pharmaceutical products | 32,535 | 18,818 | 73% |
| Trading pharmaceutical products | 7,201 | 5,302 | 36% |
| Health care products | (868) | 336 | -358% |
| Pharmaceutical bulk materials | (5,048) | (2,096) | -141% |
| | <u>33,820</u> | <u>22,360</u> | 51% |
| Unallocated operating income and expenses | (375) | (1,466) | |
| Excess of the Group's interest in the net fair value of acquiree's identifiable assets and liabilities over cost of acquisition | — | 4,986 | |
| Gain on disposal of property and land use right | 1,713 | 2,482 | |
| OPERATING PROFIT | <u>35,158</u> | <u>28,362</u> | 24% |
| Finance cost | (2,317) | (3,757) | -38% |
| Income tax expense | (5,786) | (1,594) | 263% |
| PROFIT FOR THE YEAR | <u>27,055</u> | <u>23,011</u> | 18% |
| Attributable to: | | | |
| Equity holders of the Company | 21,060 | 19,459 | 8% |
| Minority interests | 5,995 | 3,552 | 69% |
| PROFIT FOR THE YEAR | <u>27,055</u> | <u>23,011</u> | 18% |
| EARNING PER SHARE (Basic) | HK\$0.0421 | HK\$0.039 | 8% |

* for identification only

The directors (the “Directors”) of Jiwa Bio-Pharm Holdings Limited (the “Company”) are pleased to present the audited annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2007 (the “Period”) together with the comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT (AUDITED)

For the year ended 31 March 2007

| | <i>Notes</i> | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue | | 206,572 | 170,285 |
| Cost of sales | | (109,262) | (96,473) |
| Gross profit | | 97,310 | 73,812 |
| Other income | 3 | 3,712 | 3,796 |
| Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets and liabilities over cost of acquisition | | — | 4,986 |
| Selling expenses | | (23,663) | (14,307) |
| Administrative expenses | | (39,618) | (36,645) |
| Other operating expenses | | (2,583) | (3,280) |
| Operating profit | | 35,158 | 28,362 |
| Finance costs | 4 | (2,317) | (3,757) |
| Profit before income tax | 5 | 32,841 | 24,605 |
| Income tax expense | 6 | (5,786) | (1,594) |
| Profit for the year | | <u>27,055</u> | <u>23,011</u> |
| Attributable to : | | | |
| Equity holders of the Company | | 21,060 | 19,459 |
| Minority interests | | 5,995 | 3,552 |
| Profit for the year | | <u>27,055</u> | <u>23,011</u> |
| Final dividend proposed after the balance sheet date | 7 | <u>6,000</u> | <u>5,000</u> |
| Earnings per share for profit attributable to the equity holders of the Company during the year | | | |
| Basic | 8 | <u>4.21 cents</u> | <u>3.9 cents</u> |
| Diluted | 8 | <u>4.20 cents</u> | <u>N/A</u> |

CONSOLIDATED BALANCE SHEET (AUDITED)

As at 31 March 2007

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|--|-------|------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 159,291 | 125,357 |
| Land use rights | | 26,978 | 26,686 |
| Construction in progress | | 8,912 | 34,524 |
| Available for sale financial assets | | 1,229 | 1,181 |
| Goodwill | | 942 | 906 |
| Intangible assets | | 2,356 | 403 |
| Deferred tax assets | | 5,536 | 5,519 |
| | | <u>205,244</u> | <u>194,576</u> |
| Current assets | | | |
| Inventories | | 39,041 | 28,139 |
| Accounts and bills receivable | 9 | 69,715 | 67,806 |
| Land use rights | | 635 | 637 |
| Prepayments and other receivables | | 22,826 | 16,778 |
| Amounts due from related companies | | 2,080 | 12 |
| Tax recoverable | | — | 3,488 |
| Cash and cash equivalents | | 27,192 | 27,738 |
| | | <u>161,489</u> | <u>144,598</u> |
| Current liabilities | | | |
| Bank loans | | 44,234 | 47,772 |
| Accounts and bills payable | 10 | 31,873 | 23,058 |
| Amount due to a related company | | — | 428 |
| Amount due to a director | | 96 | — |
| Accrued expenses and other payables | | 9,264 | 10,324 |
| Tax payable | | 1,417 | — |
| | | <u>86,884</u> | <u>81,582</u> |
| Net current assets | | <u>74,605</u> | <u>63,016</u> |
| Total assets less current liabilities | | <u>279,849</u> | <u>257,592</u> |
| Non-current liabilities | | | |
| Bank loans | | 11,911 | 16,928 |
| Net assets | | <u>267,938</u> | <u>240,664</u> |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 5,000 | 5,000 |
| Reserves | | 223,105 | 200,735 |
| | | <u>228,105</u> | <u>205,735</u> |
| Minority interests | | 39,833 | 34,929 |
| Total equity | | <u>267,938</u> | <u>240,664</u> |

Notes:

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The adoption of the new and revised HKFRSs, that are effective for annual periods beginning on or after 1 April 2006, has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s financial statements.

2. Segment information

Primary reporting format — business segments

The Group is organised into four main business segments:

- (i) Pharmaceutical products — Manufacturing and sale of pharmaceutical products.
- (ii) Trading pharmaceutical products — Trading of pharmaceutical products.
- (iii) Health care products — Manufacturing and sale of health care products.
- (iv) Pharmaceutical bulk materials — Manufacturing of pharmaceutical bulk materials.

| | Trading | | | | | | | | | | Consolidated | |
|---|-------------------------|----------------|-------------------------|---------------|----------------------|--------------|-------------------------------|----------|---------------------------|----------------|----------------|----------------|
| | Pharmaceutical products | | pharmaceutical products | | Health care products | | Pharmaceutical bulk materials | | Inter-segment elimination | | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 143,014 | 119,386 | 56,422 | 42,869 | 7,136 | 8,030 | — | — | — | — | 206,572 | 170,285 |
| Inter-segment revenue | 7,139 | 4,814 | — | — | — | — | — | — | (7,139) | (4,814) | — | — |
| | 150,153 | 124,200 | 56,422 | 42,869 | 7,136 | 8,030 | — | — | (7,139) | (4,814) | 206,572 | 170,285 |
| Segment results | 41,387 | 23,632 | 7,201 | 7,784 | (868) | 336 | (5,048) | (2,096) | (7,139) | (4,814) | 35,533 | 24,842 |
| Unallocated operating income and expenses | | | | | | | | | | | (375) | (1,466) |
| Excess of the Group's interest in the net fair value of acquiree's identifiable assets and liabilities over cost of acquisition | | | | | | | | | | | — | 4,986 |
| Profit from operations | | | | | | | | | | | 35,158 | 28,362 |
| Finance costs | | | | | | | | | | | (2,317) | (3,757) |
| Income tax expense | | | | | | | | | | | (5,786) | (1,594) |
| Profit for the year | | | | | | | | | | | 27,055 | 23,011 |
| Depreciation | 6,969 | 6,975 | 640 | 734 | 137 | 105 | 372 | 185 | — | — | 8,118 | 7,999 |
| Amortisation of intangible assets | 892 | 206 | — | — | — | — | — | — | — | — | 892 | 206 |
| Annual charges of land use right | 369 | 369 | 35 | 36 | — | — | 231 | 162 | — | — | 635 | 567 |
| Segment assets | 234,903 | 213,092 | 80,482 | 74,942 | 1,797 | 2,597 | 50,732 | 45,687 | — | — | 367,914 | 336,318 |
| Unallocated assets | | | | | | | | | | | 58,819 | 2,856 |
| Total assets | | | | | | | | | | | 426,733 | 339,174 |
| Segment liabilities | 27,138 | 21,684 | 20,216 | 13,966 | 918 | 239 | — | — | — | — | 48,272 | 35,889 |
| Unallocated liabilities | | | | | | | | | | | 50,523 | 62,621 |
| Total liabilities | | | | | | | | | | | 98,795 | 98,510 |
| Capital expenditure incurred during the year | 7,757 | 9,315 | 289 | 540 | — | 212 | 6,517 | 35,645 | — | — | 14,563 | 45,712 |

Secondary reporting format — Geographical segments

The Group's revenue are predominantly derived from the PRC.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

| | Segment assets | | Capital expenditure | |
|-------------------------------------|----------------|----------------|---------------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 75,088 | 75,469 | 287 | 738 |
| Macau | 8,237 | 3,574 | 2 | 14 |
| PRC (excluding Hong Kong and Macau) | 284,589 | 257,275 | 14,274 | 44,960 |
| | <u>367,914</u> | <u>336,318</u> | <u>14,563</u> | <u>45,712</u> |

3. Other income

| | 2007 | 2006 |
|---|--------------|--------------|
| | HK\$'000 | HK\$'000 |
| Interest income | 266 | 362 |
| Gain on disposal of property, plant and equipment | 1,713 | 1,707 |
| Gain on disposal of land use rights | — | 775 |
| Net income from insurance claims | 179 | 16 |
| Net exchange gain | 1,130 | 843 |
| Others | 424 | 93 |
| | <u>3,712</u> | <u>3,796</u> |

4. Finance costs

| | 2007 | 2006 |
|---|--------------|--------------|
| | HK\$'000 | HK\$'000 |
| Interest on bank loans wholly repayable within five years | <u>2,317</u> | <u>3,757</u> |

5. Profit before income tax

| | 2007 | 2006 |
|--|----------|------------|
| | HK\$'000 | HK\$'000 |
| Profit before income tax is arrived at after charging: | | |
| Costs of inventories recognised as expense (i) | 108,028 | 94,850 |
| Auditors' remuneration | 500 | 350 |
| Depreciation | 8,118 | 7,999 |
| Amortisation of intangible assets | 892 | 206 |
| Annual charges on land use rights | 635 | 567 |
| Operating lease charges in respect of premises | 2,629 | 2,853 |
| Research and development costs (ii) | 1,164 | 2,010 |
| Write off of property, plant and equipment | <u>—</u> | <u>342</u> |

Notes :

- (i) Cost of inventories includes HK\$8,947,000 (2006: HK\$7,778,000) relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.
- (ii) Research and development costs comprise staff costs of HK\$58,000 (2006: HK\$165,000) which are also included in the total amount of staff costs.

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Unless tax reliefs are available to the Group, the provision for current income tax in the PRC is based on a statutory rate of 33% of the assessable income determined in accordance with the relevant income tax rules and regulations of the PRC.

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax | | |
| — Hong Kong | | |
| Tax for the year | 1,234 | 972 |
| Over provision in respect of prior years | (26) | (117) |
| | <u>1,208</u> | <u>855</u> |
| — Outside Hong Kong | | |
| Provision for PRC income tax | 2,632 | 2,147 |
| Under provision in respect of prior years | 1,742 | — |
| Tax refund | (3) | (1,481) |
| | <u>4,371</u> | <u>666</u> |
| Deferred tax | | |
| Current year | 207 | 73 |
| Total income tax expense | <u><u>5,786</u></u> | <u><u>1,594</u></u> |

7. Dividends

(a) Dividends attributable to the year

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend proposed after the balance sheet date of HK\$0.012 per share (2006: HK\$0.01 per share) | <u><u>6,000</u></u> | <u><u>5,000</u></u> |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of the retained earnings for the year ended 31 March 2007.

(b) *Dividends attributable to the previous financial year, approved and paid during the year*

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year of HK\$0.01 per share (2006: HK\$0.015 per share) | <u>5,000</u> | <u>7,500</u> |

8. **Earnings per share**

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$21,060,000 (2006: HK\$19,459,000) and on 500,000,000 (2006: 500,000,000) ordinary shares in issue during the year.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK\$21,060,000 and the weighted average of 500,643,000 ordinary shares in issue during the year, adjusted for the effects of all dilutive potential shares.

No diluted earnings per share for 2006 was presented as there were no potential dilutive ordinary shares.

9. **Accounts and bills receivable — Group**

Customers of existing products are generally granted with credit terms ranging from 30 days to 180 days. An ageing analysis of the accounts and bills receivable is as follows :

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Accounts receivables | | |
| Overdue within 3 months | 37,977 | 44,546 |
| Overdue over 3 months but less than 6 months | 10,667 | 5,231 |
| Overdue over 6 months | <u>20,768</u> | <u>16,236</u> |
| | 69,412 | 66,013 |
| Bills receivable | <u>303</u> | <u>1,793</u> |
| | <u>69,715</u> | <u>67,806</u> |

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

Included in accounts and bills receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate :

| | 2007 <i>US\$'000</i> | 2006 <i>US\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| United States Dollars (“US\$”) | <u>6,328</u> | <u>6,062</u> |

10. Accounts and bills payable — Group

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

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Accounts payable | | |
| — Due within 1 month or on demand | 8,879 | 506 |
| — Due after 1 month but within 3 months | 13,836 | 14,648 |
| — Due after 3 months but within 6 months | 1,278 | 186 |
| — Due after 6 months | — | 123 |
| | <u>23,993</u> | <u>15,463</u> |
| Bills payable | <u>7,880</u> | <u>7,595</u> |
| | <u>31,873</u> | <u>23,058</u> |

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

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

| | 2007 <i>'000</i> | 2006 <i>'000</i> |
|--------------|---------------------|---------------------|
| US\$ | US\$772 | US\$366 |
| EURO (“EUR”) | <u>EUR920</u> | <u>EUR775</u> |

11. Guarantee — Company

As at the balance sheet date, the Company had issued the following significant guarantees:

| | 2007 <i>HK\$'000</i> | 2006 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Guarantees in respect of: | | |
| — Credit facilities granted by banks to certain subsidiaries | <u>18,352</u> | <u>13,553</u> |

RESULTS

During the period, the Group continued to move forward in different areas such as optimization of product structure, enhancement of production technology and product quality, bringing along strong growth in sales and profits. For the year ended 31 March 2007, turnover increased by 21.3% to HK\$206,572,000 as compared to the corresponding period last year, while operating profits before finance cost and tax recorded a significant increase of 23.9% to HK\$35,158,000 as compared with last year, and profit attributable to equity holders increased by 8.2% to HK\$21,060,000.

DIVIDENDS

The Board has decided on a policy of dividend payout ratio of not less than 25% with effect from the financial year ended 2005.

No interim dividend was declared by the Company during the year ended 31 March 2007. The Directors have decided to recommend at the forthcoming annual general meeting to be held on 31 August 2007, the payment of a final dividend for the year ended 31 March 2007 of HK\$0.012 per share in cash to be paid on or about 14 September 2007 to the shareholders of the Company whose names appear on the register of members of the Company on 31 August 2007.

BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue on the basis of two new ordinary share of HK\$0.01, credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the register of members of the Company on 31 August 2007. The necessary resolution will be proposed at the forthcoming annual general meeting of the Company to be held on 31 August 2007 and if passed, share certificates for the bonus shares will be posted on Friday, 14 September 2007. A circular containing, among other things, further details of the bonus issue will be dispatched to the shareholders of the company as soon as practicable. All these measures reflect the Board's optimism towards the prospects of the Group.

INDUSTRY OVERVIEW

In the year 2006, the growth rate of the pharmaceutical industry decelerated. According to the report *Pharmaceutical Industry 2006 Analysis and 2007 Forecast* released by the State Development and Reform Commission ("SDRC") in 2007, the accumulated industry sales of the pharmaceutical industry was RMB526.78 billion in 2006, whereas the total profits was RMB41.3 billion.

Currently, the China pharmaceutical industry is still undergoing consolidation in which different challenges would surface. Shortfalls in the original sales model, product structure, quality standards and other aspects of the industry are beginning to be exposed. Before reaping the fruits of the tremendous potential in the industry, adjustments in R&D, production and sales methods are inevitable for the pharmaceutical companies in order to survive the present reform of the pharmaceutical industry nationwide in the PRC and establish an advantageous position in the market. As the China pharmaceutical economy takes the road of standardization and centralization, the degree of independence and innovation of individual enterprises marks one of the most importance factors for their prospect.

BUSINESS REVIEW

Segmental results

The Group sold 31 types of drugs in total during the Period, in which the anti-infectious, musculo-skeletal drugs and gastro-intestinal drugs accounted for about 35.58%, 33.01% and 25.51% of the total sales respectively. The Group is committed to the development of specialist drugs. Apart from musculo-skeletal and gastro-intestinal drugs, we are devoted to the research and development of cerebro-cardiovascular drugs, anti-depressants and psychiatric disorder drugs that involve higher technological contents.

Pharmaceutical products produced and sold by the Group (“Pharmaceutical Products”) accounted for 69.2% of the total sales, while European pharmaceutical products distributed by the Group (“Trading Pharmaceutical Products”) accounted for 27.3% and Chinese healthcare products produced by the Group (“Healthcare Products”) took up 3.5% of the total sales during the Period. Production of the pharmaceutical bulk materials plant in Jiangsu Province, the PRC (“Pharmaceutical Bulk Materials”) was delayed to the first half of 2008 as its infrastructure is required to make certain changes in response to the changes in the environmental protection policies of the State.

Pharmaceutical Products

During the Period, the total sales of Pharmaceutical Products amounted to HK\$143,014,000, representing an increase of 19.8% over last year, while the segmental results was HK\$32,535,000, representing an increase of 72.9% as compared to the corresponding period last year. New products Shi Si Tai, Huo Duo Shi and Jida Bente recorded an average margin of 58.3%, and that of anti-infectious products was 36.7%. At the beginning of last year, comprehensive review and reform of the Group’s marketing system was implemented. Since then, the efficiency of the marketing system was improved, paralleled by the academization of the marketing approach and the expansion in the market coverage. Enhancement of the marketing system and adjustments to the product structure have enabled a higher return amid the changes in the State’s policies.

Trading Pharmaceutical Products

During the Period, turnover of Trading Pharmaceutical Products was HK\$56,422,000, representing an increase of 31.6% over the previous year. Taking out the sales of properties accounted for last year, the segmental results of this year marked a significant increase of 35.8% as compared to the corresponding period last year. The successive raises in sales were mainly a result of return to full supply of Gluthion, the Group’s core Trading Pharmaceutical Products, during the year, as well as the effect of deepened brand recognition. On the other hand, the other star patented product Artrodar, for which the Group is the sole agent, shall soon be listed on the National Medical Reimbursement List (“National Medical Reimbursement List”), our product specialists have conducted comprehensive academic promotion for this product over the past year in an effort of brand-building, preparing for the key entry into the National Medical Reimbursement List. The Group is confident that this product would bring along significant contribution to our profits.

Healthcare Products

Turnover of Chinese healthcare products amounted to HK\$7,136,000, representing a decrease of approximately 11.1% over last year, mainly due to the significant investment made for advertising. Last year, the management implemented major reform to the marketing system that focused on the retail market to promote our top healthcare product “Royal 2000 HHT” (Qi Xue Tong), with intensive promotion conducted through different channels to facilitate penetration into the pain therapeutic market. After a year’s strategic promotional efforts, the brand’s penetration was remarkably higher, improvement in market’s perception was evident, and the public’s understanding of “persistent pain” was deepened. All these would facilitate the sales of the product in the next phase.

Pharmaceutical bulk materials

During the period, the pharmaceutical bulk materials segment recorded a loss of HK\$5,048,000, reflecting an increase in expenditures used for infrastructure construction. In response to stringent control of the State’s environmental protection policies, infrastructures of the pharmaceutical bulk materials plant were required to undergo corresponding changes. The project in respect of Cephalosporine was scheduled to complete in October 2007, and it has already passed the inspection and obtained approval for environmental issues and fire protection. Filing for Cefpirome and other new drugs were accepted for processing by the State Food and Drug Administration of the PRC (SFDA) and are now pending for granting of production approval. At the same time, the Group has submitted the Drug Master File (DMF) of the new drug Citalopram to the U.S. Food and Drug Administration (FDA) and has successfully obtained the registration number. The DMF of another new drug Risperidone will also be submitted in due course, building a solid foundation for the Group’s entry into the international market.

LAUNCH OF NEW DRUGS

During the period, the Group has obtained the production approval for Buflomedil Pyridoxal Phosphate. This drug has shown remarkable results in the prevention and treatment of cerebrovascular diseases and related symptoms, peripheral vascular diseases and related symptoms, and intermittent claudication, with mild side-effects. It is the upgraded product of Buflomedil Hydrochloride, possessing “double-effect” structure and compound functions.

In the forthcoming year, the Group will continue to refine its product portfolio. Products to be launched in the years 2007 and 2008 include mainly musculo-skeletal drugs, cerebro-cardiovascular drugs, anti-depressants and psychiatric drugs, such as Risedronate Sodium oral preparations, Edaravone injection preparations, Citalopram oral preparations, Hydrocortisone Sodium Succinate injection preparations, Cefpirome bulk materials and Citalopram bulk materials.

The management is confident that the launch of these products will generate significant return and invigorate the development of the Group.

EQUITY TRANSFER AND ACQUISITIONS FOR THE YEAR

Changes in Equity

On 22 February 2007, 20% interests in Jiwa Rintech Holdings Limited (“Jiwa Rintech”) held by Rintech Inc. was transferred at no consideration to Jiwa Development Limited (wholly-owned subsidiary of the Group) which holds 80% interests of the company as Rintech Inc. failed to perform the terms of the shareholder agreement entered into on 8 December 2004.

Acquisitions

Always taking the pharmaceutical business as its core, the Group has also actively participated in projects generating high capital returns and leveraged on the capital investment platform to bring along higher returns for its shareholders. After sufficient investigation and research, the management is of the view that the resources market in the PRC has the potential to generate attractive return under the present huge demand, and therefore has chosen the iron mining business as its first move.

In June 2007, the Group purchased 70% equity interests in Shanxi Fanshi County Longchang Industrial Co., Ltd. (“Longchang”) at RMB24,500,000, acquiring the rights to exploitation of iron ores reserve. The partner of 30% equity interest in Longchang has provided a guarantee to the Group that the deposit of iron ores held by Longchang will not be less than 10 million tons.

In the recent years, the steel production capacity in the PRC has approached its full potential, driving up the demand for iron ores tremendously. According to the report by the State Development and Reform Commission, the average price of iron ores in the PRC was RMB777 per tonne during January to May 2007. According to industry insiders, the commodity price of PRC-produced iron ores has increased by 17% compared to the beginning of the year. Steel enterprises in China are increasing the use of domestic ores, driving up the demand and prices, promising a brilliant future for the industry. The Group is very optimistic about the return of the project.

PROSPECTS

After consolidation measures implemented on the China pharmaceutical market by the State government during the past years, the operation environmental of the market has seen significant purification that is beneficial to the long term development of the entire industry. In 2007, the PRC government has planned to increase the amount to be used in healthcare and hygiene from RMB16.74 billion to RMB31.28 billion, representing an increase of approximately 86.9%; trial points of the new rural cooperative medical system have extended to over 80% counties and municipals. The Central Government increased the subsidy for farmers participating in the new rural cooperative medical system from RMB10 to RMB20, the new system will be raising the volume of the entire pharmaceuticals market. These macro control measures are highly advantageous for the development of the Group’s pharmaceutical business. With the objective to capture the enormous market demand, the Group will concentrate its efforts on promoting the new drugs and accelerating the registration of the drugs under R&D in the coming year.

During the last few years, the Group has aggressively explored unique models for strategic development, looking for new breakthroughs in respect for the exploration of the international market. The management strategically focused on the export of pharmaceutical bulk materials to Europe and the United States, with the objective to gradually moving upstream from pharmaceutical bulk materials to preparation products. Meanwhile, we have also proactively explored the preparations market in the developing countries. At the beginning of the year, the vice-chairman of the Group was invited to join the “Economic and Trading Representative Group of the Yunnan Province to the Lantsang-Mekong Sub-Region” to visit the five countries in the Sub-region, namely Burma, Laos, Vietnam, Thailand and Cambodia, paving the way for the Group’s entry into the Asean market.

On the other hand, seeking for development in the overseas market, the Group has after prolonged preparation applied for GMP certification from Columbia. In June 2007, the Columbia GMP certification experts conducted stringent GMP inspections to the Group’s preparation production base in Kunming in accordance with the standards of the World Health Organization. Consequently, all the oral preparation production lines successfully obtained certification, creating new prospects for our product export business.

Striving to capture the opportunities in the prospering pharmaceutical bulk materials market, our technology department has in accordance with the Company’s development strategy formed a dual-focus roadmap that takes Cephalosporine, and anti-depressants and psychiatric disorder drugs as the two engines for our new integrated international and domestic development.

In the forthcoming year, the pillar business of the Group in pharmaceuticals will continue to be based in the PRC for R&D, production and marketing, meanwhile aggressively exploring the market in developing countries. In addition, the management will also speed up the development of the newly acquired iron ore business. At the same time, it will continue to carefully review projects beneficial to the development of the Group in general, make appropriate capital investments, with the aim to maximize the return for our shareholders.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on Friday, 31 August 2007 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 24 August 2007 to Friday, 31 August 2007, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend and the bonus shares, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 August 2007.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 31 March 2007, cash and cash equivalents of the Group totaled approximately HK\$27.2 million (2006: approximately HK\$27.7 million), of which approximately 10.77% are in Hong Kong dollars, 56.79% in RMB, 32.15% in US dollars, 0.06% in Euro and 0.23% in Macau Pataca. The decrease in cash and cash equivalents over last year is mainly a result of early repayments of bank loans during the year to lower the finance costs; which had been reduced by 38.3% as compared to the same period last year.

Although the Group has consistently been in a liquid position, banking facilities have nevertheless been utilized partly to enjoy the interest grant concession offered by the PRC authorities (on long term bank loans to encourage investment in ERP system in 2006) and partly to reserve funds for general working capital.

As at 31 March 2007, the Group had aggregate banking facilities of approximately HK\$90.0 million (2006: approximately HK\$158.1 million) of which approximately HK\$66.3 million was utilized (2006: approximately HK\$73.0 million) as to approximately HK\$11.9 million in long term bank loans, as to approximately HK\$44.2 million in short term bank loans, as to the balance of approximately HK\$10.2 million in letter of credit issued by the relevant banks to independent third parties. The Group's aggregate banking facilities of approximately HK\$90.0 million include approximately HK\$50.5 million equivalents in RMB denominated banking facilities. The utilized banking facilities of approximately HK\$66.3 million includes approximately HK\$44.4 million equivalent in RMB denominated bank borrowings.

Interest rate risk

The Group's bank borrowings are mainly denominated in RMB (refer to above) and RMB interest rates are the lowest during the period among the Group's functional currencies in RMB, Hong Kong dollars and US dollars.

As at 31 March 2007, the gearing ratio was approximately 15.2% (2006: approximately 19.1%), calculated based on the Group's total bank borrowings of approximately HK\$56.1 million (2006: approximately HK\$64.7 million) over the Group's total assets of approximately HK\$366.7 million (2006: approximately HK\$339.2 million). The decrease in gearing ratio reflects the Group's efforts in containing finance costs in a rising interest rate environment.

Foreign currency risk

The Group has for its hedging purposes a 1 million US dollar forward exchange contract banking facility in place as at 31 March 2007 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 clients' credit worthiness. The remuneration of sales staff and marketing agents are structured so that there is goal congruence in maintaining a robust credit risk management system.

CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2007 not provided for in the financial statements were as follows:

| | The Group | |
|--|------------------|-----------------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Contracted for | | |
| — acquisition of technical know-how | 2,607 | 990 |
| — acquisition of property, plant and equipment | 2,342 | — |
| | <u>4,949</u> | <u>990</u> |
| Authorised but not contracted for | | |
| — acquisition of property, plant and equipment | 5,140 | 6,885 |
| | <u>10,089</u> | <u>7,875</u> |

Funding for capital commitments is expected to come from the Group's internal resources.

CHARGE ON GROUP ASSETS

As at 31 March 2007, bank loans amounting to approximately HK\$44.4 million (31 March 2006: 55.3 million) were secured by certain assets of the Group having a net book value of approximately HK\$73.1 million.

CONTINGENT LIABILITIES

As at 31 March 2007, 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.

EMPLOYMENT REMUNERATION POLICY

As at 31 March 2007, the Group had approximately 510 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 options to eligible employees under its share option scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the Code Provisions in accordance with the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board of Directors is of the opinion that during the financial year ended 31 March 2007, the Company had applied the CG Code as set out in the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the Company's external auditors, the consolidated financial statements for the year ended 31 March 2007 including the accounting principles and practices adopted by the Group. Also, this preliminary results announcement has been agreed with the Company's external auditors.

By Order of the Board
Jiwa Bio-Pharm Holdings Limited
Lau Kin Tung

Vice Chairman and Chief Executive Officer

Hong Kong, 20 July 2007

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. Fung Tze Wa, Mr. Choy Ping Sheung and Mr. Seet Lip Chai as independent non-executive directors of the Company.