



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 2008

| FINANCIAL HIGHLIGHTS (HK\$'000) | | | |
|--|-------------------|------------|--------|
| | 2008 | 2007 | Change |
| Revenue | 317,429 | 206,572 | 53.7% |
| Gross Profit | 146,004 | 97,310 | 50% |
| Operating Profit | 74,200 | 35,158 | 111% |
| Profit Attributable to Equity Holders of the Company | 48,255 | 21,060 | 129.1% |
| Earning Per Share (Basic) | 3.07 cents | 1.40 cents | 119.3% |
| Proposed Final Dividend Per Share | 1 cent | 0.40 cent | 150% |

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 2008 (the “Period”).

RESULTS

The core market of the Group’s main business is located in China for the year.

This year, the Group implemented the following main operative directions:

- To adjust the product mix in response to the market demand;
- To expand the marketing network;
- To make new drug promotion efficient;
- To expand sales from rural markets;
- To develop new profit growth engines.

Such measures help the Group to obtain outstanding results for the year:

- turnover increased 53.7% to HK\$317,429,000;
- operating profits significantly increased 111% to HK\$74,200,000;
- profits attributable to equity holders dramatically increased 129.1% to HK\$48,255,000.

* for identification purpose only

DIVIDEND

As the result is satisfactory, the Board suggested to increase the dividend payout ratio for the year from 25% to 35%, HK\$0.01 per share, to the shareholders of the Company. Based on the closing price of HK\$0.165 on 31 March 2008, the dividend ratio is 6.1%.

BUSINESS REVIEW

During the Period, pharmaceutical products (“Pharmaceutical Products”) produced and sold by the Group accounted for 69.5% of the total sales. European pharmaceutical products (“Trading Pharmaceutical Products”) distributed by the Group as an agent accounted for 28.1% of the total sales. Chinese medicine health care products (“Health Care Products”) produced by the Group accounted for 2.2% of the total sales.

Segment Results

Pharmaceutical Products

During the Period, the total sales of Pharmaceutical Products amounted to HK\$220,674,000, up 54.3% over the corresponding Period of last year. The segment result was HK\$46,043,000, up 34.4% compared to the previous year. The Group produced and sold approximately 36 types of drugs. Such drugs belonged mainly to the anti-infectious, musculo-skeletal and gastro-intestinal categories of drugs, which accounted for about 44.8%, 27.7% and 22.1%, respectively. The newly launched products (“Shi Si Tai”, “Huo Duo Shi” and “Jida Bente”) recorded an average gross profit margin of 85.5%; gross profit margin for anti-infectious products amounted to 37.5%. In addition to the above three categories of pharmaceutical products, the Group has also been actively developing specialized drugs for the cerebral-cardiovascular, anti-depressant and psychiatric disorder in recent years, which required a higher level of technical input. The Group obtained an invention patent for antidepressants, Citalopram, representing the first patented product of the Group.

During the Period, sales increased, attributable not only to greater efforts placed by China on health care, but also to the strategic deployment of resources into the market by the management over the past two years. Such measures included the establishment of an international market department, enhancement of its professional promotion team and enlargement of its sales network, thereby raising sales of Pharmaceutical Products by the Group in first and second tier cities across the country, domestic rural markets and non-regulated overseas markets.

During the Period, price of pharmaceutical bulk materials rose significantly, mounting cost pressure on the Group. However, the management of the Group was well prepared in advanced, adjusted product mix in due course and focused on developing specialized pharmaceutical products with higher gross profit margin, keeping the Group’s gross profit margin stable.

Trading Pharmaceutical Products

During the Period, turnover of Trading Pharmaceutical Products amounted to HK\$89,216,000, up 58.1% as compared to the previous year. The segment result was HK\$33,570,000, up 366.2% as compared to the previous year. During the Period, Gluthion, the Group’s pivotal product, continued to excise its

brand name effect and recorded growth in sales year after year on the back of establishing its position in the Chinese market. It recorded a significant increase of 74% in sales for the year. Sales of the new medicine, Artrodar, distributed by the Group as a sole agent in China, increased 263.3% over the previous year. As more information known to the public on the direction of health care reform of the country, our marketing department estimates that during the next round of review of the national basic medical insurance catalogue (“medical insurance”), Artrodar would be covered by medical insurance. The Group believes such product will record exponential growth in sales.

Health Care Products

Turnover of Chinese medicine Health Care Products was HK\$6,949,000, down about 2.6% over last year. The segment recorded a loss of HK\$439,000. In the coming year, the Group will reduce it in advertising expenses on Health Care Products in order to control costs.

Pharmaceutical Bulk Materials

During the Period, Pharmaceutical Bulk Materials segment recorded a loss of HK\$3,948,000, down 22% over the loss recorded during last year. Expenses were reduced for the year, mainly due to the overall completion of installment of large-scale equipment last year.

The application of Cefpirome bulk materials, developed by the Group, was officially received by Jiangsu Province Food and Drug Administration Bureau last year, and processed for supplementary application for new medicine technological transfer. Those bulk materials have passed the on-site inspection by Jiangsu Province Food and Drug Administration Bureau. It is expected to obtain the production approval this year and immediately commence their production.

After nearly two years of market-oriented approach, the fourth generation of various types of Cephalosporin has entered into the growing stage in the market. Its market demand is expanding continuously. The Company selected the international advanced standard of technologies, along with its specialties, to improve, enhance and optimize qualities of products and further reduce production costs. Taking advantage of cheap materials and effective logistic systems in Jiangsu and Zhejiang Provinces, the Company can greatly enhance the competitiveness of its products. Once the Cefpirome products are in operation to produce, the awareness and reputation of Jiangsu Jiwa Rintech Pharmaceutical Company Limited (“Jiangsu Jiwa Rintech”) will be greatly enhanced in domestic and overseas markets. These bulk materials, along with Citalopram and Risperidone etc, are mainly launched into American and European markets, representing a solid foundation on which Jiangsu Jiwa Rintech strives for success

Launching New Drug

During the year, Jiwa Group obtained the first patent for research of pharmaceutical products and was smoothly awarded with patent certificate for “Antidepressant medical composition taken orally including Citalopram and Cyclodextrin” at the end of 2007, effective for a period of 20 years. Citalopram is a selective serotonin reuptake inhibitor (SSRIs), clinically proved for treatment of depressed psychonosema (internal and non-internal depression). As for the SSRIs type of depressants, Citalopram has an advantage over others which no similar depressants can replace. It represents a high level of compatibility to a receptor, lowering the possibility of side effects from similar SSRIs type of

depressants and seldom has reaction with other medicines. So far, orally-taken Citalopram in the market are in their traditional dosage form which pose a problem to swallow for a considerable number of the elderly. In addition, the tradition dosage forms pose a negative psychological influence on patients. Products research and development department of the Group finds out that wrapping Citalopram under Cyclodextrin can conceal its taste and has effects on the stability of medicine. The world is in great demand for Citalopram . The Group not only possesses the advantage on technology, but also has its own supplies for bulk materials from bulk materials factory in Jiangsu, so the Group has absolute predominance on qualities and costs.

During the period, the Group has obtained the drug registration documents and new drug certifications of “risedronate bulk materials”and “risedronate tablets”. Risedronate is the third-generation bisphosphonates, clinically used for the treatment and prevention of postmenopausal osteoporosis. The analytic result of a clinical research shows that this product is effective for the treatment of postmenopausal osteoporosis, and osteoporosis and Paget’s disease of bone caused by hormones. The management believed that such product will further strengthen the Group’s leadership in osteoporosis special drug market.

In the coming year, the Group will put greater effort in accelerate the research progress of new products, in order to meet the demand for new drugs from the mainland affluent customers. The head of the Group’s R&D department anticipated that 7 preparation products would be launched in 2008 and 2009: new drugs, including 3 kinds of anti-infectious products (cefpirome for injection, fluconazole capsule and azithromycin dispersible tablets), and special new drugs include edaravone for injection, sucralfate gel, citalopram tablets and hydrocortisone sodium succinate for injection. The market penetration period of these drugs is around 1-2 years. The marketing department has been well-prepared for the promotion of such new drugs and the professional sales team will be strengthened from time to time. The management believed that the gross profit margin of the new special drugs would drive the overall gross profit margin of the Group, enhancing the returns of the shareholders.

Key R&D projects

Reduced Glutathione

In December 2007, Jiwa Group and GeneHarbor (Hong Kong) Technologies Limited (“GeneHarbor”) set up a joint venture to develop low-cost reduced glutathione by using a novel enzymatic technology. As this product can be clinically applied for the liver protection, tumor treatment, oxygen intoxication relief, anti-aging and endocrine disturbance treatment, the treatment is efficient and has no poisonous side effect, it has been widely used in medical and healthcare product processing industries in foreign counties, especially in Japan and Italy.

In the past years, GeneHarbor has been committed to developing the enzyme technology platform with world class, proprietary intellectual property rights and vision. Reduced glutathione is the best selling product of the Group, we wishes to have access to the advanced bioengineering technology through the project cooperation, in order to mass produce low-priced reduced glutathione and relieve the tight supply, high price and excess demand over supply of raw materials in the mainland market. Therefore, the implementation of efficient, low cost and large-scale industrialized production of reduced glutathione has profound social significance. Once it is successfully developed, the reduced glutathione cooperation project will bring exceptional returns to Group.

A Key Antibiotics

In March of 2008, in order to facilitate the market development strategy by the Company on Cephalosporin, Jiwa Group cooperated with GeneHarbor again to develop new types of antibiotics, ensuring that the Group will be able to establish a dominating position in domestic and international markets in three years.

The Group and GeneHarbor cooperated again in establishing a joint company which is responsible for research and development for proprietary invention of a key antibiotics. Any types, technologies and equipment involved are under patent protection which makes it difficult for competitors to infringe on its rights.

This project can be regarded as the great break-through in the antibiotic industry, with far-reaching influence. Jiwa Group will take this good opportunity, fully utilizing its deep foundation, as well as its great production and selling capability, in order to develop antibiotics in the domestic and international markets.

International Strategic Cooperation

In October of 2007, Kunming Jida Pharmaceutical Co., Ltd , the preparation base of the Group, formally pass the review by the National Institute for the Monitoring of Medicine and Food of Colombia (INVIMA) for awarding GMP certification related to 4 aseptic preparation production workshops, together with medicine in the form of capsule, tablet, granule, suspension and sterilizing liquid injection approved in June, opening the new passway for the Company's export business which has a far-reaching impact on development in the future. The Group plans to apply for various international authentications in the future. By implementing such strategy and targets, the Group can speed up the pace to link up with the rest of the world.

In order to realize the global marketing tactics, the Group signed an agency agreement with a comprehensive medicine marketing service company ACIC in Canada in the beginning of 2008, appointing it as a sole agent to distribute pharmaceutical bulk materials in regulated markets across North America and western Europe, as well as to distribute certain main pharmaceutical bulk materials in semi-regulated markets across Latin America and Central Europe. ACIC has expertise on medicine supervision and implementation of GMP, and set up a complete sale and marketing network in Canada, U.S.A. and most member states of European Union. The strategic cooperation between the Group and ACIC will serve a stepping stone for the Group's products to export into American and European markets.

In addition, the Group and South Korean medicine company DONGDO Co. Ltd. ("DONGDO") entered into a technological and manufacturing agreement. According to relevant cooperative arrangement, DONGDO provides technologies and technical support to the Group related to two types of Cephalosporin bulk materials. Meanwhile, DONGDO is responsible for promoting such product in the whole world, especially in demand-rising countries, such as South Korea, Japan and China. It is expected the annual demand for such two main products would reach 12 tons and its production will commence in October of this year. The cooperation between both sides represented a important milestone for Jiangsu Jiwa Rintech Pharmaceutical Company Limited to expand production for main Cephalosporin and tap into international markets.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 31 March 2008, cash and cash equivalents of the Group totaled approximately HK\$20.8 million (2007: approximately HK\$27.2 million), of which approximately 10.5% are in Hong Kong dollars, 81.3% in RMB, 7.9% in US dollars, 0.1% in Euro and 0.2% in Macau Pataca. The decrease in cash and cash equivalents over last year is mainly a result of more stringent control of cash flow management, in order to lower the finance cost.

As at 31 March 2008, the Group had aggregate banking facilities of approximately HK\$189.6 million (2007: approximately HK\$90 million) of which approximately HK\$119.5 million was utilized (2007: approximately HK\$64 million) as to approximately HK\$41.8 million in long term bank loans, as to approximately HK\$49.7 million in short term bank loans, as to the balance of approximately HK\$28 million in letter of credit issued by the relevant banks to independent third parties. The increase in long term bank loan is mainly for the investment in key R&D projects and set up of the bulk material factory in Jiangsu. The Group's aggregate banking facilities of approximately HK\$189.6 million include approximately HK\$78.9 million equivalents in RMB denominated banking facilities. The utilized banking facilities of approximately HK\$119.5 million includes approximately HK\$38.9 million equivalent in RMB denominated bank borrowings.

Interest rate risk

The management had reduced the RMB loan during the Period in order to minimize the upward trend interest rate risk for the RMB currency. As at 31 March 2008, the gearing ratio was approximately 18.0% (2007: approximately 15.2%), calculated based on the Group's total bank borrowings of approximately HK\$91.5 million (2007: approximately HK\$56.1 million) over the Group's total assets of approximately HK\$506.2 million (2007: approximately HK\$366.7 million). The increase in gearing ratio is mainly due to the investment in R&D projects and the set up of the bulk material factory in Jiangsu.

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 2008 and actively monitors its net foreign currency exposures. As the bulk of the Group's transactions and assets are denominated in HK dollars, US dollars and RMB, the impact of foreign currency fluctuations is minimal and the current hedging facilities are considered sufficient for the near future.

Credit risk

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed on credit and the payment conduct of clients are monitored both to facilitate the determination of credit limit as well as a control over whether new sale deliveries should be made. The Group's sale staff and marketing agents pay regular visits to customers to promote the Group's products and at the same time would update information on the 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 2008 not provided for in the financial statements were as follows:

| | The Group | |
|--|------------------|-----------------|
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Contracted for | | |
| — acquisition of technical know-how | 2,907 | 2,607 |
| — acquisition of property, plant and equipment | 3,023 | 2,342 |
| | <u>5,930</u> | <u>4,949</u> |
| Authorised but not contracted for | | |
| — acquisition of property, plant and equipment | — | 5,140 |
| | <u>5,930</u> | <u>10,089</u> |

Capital commitments of the Group in relation to its interests in associates are as follows:

| | 2008 | 2007 |
|-----------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Contracted for | 5,000 | — |
| Authorised but not contracted for | — | — |
| | <u>5,000</u> | <u>—</u> |

The Company had no capital commitment as at 31 March 2008 (2007: Nil).

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

Charge on Group assets

As at 31 March 2008, bank loans amounting to approximately HK\$85.7 million (31 March 2007: HK\$44.4 million) were secured by certain assets of the Group having a net book value of approximately HK\$113.6 million (31 March 2007: HK\$80.2 million).

Contingent Liabilities

As at 31 March 2008, the Group has not provided any form of guarantees for any company outside the Group and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

FUTURE PROSPECTS

(1) China pharmaceutical market

Pharmaceutical industry is a consumer industry. The population of the China reaches 1.3 billion, forming a huge pharmaceutical market and its consumption model has been changing, bringing enormous opportunities to the pharmaceutical industry. In 2008, the Chinese government has invested more funds in continuously building up the medical and health service system in rural areas, ensuring the soundness of the three-level medical and health service network in provinces, counties and villages and improving the basic medical and health service conditions of the rural areas. The “Three Medical System Reform “(that means the interaction of “medical insurance system reform, health system reform and pharmaceutical circulation system reform”) also provides new opportunities for the industry. The Group has deployed various strategies, including timely adjusting product portfolio and the interaction of supply, production and selling, accelerating the pace for launching of special drugs and setting up intellectual property rights special groups, which is responsible for the patent rights of products.

The management is optimistic for the Group’s development in the China market.

(2) International pharmaceutical market

The Group has established and implemented international pharmaceutical market development strategies, which can leverage its competitive strengths, and has made a good progress this year. In the coming year, we will expand our management team with international vision, create the technology of proprietary intellectual property rights and gradually expand the international market with the advantages of cost and technology.

The Group has selected suitable quality preparation products to penetrate into unregulated markets. Meanwhile, we will cooperate with international pharmaceutical enterprises to explore regulated markets through selling pharmaceutical bulk materials which patent protection has been expired. The management is full of confidence in this regards.

(3) Develop high profit margin products

This year, the Group has set up a joint venture with GeneHarbor, leveraging the technology edges of GeneHarbor and integrating with the capital platform, operating experience, professional management and market advantages of the Company, to jointly develop Reduced Glutathione and a key antibiotics with proprietary intellectual property rights. Up till now, a satisfactory progress is recorded for these two key research projects, it is expected that the Reduced Glutathione will be launched in the market at the end of 2009. The successful research and development of the product will create a series of low-cost and quality products with high competitiveness for the Group. We believe that the product will bring great profits to the shareholders. The market share in China will expand swiftly and it also becomes the pioneer in developing international market.

CONCLUSION

After several years' efforts, the competitive ability of the Group increased rapidly and the profitability grew significantly.

In the future, the Group will continue to focus on China as the core market, and actively prepare for overseas expansion. The management believes that the China market will continue to contribute subsistent and steady growth in profits for the Group. We will constantly review our marketing strategies, optimize the workflow and control costs, so as to adapt the possible environmental changes and meet the challenges resulting from the increasing production costs, and maintain our competitive advantages.

The Group commits to prudent expansion strategy. Our professional management not only sharpens its edges over time, but also has vision ahead of others, adopting innovative technology strategy to develop overseas markets and striving to position the Group well in international pharmaceutical market in the medium to long term.

ACKNOWLEDGEMENTS

The Group recorded satisfactory results this year, contributed by the devotion, profession, efforts and efficiency of all our staff, on behalf of the Board, I would like to take this opportunity to express my deepest gratitude to them.

RESULTS

The Board announces the consolidated results of the Group for the year ended 31 March, 2008 together with the comparative consolidated results for 2007 as follows:

Consolidated income statement for the year ended 31 March 2008

| | <i>Notes</i> | 2008 HK\$'000 | 2007 HK\$'000 |
|--|--------------|--------------------------------|-------------------|
| Revenue | | 317,429 | 206,572 |
| Cost of sales | | <u>(171,425)</u> | <u>(109,262)</u> |
| Gross profit | | 146,004 | 97,310 |
| Other income | 4 | 21,878 | 3,712 |
| Selling expenses | | (39,492) | (23,663) |
| Administrative expenses | | (51,605) | (39,618) |
| Other operating expenses | | <u>(2,585)</u> | <u>(2,583)</u> |
| Operating profit | | 74,200 | 35,158 |
| Finance costs | 5 | (4,605) | (2,317) |
| Share of results of associates | | <u>(18)</u> | <u>—</u> |
| Profit before income tax | 6 | 69,577 | 32,841 |
| Income tax expense | 7 | <u>(11,472)</u> | <u>(5,786)</u> |
| Profit for the year | | <u>58,105</u> | <u>27,055</u> |
| Attributable to: | | | |
| Equity holders of the Company | 8 | 48,255 | 21,060 |
| Minority interests | | <u>9,850</u> | <u>5,995</u> |
| Profit for the year | | <u>58,105</u> | <u>27,055</u> |
| Final dividend proposed after the balance sheet date | 9 | <u>16,050</u> | <u>6,000</u> |
| Earnings per share for profit attributable to the equity holders of the Company during the year | | | |
| Basic | 10 | <u>3.07 cents</u> | <u>1.40 cents</u> |
| Diluted | 10 | <u>N/A</u> | <u>1.40 cents</u> |

Consolidated balance sheet*as at 31 March 2008*

| | <i>Notes</i> | 2008 HK\$'000 | 2007 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 168,875 | 159,291 |
| Land use rights | | 22,830 | 26,978 |
| Construction in progress | | 42,810 | 8,912 |
| Interests in associates | | 12,982 | — |
| Available for sale financial assets | | 26,874 | 1,229 |
| Goodwill | | 978 | 942 |
| Intangible assets | | 593 | 2,356 |
| Deferred tax assets | | 3,469 | 5,536 |
| | | <hr/> | <hr/> |
| | | 279,411 | 205,244 |
| Current assets | | | |
| Inventories | | 57,962 | 39,041 |
| Accounts and bills receivable | <i>11</i> | 101,473 | 69,715 |
| Land use rights | | 631 | 635 |
| Prepayments and other receivable | | 23,388 | 22,826 |
| Amounts due from related companies | | 19,651 | 2,080 |
| Amount due from an investee company | | 2,878 | — |
| Tax recoverable | | 54 | — |
| Cash and cash equivalents | | 20,774 | 27,192 |
| | | <hr/> | <hr/> |
| | | 226,811 | 161,489 |
| Current liabilities | | | |
| Bank loans | | 49,706 | 44,234 |
| Accounts and bills payable | <i>12</i> | 55,005 | 31,873 |
| Amount due to a director | | — | 96 |
| Accrued expenses and other payable | | 15,812 | 9,264 |
| Tax payable | | 3,284 | 1,417 |
| | | <hr/> | <hr/> |
| | | 123,807 | 86,884 |
| Net current assets | | <hr/> | <hr/> |
| | | 103,004 | 74,605 |
| Total assets less current liabilities | | <hr/> | <hr/> |
| | | 382,415 | 279,849 |
| Non-current liabilities | | | |
| Bank loans | | 41,826 | 11,911 |
| | | <hr/> | <hr/> |
| Net assets | | 340,589 | 267,938 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 16,050 | 5,000 |
| Reserves | | 278,891 | 223,105 |
| | | <hr/> | <hr/> |
| | | 294,941 | 228,105 |
| Minority interests | | 45,648 | 39,833 |
| | | <hr/> | <hr/> |
| Total equity | | 340,589 | 267,938 |
| | | <hr/> <hr/> | <hr/> <hr/> |

1. BASIS OF PREPARATION AND 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 except for certain financial assets and financial liabilities.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) New or amended HKFRSs effective on 1 April 2007

From 1 April 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 January 2007 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in any significant changes in the Group’s and Company’s accounting policies but gave rise to additional disclosures as follows:

HKAS 1 (Amendment) – Capital Disclosures

In accordance with HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 – Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 March 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group’s financial statements now feature:

- a sensitivity analysis explaining the Group’s market risk exposure in regard to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time adoption of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

The adoption of other new and amended HKFRSs did not result in significant changes to the Group’s accounting policies. The specific transitional provisions contained in some of these new and amended HKFRSs have been considered. The adoption of these new and amended HKFRSs did not result in any changes to the amounts or disclosures in these financial statements.

(b) New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

| | |
|-------------------------------|---|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKAS 32 (Amendment) | Financial Instruments: Presentation ¹ |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combination ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – Interpretation 12 | Service Concession Arrangement ³ |
| HK(IFRIC) – Interpretation 13 | Customer Loyalty Programmes ⁴ |
| HK(IFRIC) – Interpretation 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³ |

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

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

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

⁴ Effective for annual periods beginning on or after 1 July 2008

Among those new and amended HKFRSs, HKAS 1 (Revised) – Presentation of Financial Statements is expected to be relevant to the Group's financial statements.

HKAS 1 (Revised) – Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company anticipate that the adoption of the other standards or interpretations will not result in substantial changes to the Group's and Company's accounting policies.

3. 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 and sale of pharmaceutical bulk materials.

| | Trading | | | | | | | | | | | |
|--|-------------------------|----------------|---------------------------------|---------------|--------------|--------------|-------------------------------|----------|---------------------------|----------------|----------------|----------------|
| | Pharmaceutical products | | Trading pharmaceutical products | | | | Pharmaceutical bulk materials | | Inter-segment elimination | | Consolidated | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 220,674 | 143,014 | 89,216 | 56,422 | 6,949 | 7,136 | 590 | — | — | — | 317,429 | 206,572 |
| Inter-segment revenue | 11,392 | 7,139 | 38,561 | — | — | — | — | — | (49,953) | (7,139) | — | — |
| | 232,066 | 150,153 | 127,777 | 56,422 | 6,949 | 7,136 | 590 | — | (49,953) | (7,139) | 317,429 | 206,572 |
| Segment results | 46,043 | 41,387 | 33,570 | 7,201 | (439) | (868) | (3,948) | (5,048) | (859) | (7,139) | 74,367 | 35,533 |
| Unallocated operating income and expenses | | | | | | | | | | | (167) | (375) |
| Operating profit | | | | | | | | | | | 74,200 | 35,158 |
| Finance costs | | | | | | | | | | | (4,605) | (2,317) |
| Share of results of associates | | | | | | | | | | | (18) | — |
| Income tax expense | | | | | | | | | | | (11,472) | (5,786) |
| Profit for the year | | | | | | | | | | | 58,105 | 27,055 |
| Depreciation | 10,221 | 6,969 | 618 | 640 | 69 | 137 | 1,029 | 372 | — | — | 11,937 | 8,118 |
| Amortisation of intangible assets | 1,998 | 892 | — | — | — | — | — | — | — | — | 1,998 | 892 |
| Annual charges of land use right | 485 | 369 | 35 | 35 | — | — | 253 | 231 | — | — | 773 | 635 |
| (Gain)/loss on disposal of land use rights and property, plant and equipment | (8,270) | (1,993) | 1 | 17 | — | — | 467 | 263 | — | — | (7,802) | (1,713) |
| Impairment of other receivables | 906 | — | — | — | — | — | — | — | — | — | 906 | — |
| Segment assets | 224,600 | 234,903 | 160,812 | 77,180 | 1,372 | 1,797 | 36,938 | 50,732 | (1,225) | — | 422,497 | 364,612 |
| Unallocated assets | | | | | | | | | | | 83,725 | 2,121 |
| Total assets | | | | | | | | | | | 506,222 | 366,733 |
| Segment liabilities | 27,209 | 27,138 | 41,374 | 20,216 | 89 | 918 | 1,658 | — | — | — | 70,330 | 48,272 |
| Unallocated liabilities | | | | | | | | | | | 95,303 | 50,523 |
| Total liabilities | | | | | | | | | | | 165,633 | 98,795 |
| Capital expenditure incurred during the year | 7,637 | 7,757 | 113 | 289 | — | — | 38,052 | 6,517 | — | — | 45,802 | 14,563 |

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, construction in progress and intangible assets, analysed by the geographical area in which the assets are located.

| | Segment assets | | Capital expenditure | |
|-------------------------------------|------------------|------------------|---------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 | 2008 HK\$'000 | 2007 HK\$'000 |
| Hong Kong | 76,978 | 77,209 | 105 | 287 |
| Macau | 35,380 | 4,935 | 8 | 2 |
| PRC (excluding Hong Kong and Macau) | 310,139 | 215,489 | 45,689 | 14,274 |
| | 422,497 | 297,633 | 45,802 | 14,563 |
| Unallocated | 83,725 | 69,100 | — | — |
| | 506,222 | 366,733 | 45,802 | 14,563 |

4. OTHER INCOME

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Consultancy fee income | 232 | — |
| Dividend income from available-for-sale financial assets | 35 | — |
| Exchange gain | 7,098 | 1,130 |
| Gain on disposal of land use rights and property, plant and equipment | 7,802 | 1,713 |
| Government grant | 928 | — |
| Interest income | 290 | 266 |
| License fee income | 1,667 | — |
| Tax refund | 3,501 | — |
| Others | 325 | 603 |
| | 21,878 | 3,712 |

5. FINANCE COSTS

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---|------------------|------------------|
| Interest charges on bank loans wholly repayable within five years | 5,236 | 2,317 |
| Less: interest capitalised included in construction in progress | (631) | — |
| | 4,605 | 2,317 |

6. PROFIT BEFORE INCOME TAX

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax is arrived at after charging: | | |
| Costs of inventories recognised as expense (i) | 170,566 | 108,028 |
| Auditors' remuneration | 600 | 500 |
| Depreciation | 11,937 | 8,118 |
| Amortisation of intangible assets | 1,998 | 892 |
| Annual charges on land use rights | 773 | 635 |
| Operating lease charges in respect of premises | 2,574 | 2,629 |
| Research and development costs (ii) | 803 | 1,164 |
| Impairment of other receivables | 906 | — |
| | <u>170,566</u> | <u>108,028</u> |

Notes:

(i) Cost of inventories includes HK\$9,073,000 (2007: HK\$8,947,000) 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 2008 do not include any staff cost.

Research and development costs for the year ended 31 March 2007 comprised staff costs of HK\$58,000 (which were included in the total amount of staff costs).

7. INCOME TAX EXPENSE

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

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

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax | | |
| — Hong Kong | | |
| Tax for the year | 4,347 | 1,234 |
| Overprovision in respect of prior years | (42) | (26) |
| | <u>4,305</u> | <u>1,208</u> |
| — Outside Hong Kong | | |
| Provision for PRC income tax | 4,295 | 2,632 |
| Underprovision in respect of prior years | — | 1,742 |
| Tax refund | — | (3) |
| | <u>4,295</u> | <u>4,371</u> |
| Deferred tax | | |
| Current year | 2,872 | 207 |
| Total income tax expense | <u>11,472</u> | <u>5,786</u> |

Reconciliation between tax expense and accounting profit at applicable tax rates:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit before income tax | <u>69,577</u> | <u>32,841</u> |
| Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned | 8,440 | 5,510 |
| Tax effect of non-deductible expenses | 1,230 | 2,097 |
| Tax effect of non-taxable revenue | (868) | (2,360) |
| Tax losses not recognised as deferred tax assets | 1,595 | 93 |
| Tax effect of temporary differences not recognised | 1,117 | 98 |
| Tax effect of prior year's unrecognised tax losses utilised in current year | — | (846) |
| Tax refund | — | (3) |
| Others | — | (519) |
| (Over)/Under provision in prior years | <u>(42)</u> | <u>1,716</u> |
| Actual tax expense | <u>11,472</u> | <u>5,786</u> |

8. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK\$48,255,000 (2007: HK\$21,060,000), a profit of HK\$17,256,000 (2007: HK\$6,817,000) has been dealt with in the financial statements of the Company.

9. DIVIDENDS

(a) Dividends attributable to the year

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Final dividend proposed after the balance sheet date of HK\$0.01 per share (2007: HK\$0.004* per share) | <u>16,050</u> | <u>6,000</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 profits for the year ended 31 March 2008.

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Final dividend in respect of the previous financial year of HK\$0.004* per share (2007: HK\$0.003* per share) | <u>6,420</u> | <u>5,000</u> |

* Adjusted for the proportionate change in bonus issue.

10. 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\$48,255,000 (2007: HK\$21,060,000) and on 1,569,672,000 (2007: 1,500,000,000 as adjusted for the proportionate change in bonus issue) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share for the year ended 31 March 2008 is presented as there are no potential dilutive ordinary shares.

The calculation of diluted earnings per share for the year ended 31 March 2007 was based on the profit attributable to equity holders of the Company for the year of HK\$21,060,000 and the weighted average of 1,500,754,000 ordinary shares in issue during the year, calculated as follows:

| | 2007 <i>HK\$'000</i> |
|---|--------------------------------|
| Profit attributable to equity holders of the Company | 21,060 |
| Weighted average number of ordinary shares (diluted) | '000 |
| — Weighted average number of ordinary shares as at 31 March 2007 (adjusted for the proportionate change in bonus issue) | 1,500,000 |
| — Effect of deemed issue of shares under the Company's share option scheme | 754 |
| | <u>1,500,754</u> |

During the year, the Company approved a bonus issue of ordinary shares on the basis of two bonus shares for every share of the Company. The weighted average number of ordinary shares for the year ended 31 March 2007, as if the bonus issue had occurred on 1 April 2006, was deemed to be 1,500,754,000.

11. ACCOUNTS AND BILLS RECEIVABLE — GROUP

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---------------------|--------------------------------|-------------------------|
| Accounts receivable | 101,372 | 69,412 |
| Bills receivable | 101 | 303 |
| | <u>101,473</u> | <u>69,715</u> |

The following is an ageing analysis of the Group's accounts and bills receivable based on invoice dates at the balance sheet date:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Accounts and bills receivable | | |
| Within 3 months | 74,486 | 38,280 |
| Over 3 months but less than 6 months | 21,765 | 10,667 |
| Over 6 months | 5,222 | 20,768 |
| | <u>101,473</u> | <u>69,715</u> |

Customers are generally granted with credit terms ranging from 30 days to 180 days and no interest is charged. The carrying amount of accounts and bills receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such impact of time value of money is not significant.

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| United States Dollars ("US\$") | 16,765 | 49,358 |
| EURO ("EUR") | 56,921 | — |
| | <u>56,921</u> | <u>—</u> |

12. ACCOUNTS AND BILLS PAYABLE — GROUP

An ageing analysis of accounts and bills payable based on invoice dates at the balance sheet date is as follows:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Accounts payable | | |
| Within 3 months | 26,464 | 22,715 |
| Over 3 months but within 6 months | 298 | 1,278 |
| Over 6 months | 258 | — |
| | <u>27,020</u> | <u>23,993</u> |
| Bills payable | 27,985 | 7,880 |
| | <u>55,005</u> | <u>31,873</u> |

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 payables at 31 March 2008 and 2007 approximate to their corresponding carrying amounts due to their short-term maturities.

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|------|--------------------------------|-------------------------|
| US\$ | 3,840 | 6,022 |
| EUR | 29,200 | 9,614 |

OTHER INFORMATION

EMPLOYMENT REMUNERATION POLICY

As at 31 March 2008, the Group had 574 employees. The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes. The Company may also grant 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 2008, 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 2008.

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 2008 including the accounting principles and practices adopted by the Group. Also, this preliminary results announcement has been agreed with the Company's external auditors.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held at 3:30 p.m. on 26 August 2008 (Tuesday) at 20th Floor, Central Tower, 28 Queen's Road Central, 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 21 August 2008 (Thursday) to 26 August 2008 (Tuesday), 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, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 August 2008 (Wednesday).

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

Hong Kong, 25 June 2008

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