積華

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL HIGHLIGHT

	2010	2009	Increase
	HK$	*HK$*	
Turnover	**636,482,000**	472,089,000	34.8%
Gross profit	**280,409,000**	208,204,000	34.7%
Operating profit	**96,846,000**	73,707,000	31.4%
Profit for the year attributable to owners of the Company	**64,582,000**	51,522,000	25.3%
Basic earnings per share (HK cents)	**4.02**	3.21	25.2%
Dividend per share (HK cents)	**1.3**	1.0	30%

RESULTS

On behalf of the board of directors (the "Board") of Jiwa Bio-Pharm Holdings Limited ("Jiwa" or the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010 (the "Year" or the "Period").

Last year, the pharmaceutical industry in China demonstrated a prosperous development amidst the recovery of the macroeconomy. From the industrial aspect, the expansion fueled by the new health care reform is going to lead the pharmaceutical market to grow for a relatively long period. To prepare for this "golden decade", the Group continuously explored new positioning and opportunities, and adopted several timely strategic adjustments in the last few years, the effect of which has now begun to take off, bringing a new record high profit to the Group.

* *for identification purpose only*

During the Year, the turnover of the Group amounted to HK$636,482,000, representing an increase of 34.8% over the last year; profit attributable to shareholders increased by 25.3% over the last year to HK$64,582,000, marking a new high since our listing.

DIVIDENDS

The Board of the Company has resolved to recommend a final dividend of HK1.3 cents per share for the year ended 31 March 2010. This proposed final dividend, subject to approval by shareholders of the Company at the annual general meeting to be held on Monday, 30 August 2010, will be payable on Friday, 24 September 2010 to the shareholders on the Register of Members on 30 August 2010.

BUILDING CORE COMPETITIVENESS

In 2009, both the People Republic of China ("PRC") and the global markets gradually recovered from the financial crisis, while the pharmaceutical market of China experienced a new wave of growth driven by national hygiene and welfare policies. Aiming to build a harmonious society, the government officially put forward a new medical reform. Among its various measures, the formulation of an essential drugs system and the roadmap for medical and health level development in rural areas will significantly expand the pharmaceutical market of China. At the same time, the newly implemented "Provisions for Drug Registration", "Chinese Pharmacopoeia" (2010 edition), and other new policies in preparation, namely the "Regulations on Centralized Drugs Purchasing for Medical Institutions", "Drug Price Control Measures" and "GMP Provisions" (2010 edition), have further raised the entry barrier to pharmaceutical market, accelerating the process of the market polarization. As industrial concentration increases, enhancement of the core competitiveness of a company will have a decisive impact on its development direction and position in the industry.

The Jiwa Group upholds the development philosophy of "Capturing the opportunities and surpassing with innovation" that is, to adopt innovative marketing and product strategies and fully capture the opportunities arising from the new medical reform, with the goal to surpass itself and its competitors and become a leading pharmaceutical company in the PRC.

Consolidating foundation and creating advantages through economies of scale

With the implementation of the first batch of new medical reform policies, pharmaceutical companies will concentrate its effort to enhance and promote their products, in order to enjoy the "economies of scale" on production, tendering and preferential policies. In August 2008, China officially introduced the national essential drugs system. According to statistics, national participants of new-type rural cooperative medical insurance system for the PRC in 2009 amounted to 0.8 billion, with urban workers and residents under medical coverage amounting to 0.3 billion, meaning that over 1.2 billion PRC citizens will be enjoying primary medical care by the end of 2009.

According to the "National Essential Drugs List (Part of Distributed for Primary Medical and Health Organization Use)" ("EDL") issued by the government in August 2009, the Group has five products being included in the EDL and is striving for another eight products to be included in the EDL of Yunnan province. It is expected that these products will greatly boost the sales of the Group and expand its scale.

Establish reputation and optimize profit through key products

Currently, the Group has 33 products available on the market, 28 of which are included in the "Catalogue of Drugs for Basic National Medical Insurance, Injury Insurance and Maternity Insurance" ("Medical Insurance Catalogue"), with another two included in the Provincial-level Medical Insurance Catalogue. Our marketing department has carried out detailed research on every medical reform policy proposed in 2009. Based on the competitive advantages of the products, we have selected seven products (five self-produced brands and two distributed brands) for comprehensive marketing campaigns in their respective specialized drug markets. The five self-produced brands are reduced glutathione for injection (Song Taisi), edaravone injection (Jiwa Youmin), triamcinolone acetonide injection (Transton), tamsulosin hydrochloride sustained-release tablet (Jida Bente) and risedronate sodium tablet (Jiwa Gusong), and the two distributed brands are reduced glutathione for injection (Gluthion) and diacerein capsules (Artrodar).

All the above seven key products have the capacity to achieve sales in terms of thousands of million dollars. The objective of the Group is to capture the leading position in their respective therapeutic areas and build a solid foundation for the launching of other new products in the future.

Sustain competitive advantage and expand market scope through new products

The Group planned to introduce 19 new products in the next five years. These products can be strategically classified into two categories: (i) development of new specification and dosage form for existing products, with an aim to continuously enhance the competitiveness of key products and increase their market share; and (ii) new products, including first generic products, with an aim to improve the gross profit margin of its entire product portfolio.

CATALYSTS FOR LEAPING GROWTH

Key research and development projects

In view of the promising industrial prospect, the Group determined to achieve a "leaping" growth by injecting "innovative" ideas to its operation. A development project for key medicine bulk materials is being carried out. With groundbreaking progress, the product is about to enter pilot-scale experimental stage and will be introduced to market in 2012. This project, representing a milestone to the Group, is expected to bring very substantial profit returns to the Group and greatly strengthen its status in the pharmaceutical market in China, expanding its business overseas and leading the Group on the road to become a multi-national Pharmaceutical enterprise.

Apart from this development project, the Group is also carrying out one development project for cephalosporins intermediaries and two for new category I medicine, which involve innovative technology and are regarded as the catalysts for the Group's leaping growth.

Merger and Acquisition Projects

Under the drive of the new medical reform, pharmaceutical market of China will see a great deal of merger and acquisition activities. Industrial concentration will be inevitable, with enterprise polarization further exacerbated and greatly accelerated. The management of the Group is full of confidence and is identifying potential merger and acquisition opportunities to speed up its expansion of market share in China and overseas.

PROSPECTS

In recent years, the Group has actively rebuilt its core competitiveness and explored keys to significant corporate profit growth. With a number of projects about to mature and join the "golden decade" of pharmaceutical market of China, the Group will strive to make another leap from the new record high performance this year, and create greater return for its shareholders.

BUSINESS REVIEW

During the Period, the finished drugs ("Finished Drugs") produced and sold by the Group accounted for 67.6% of the gross operating profit. Healthcare products and imported European pharmaceutical products ("Trading Pharmaceutical Products and Health Care Products") sold by the Group accounted for 28.6% of the gross operating profit. Pharmaceutical products distributed by the Group ("Distributed Products") accounted for 3.8% of the gross operating profit. The loss from pharmaceutical bulk materials business narrowed to HK$5,428,000.

Finished Drugs

During the Period, the total sales of Finished Drugs amounted to HK$396,281,000, up 20.7% as compared to the previous year, with segment results amounting to HK$69,110,000, increasing by 43.7% over the last year. Our products comprise mainly of anti-infectious, musculo-skeletal, gastro-intestinal and cerebro-cardiovascular categories. As the suppliers ran into stock shortage with the supply of raw materials for Song Taisi being suspended during the Period, the growth of sales for this finished drug product fell below target, with a slight growth of 9.9%.

The total sales of the 5 key products below amounted to HK$197,966,000, accounting for 60.3% of the total sales of Finished Drugs. Based on the facts that these products maintained competitive advantages and their respective markets displayed a high-growth trend, the Group formulated detailed marketing strategies specific to the market situations of each pharmaceutical product, aiming to penetrate its products into every provincial, municipal and regional medical institutions in the PRC, and countries in ASEAN and South America.

1. Reduced glutathione for injection (Song Taisi). This drug is mainly used for treatment of liver diseases and is included in the National Medical Insurance Catalogue. In recent years, the medication usage of reduced glutathione has extended to areas such as adjuvant therapy for tumor radiotherapy and chemotherapy, as well as severe burns. According to market statistics, drug market for this kind of medicine has grown by 30% in recent years. Being the only intravenous injection sodium salt product in single individual packaging in the PRC, Song Taisi has established good brand reputation and distinguishing competitive advantage since its launching to market in 2004.

2. Triamcinolone acetonide injection (Transton). This drug is mainly used for treatment of rheumatoid arthristis and is included in the National Medical Insurance Catalogue. As triamcinolone acetonide is mostly used by primary medical institutions, the rapid expansion of primary medical service sector may lead to a further boost in the sales of the drug. The quality of Transton is comparable to imported products and occupied a leading position in the PRC market with excellent branding.

3. Edaravone injection (Jiwa Youmin). This drug is mainly used for treatment of acute ischemic stroke and is recently included in the National Medical Insurance Catalogue in 2009, with a great potential for growth. As the bulk materials of Jiwa Youmin is developed and supplied by the Group, it has a gross profit margin of over 80%. Among the 18 provinces in which we have bid for the tender, 17 have accepted our tenders and the drug is expected to become one of our major sources of profit contributions in the future. The Group will adopt a channel marketing strategy for expansion in depth, while our clinical team will strengthen its ability on development and sales promotion, and create new specification to reinforce our sustainable competitiveness.

4. Tamsulosin hydrochloride sustained-release tablet (Jida Bente). This drug is mainly used for treatment of hyperplasia of the prostate. Jida Bente is a unique dosage form in the PRC and possesses significant tender advantage. As its bulk materials are developed and supplied by the Group, it has a gross profit margin over 80%, bringing significant profit contributions to the Group.

5. Risedronate sodium tablet (Jiwa Gusong). This drug is a new type of ibandronate sodium product and a new category II medicine of the PRC. Risedronate sodium is mainly used for treatment of osteoporosis and is well-received in the international market. As the bulk materials of Jiwa Gusong is developed and supplied by the Group, it has a gross profit margin of over 80%. The product is recently included in the National Medical Insurance Catalogue in 2009, with great potential for growth and profit contribution.

Trading Pharmaceutical Products and Health Care Products

During the Period, the total sales of Trading Pharmaceutical Products and Health Care Products amounted to HK$163,494,000, representing a year-on-year increase of 3.3%; with segment results amounting to HK$29,267,000, decreasing by 7.9% over the last year. The European pharmaceutical products distributed by the Group as an agent are mainly reduced glutathione for injection (Gluthion) and diacerein capsules (Artrodar). The sales of Gluthion amounted to HK$122,358,000, representing a decrease of 17.9% as compared with the last year, which was mainly due to the impact caused by the stock shortage of suppliers. During the Period, the rise of exchange rate for Euro led to an increase of cost and a corresponding decrease of gross profit. The sales of Artrodar increased from HK$5,787,000 of last year to HK$15,028,000.

As the exchange rate for Euro goes down and the raw materials supply from suppliers becomes stable, the result of this segment is likely to return to the growth track. In addition, the Group is also actively identifying pharmaceutical products with potential, with the aim to expand its agency business in the PRC.

Distribution Business

During the Period, the total annual sales from distribution of products amounted to HK$183,882,000, while the sales of the second half year of the last corresponding period was HK$102,131,000 (this segment business was acquired in October 2008), with segment results amounting to HK$3,897,000. The products for distribution are mainly European pharmaceutical products distributed by the Group as agent and its self-produced pharmaceutical products. In terms of therapeutic areas, the distribution business focuses on promoting specialized drugs targeted for musculo-skeletal and digestive and liver diseases therapeutic systems. These market systems and the marketing departments of finished drug companies under the Group exercised market specialization in terms of therapeutic areas, paralleled by organic combination to achieve synergistic effects. In line with the development of pharmaceutical market in the PRC toward rural markets, the Group plans to increase its workforce by 1,000 employees in the entire market systems in the coming three years, primarily covering markets of county or lower level, in order to achieve complete penetration.

Pharmaceutical Bulk Materials

During the Period, the loss from Pharmaceutical Bulk Materials business decreased from HK$9,993,000 of the last corresponding period to HK$5,428,000. The relocation of Citalopram's production workshop completed as scheduled and the GMP Certificate is scheduled to be obtained in August 2010. Meanwhile, we are actively preparing for the FDA Certificate for US, and export to US market is hopefully expected to commence in 2012. Besides, the GMP Certificate for Cefpirome was obtained and we are now focusing on improving the Sterile Cefpirome Sulphate. With the effort of our research unit, our production cost of Cefpirome Sulphate will become the most competitive in China. The anticipated launch of Cefpirome on market in September 2010 will enhance the timely accomplishment of the sales target for Jiangsu Jiwa Rintech within the year.

FINANCIAL REVIEW

Liquidity

As at 31 March 2010, cash and cash equivalents of the Group totalled approximately HK$34,803,000 (2009: approximately HK$42,420,000), of which approximately 1.5% are in Hong Kong dollars, 59.6% in RMB, 5.4% in US dollars, 33.3% in Euro and 0.2% in Macau Pataca. The decrease in cash and cash equivalents is due to the repayment of bank borrowings.

As at 31 March 2010, the Group had aggregate banking facilities of approximately HK$287,316,000 (2009: approximately HK$224,439,000) of which approximately HK$153,806,000 was utilized (2009: approximately HK$175,692,000) as to approximately HK$83,813,000 in long term bank loans, as to approximately HK$47,086,000 in short term bank loans, as to the balance of approximately HK$22,907,000 in letter of credit issued by the relevant banks to independent third parties. The decrease in total bank borrowings is mainly due to the stringent control of cashflow management. The Group's aggregate banking facilities of approximately HK$287,316,000 include approximately HK$51,724,000 equivalents in RMB denominated banking facilities. The utilized banking facilities of approximately HK$153,807,000 includes approximately HK$21,005,000 equivalent in RMB denominated bank borrowings.

Interest rate risk

The major portion of bank borrowings was mainly nominated in HK dollar and US dollar in order to minimize currency risk. As at 31 March 2010, the gearing ratio was approximately 18% (2009: approximately 23%), calculated based on the Group's total bank borrowings of approximately HK$130,899,000 (2009: approximately HK$151,871,000) over the Group's total assets of approximately HK$737,786,000 (2009: approximately HK$651,503,000). The decrease in gearing ratio is mainly due to stringent control of cashflow management.

Foreign currency risk

The Group is subject to foreign currency risk as its certain bills payable arising from import of purchase from European countries are denominated in EURO dollars. Management had offset certain account receivable denominated in EURO dollars to minimize the foreign currency risk.

Credit risk

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed on credit and the payment conduct of clients are monitored both to facilitate the determination of credit limit as well as a control over whether new sale deliveries should be made. The Group's sale staff and marketing agents pay regular visits to customers to promote the Group's products and at the same time would update information on the 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 2010 not contracted for in the financial statements were as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted for		
— acquisition of technical know-how	**4,732**	2,972
— acquisition of property, plant and equipment	**2,648**	7,192
	7,380	10,164

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

The Company had no capital commitment as at 31 March 2010 (2009: Nil).

Charge on Group assets

As at 31 March 2010, bank loans amounting to approximately HK$100,316,000 (2009: HK$146,028,000) were secured by certain assets of the Group having a net book value of approximately HK$128,838,000 (2009: HK$147,295,000).

Contingent Liabilities

As at 31 March 2010, 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	3	**636,482**	472,089
Cost of sales		**(356,073)**	(263,885)
Gross profit		**280,409**	208,204
Other income	4	**11,380**	7,854
Selling expenses		**(128,443)**	(78,079)
Administrative expenses		**(65,329)**	(59,720)
Other operating expenses		**(1,171)**	(4,552)
Operating profit		**96,846**	73,707
Finance costs	5	**(3,811)**	(4,545)
Share of results of associates		**(101)**	(143)
Profit before income tax	6	**92,934**	69,019
Income tax expense	7	**(11,348)**	(5,682)
Profit for the year		**81,586**	63,337
Other comprehensive income, including reclassification adjustment			
Exchange gain on translation of financial statements of foreign operations		**6**	7,614
Other comprehensive income for the year, including reclassification adjustments and net of tax		**6**	7,614
Total comprehensive income for the year		**81,592**	70,951
Profit for the year attributable to:			
Owners of the Company		**64,582**	51,522
Minority interests		**17,004**	11,815
		81,586	63,337
Total comprehensive income attributable to:			
Owners of the Company		**64,588**	57,622
Minority interests		**17,004**	13,329
		81,592	70,951
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	9	**4.02 cents**	3.21 cents
Diluted	9	**4.00 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**237,747**	241,629
Land use rights		**33,618**	29,059
Construction in progress		**25,149**	9,950
Interests in associates		**19,738**	19,839
Goodwill		**9,066**	9,066
Intangible assets		**5,720**	5,231
Other receivables		**7,955**	15,291
Deferred tax assets		**3,737**	3,930
		342,730	333,995
Current assets			
Inventories		**107,871**	71,662
Accounts and bills receivable	*10*	**157,359**	135,766
Land use rights		**1,057**	935
Deposits, prepayments and other receivables		**76,765**	46,781
Amounts due from related company	*11*	**16,983**	13,544
Tax recoverable		**218**	—
Pledged bank deposits		**—**	6,400
Cash and cash equivalents		**34,803**	42,420
		395,056	317,508
Current liabilities			
Bank loans		**47,086**	36,343
Accounts and bills payable	*12*	**119,344**	76,379
Accrued expenses and other payables		**13,744**	17,610
Tax payable		**5,277**	3,764
		185,451	134,096
Net current assets		**209,605**	183,412
Total assets less current liabilities		**552,335**	517,407
Non-current liabilities			
Bank loans		**83,813**	115,528
Deferred tax liabilities		**6,022**	6,421
		89,835	121,949
Net assets		**462,500**	395,458
EQUITY			
Share capital		**16,100**	16,050
Reserves		**370,419**	320,431
Equity attributable to Company's owner		**386,519**	336,481
Minority interests		**75,981**	58,977
Total equity		**462,500**	395,458

Notes

1. GENERAL INFORMATION

Jiwa Bio-Pharm Holdings Limited ("the Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and, its principal place of business is 2904 and 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (the "Group") include research, manufacturing, sales and trading of pharmaceutical and health care products. The Group has manufacturing plants in the People's Republic of China ("PRC") and sells mainly in the PRC.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis.

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment — vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated statement of financial position at 1 April 2008 and accordingly the third statement of financial position as at 1 April 2008 is not presented.

HKAS 23 (Revised 2007) Borrowing costs

HKAS 23 (Revised 2007) requires borrowing costs incurred for the acquisition, construction or production of any qualifying asset to be capitalised during the period of time that is required to complete and prepare the asset for its intended use. Under the revised standard, borrowing costs related to acquisition, construction or production of any qualifying assets will be capitalised accordingly.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual Improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The following new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 (Revised 2008)	Business combinations
HKAS 27 (Revised 2008)	Consolidated and seperate financial statements
HKFRS 9	Financial instruments
Various	Annual improvements 2009

3. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in note 1 to this announcement. Turnover of the Group is the revenue from these activities.

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(i) Pharmaceutical products — Manufacturing and sale of pharmaceutical products.

(ii) Trading pharmaceutical and health care products — Trading of pharmaceutical and health care products.

(iii) Distributions — Distributions of pharmaceutical products.

(iv) Pharmaceutical bulk materials — Manufacturing and sale of pharmaceutical bulk materials.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

	Pharmaceutical products		Trading pharmaceutical and health care products		Distributions		Pharmaceutical bulk materials		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue										
From external customers	**328,112**	285,705	**121,956**	82,288	**183,882**	102,131	**2,532**	1,965	**636,482**	472,089
From other segment	**68,169**	42,727	**41,538**	75,971	**—**	—	**75**	—	**109,782**	118,698
Reportable segment revenue	**396,281**	328,432	**163,494**	158,259	**183,882**	102,131	**2,607**	1,965	**746,264**	590,787
Reportable segment profit/(loss)	**69,110**	48,093	**29,267**	31,786	**3,897**	5,178	**(5,428)**	(9,993)	**96,846**	75,064
Bank interest income	**163**	168	**5**	70	**102**	—	**19**	21	**289**	259
Depreciation of property, plant and equipment	**9,693**	9,675	**243**	495	**2,017**	995	**2,606**	1,845	**14,559**	13,010
Amortisation of intangible assets	**598**	1,199	**—**	—	**—**	—	**—**	—	**598**	1,199
Amortisation of land use rights	**354**	354	**35**	35	**284**	108	**296**	263	**969**	760
(Gain)/Loss on disposal of land use rights and property, plant and equipment	**233**	10	**—**	—	**—**	—	**(7,943)**	44	**(7,710)**	54
Reversal of write down of inventories	**—**	—	**(126)**	—	**—**	—	**(579)**	—	**(705)**	—
Provision for impairment of obsolete inventories	**—**	—	**—**	126	**—**	—	**1,877**	579	**1,877**	705
Reportable segment assets	**330,728**	292,167	**107,205**	91,129	**133,123**	111,863	**118,768**	108,088	**689,824**	603,247
Additions to non-current segment assets during the year	**11,686**	15,837	**275**	38	**19,465**	36,446	**18,968**	51,796	**50,394**	104,117
Reportable segment liabilities	**142,933**	109,770	**61,462**	56,590	**46,860**	45,456	**18,009**	37,808	**269,264**	249,624

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2010	2009
	HK$'000	*HK$'000*
Reportable segment revenues	**746,264**	590,787
Elimination of inter segment revenues	**(109,782)**	(118,698)
Group revenue	**636,482**	472,089
Reportable segment profit	**96,846**	75,064
Unallocated corporate expenses	**—**	(72)
Equity settled share based payments	**—**	(1,285)
Share of net loss in associates	**(101)**	(143)
Finance costs	**(3,811)**	(4,545)
Profit before income tax	**92,934**	69,019
Reportable segment assets	**689,824**	603,247
Deferred tax assets	**3,737**	3,930
Other corporate assets	**24,487**	24,487
Interest in associates	**19,738**	19,839
Group assets	**737,786**	651,503
Reportable segment liabilities	**269,264**	249,624
Deferred tax liabilities	**6,022**	6,421
Group liabilities	**275,286**	256,045

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

The Group's non-current assets (other than deferred tax assets and financial instruments) are divided into the following geographical areas:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**26,810**	26,913
Macau	**5**	5
The PRC (excluding Hong Kong and Macau)	**304,223**	287,856
	331,038	314,774

The geographical location of the non-current assets is based on the physical location of the asset.

During the year ended 31 March 2010, two (2009: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two (2009: two) customers accounted for 31% (2009: 34%) of the Group's revenue for the year. As at the reporting date, total trade receivables due from these two (2009: two) customers accounted for 54% (2009: 45%) of such balance. The sales to these two customers are included in the segment of pharmaceutical products, trading pharmaceutical and health care products and distribution.

4. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Consultancy fee income	**—**	120
Exchange gain, net	**49**	3,659
Gain on disposal of property, plant and equipment	**2,293**	—
Gain on disposal of land use rights	**5,650**	—
Gain on disposal of available-for-sale financial assets	**—**	2,641
Government grants *(i)*	**1,550**	547
Interest income	**289**	259
Value-added tax refund	**97**	242
Others	**1,452**	386
	11,380	7,854

Note:

(i) The Group was entitled to receive grants from a provincial government in the PRC for developing high technology products and being one of the famous brand names in the PRC.

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest charges on bank loans wholly repayable within five years	**4,618**	5,722
Less: interest capitalised included in construction in progress	**(807)**	(1,177)
	3,811	4,545

The borrowing cost have been capitalised at a rate of 3.25% per annum (2009: 4.75%).

6. PROFIT BEFORE INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Costs of inventories recognised as expense *(i)*	**350,024**	263,476
— Write-back of provision for inventories	**(705)**	—
— Provision for impairment of obsolete inventories	**1,877**	705
Auditors' remuneration	**700**	650
Depreciation of property, plant and equipment	**14,559**	13,010
Loss on disposal of property, plant and equipment	**233**	54
Amortisation of intangible assets	**598**	1,199
Amortisation on land use rights	**969**	760
Operating lease charges in respect of premises	**3,662**	3,007
Research and development costs *(ii)*	**3,397**	2,478

Notes:

(i) Cost of inventories includes HK$13,494,000 (2009: HK$10,413,000) 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 for the year ended 31 March 2009 and 2010 do not include any staff cost.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new PRC Enterprise Income Tax ("EIT") rates for domestic and foreign enterprises in China which are currently charging at an EIT rate of 33% are unified at 25% with effect from 1 January 2008. EIT has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (2009: 25%).

A subsidiary which is located in Kunming, Yunnan, PRC is entitled to preferential PRC EIT rate of 15% (2009: 15%) in accordance to the continuous implementation of the Western Development tax preferential policies pursuant to the New PRC Income Tax Law which was renewed on 31 March 2010.

	2010	2009
	HK$'000	*HK$'000*
Current tax		
— Hong Kong		
Tax for the year	**3,178**	2,667
Over provision in respect of prior years	**(694)**	—
	2,484	2,667
— Outside Hong Kong		
Provision for PRC income tax	**11,054**	7,028
Tax refunded	**(1,984)**	(3,448)
	9,070	3,580
Deferred tax		
Current year	**(206)**	(565)
Total income tax expense	**11,348**	5,682

8. DIVIDENDS

(a) Dividends attributable to the year

	2010	2009
	HK$'000	*HK$'000*
Final dividend proposed after the reporting date of HK$0.013 per share (2009: HK$0.01 per share)	**20,930**	16,050

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of the retained profits for the year ended 31 March 2010.

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

	2010	2009
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.01 per share (2009: HK$0.01 per share)	**16,050**	16,050

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$64,582,000 (2009: HK$51,522,000) and the weighted average of 1,606,954,000 (2009: 1,605,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 March 2010, the calculation of diluted earnings per share is based on the net profit attributable to owners of the Company for the year of HK$64,582,000 and the weighted average of 1,612,551,000 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 1,606,954,000 ordinary shares in issue during the year plus the weighted average of 5,597,000 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

For the year ended 31 March 2009, diluted earning per share was not presented because the impact of the exercise of the share options was anti-dilutive.

10. ACCOUNTS AND BILLS RECEIVABLE — GROUP

	2010	2009
	HK$'000	*HK$'000*
Accounts receivable	**151,188**	129,037
Bills receivable	**6,171**	6,729
	157,359	135,766

The directors of the Company considered that the fair values of accounts and bills receivable are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

The Group generally allows a credit period of 30 days to 180 days to its trade customers. Based on invoice date, the ageing analysis of the Group's accounts and bills receivable is as follows:

	2010	2009
	HK$'000	*HK$'000*
Accounts and bills receivable		
Within 3 months	**113,704**	84,715
Over 3 months but less than 6 months	**31,421**	47,051
Over 6 months	**12,234**	4,000
	157,359	135,766

11. AMOUNTS DUE FROM RELATED COMPANY

	2010	2009
	HK$'000	*HK$'000*
Yunnan Pharmaceutical and Industrial Corporation Limited	**16,983**	13,544

The amounts due are unsecured, interest-free and repayable on demand.

Amount of HK$4,945,000 (2009: HK$1,310,000) included in amounts due from related company were trade receivables from the related company. Related company is generally granted with credit terms ranging from 30 days to 180 days and no interest is charged.

The following is an ageing analysis of the trade receivables from related company based on invoice dates at the reporting date:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**4,945**	1,310

12. ACCOUNTS AND BILLS PAYABLE — GROUP

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

	2010	2009
	HK$'000	*HK$'000*
Accounts payable		
Within 3 months	**91,912**	62,048
Over 3 months but within 6 months	**3,212**	1,076
Over 6 months	**1,313**	1,893
	96,437	65,017
Bills payable	**22,907**	11,362
	119,344	76,379

Accounts and bills payable are non-interest bearing. All of the above balances are expected to be settled within one year.

The fair values of the Group's accounts and bills payable at 31 March 2010 and 2009 approximate to their corresponding carrying amounts due to their short-term maturities.

EMPLOYMENT REMUNERATION POLICY

As at 31 March 2010, the Group had approximately 1,064 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.

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 2010, the Company had applied the CG Code as set out in the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

On specific enquiries made, all directors have confirmed that, for the year ended 31 March 2010, they have complied with the required standard set out in the Model Code and the Own Code.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management and the Company's external auditors, the consolidated statements for the year ended 31 March 2010 including the accounting principles and practices adopted by the Group. Also, this preliminary results announcement has been agreed with the external auditors.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of the Company will be held at 9:00 a.m. on 30 August 2010 (Monday) at Conference Room-22/F United Centre, 95 Queensway, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 August 2010 (Wednesday) to 30 August 2010 (Monday), both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 August 2010 (Tuesday).

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest gratitude to all staff of the Group for their excellent contribution and thank our shareholder and business partners for their strong support to the Group.

By Order of the Board
Jiwa Bio-Pharm Holdings Limited
Lau Kin Tung
Vice Chairman and Chief Executive Officer

Hong Kong, 16 July 2010

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