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 2009

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 2009 (the "Year" or the "Period").

INDUSTRY OVERVIEW

Pharmaceutical Industry In China Gained Favour Amidst Global Financial Tsunami

Despite a volatile international financial market last year, pharmaceutical industry in China continued its prosperous development and became an attraction to international capital due to its unique strength: strong resilience against adversity as a health-related industry that is less affected by the world's economy. The PRC government implemented the national medical protection system with a view to promote social harmony, stimulate domestic demand and facilitate construction of new rural communities. This is expected to expand the pharmaceutical market in China significantly, and the pharmaceutical industry in China is foreseen to grow rapidly in the coming years. During the past few years, the Group further strengthened its scientific research, production of raw materials, production of finished drugs and penetration into the domestic and overseas markets. It also stepped up vertical consolidation of its corporate structure and speeded up development of proprietary intellectual property rights. In face of the present opportunities, we are confident that the Group will achieve outstanding performance and scale new heights.

* *for identification purpose only*

RESULTS

Captured Opportunities With Sales Increased by 48.7%

During the year, the turnover of the Group amounted to HK$472,089,000, representing a dramatic increase of 48.7% as compared to the previous year. The gross profit was HK$208,204,000, up 42.6% from last year. The operating profit for the Period, net of the revenue from the sales of assets, increased by 21.3% over last year. Profits attributable to equity holders amounted to HK$51,522,000, representing a year-on-year increase of 6.8%.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK1 cent per share for the year ended 31 March 2009. This proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 28 August 2009, will be payable on Thursday, 24 September 2009 to the shareholders on the Register of Members of the Company on Friday, 28 August 2009.

PROSPECT

Establishment of Unique Sales Network Through Resources Integration

Leveraging on the opportunities arising in the pharmaceutical market in China under the national medical insurance policy, the Group had carried out some business restructure during the Year, which included disposal of equity interests in Shangxi Province Fanshi County Longchang Industrial Co. Ltd. which is engaged in iron ore business, and acquisition of Yunnan Jiwa Pharm Logistics Company Limited ("YJPL") which owns an extensive sale of drug's network in the PRC. YJPL will focus on promoting imported drugs distributed by the Group and specialized drugs developed by the Group in the future.

With rising income per capita and improving living standard in the PRC, the demand for imported drug grows continuously. Meanwhile, due to continual increase in the production cost of domestic drugs and appreciation of Reminbi, the relative competitiveness of imported drugs rose significantly as compared to years ago. In respect of the State's policies, as China becomes increasingly concerned with the disparity of drug quality, imported drugs enjoyed quality advantages in pricing and bidding.

Since its establishment in 1987, the Group has cooperated extensively with pharmaceutical corporations in the United States and Europe. Leveraging on its client network in the United States and Europe, the Group is now expanding its trading business aggressively and identifying American and European drugs with market potentials. It is also negotiating with other pharmaceutical companies actively with an aim to become their distributor in the PRC. The Group is consolidating the advantages of its integrated sales network to propel the growth of its businesses.

Seize Time and Commit to become a Pioneer Enterprise under the Medical Reform Policy

"Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Health Care System Reform" (the "Health Care Reform" or "Opinion") and "Recent Key Implementation Proposal on Health Care Reform (2009-2011)" (the "Proposal") were promulgated between late March and early April 2009 in the PRC. The State Council stated clearly that a total of RMB850 billion will be earmarked for Health Care System Reform from 2009 to 2011 and the central government will allocate RMB118 billion in health care expenditures in 2009. It was stated in the Health Care Reform that in the next three years, the central government will focus its support on the construction of 2,000 county-level hospitals (including Chinese medicine hospitals), completion of the construction of 29,000 township health centers supported by central government, and expansion of 5,000 lead township health centers. The Group strengthened its sales team with the acquisition of YJPL, looking to expand its sales network fully in the shortest time to enable its products to penetrate into medical institutions in every city of county-level or below.

The Proposal also stated that the State will establish a scientifically reasonable selection mechanism and maintenance system for a list of essential medicines, which will include all basic drugs into the reimbursement list of drugs covered by medical insurance. The list of essential medicines will further intensify the competition among pharmaceutical producers as they strive to be included in the basic drug list. Price competition is imminent. According to the Draft for Comment of Basic Drug List, seven of the Group's products were selected to enter the basic drug list. The sales of such products are expected to grow exponentially and become one of the driving forces of revenue growth.

During recent years, in an effort to align with the trend of publicization and welfarization of the national health care, the Group is actively researching on production at reduced costs in order to provide high quality drugs at low prices to the people. The Group has decided to build its own pharmaceutical bulk material factory to lower the production cost and stabilize the supply of pharmaceutical bulk material with an aim of creating value through the economies of scale. In addition, the management considers that the Group must clearly understand the needs of different customer groups so as to focus its resources to establish competitive advantages with featured generic drugs.

Innovations to Lead the Group into the International Markets

Industry insiders are of an opinion that the focus of the international pharmaceutical market will shift from North America to Asia, given that the Asian population accounts for 43% of the total population in the world, while its current drug consumption per capita is far lower than that in the United States and Europe, representing an enormous potential demand.

Facing shrinking income and limited new revenue sources, American and European pharmaceutical enterprises are striving to reduce costs. Pharmaceutical enterprises in the PRC would be opened to additional opportunities in the midst of the financial tsunami through a full play of their own advantages.

In response to the development trends in both the domestic and overseas pharmaceutical markets, the Group will strive to achieve cost advantages through the core efforts of creating “innovations” in order to penetrate into the international market with quality products at low prices. In the long run, as the consumption market continues to grow in emerging countries, the Group will strengthen the research and development of new drugs, and eventually enter into the international market through featured products with quality and brand advantages.

BUSINESS REVIEW

During the period, the finished drug (“Finished Drugs”) produced and sold by the Group accounted for 60.5% of the total sales. Healthcare products and imported European pharmaceutical products (“Trading Pharmaceutical Products and Health Care products”) sold by the Group accounted for 17.4% of the total sales. Pharmaceutical products distributed by the Group (“Distribution Business”) accounted for 21.6% of the total sales. Pharmaceutical bulk materials (“Pharmaceutical Bulk Materials”) manufactured and sold by the Group accounted for 0.5% of its total sales.

Finished Drugs

During the period, the total sales of Finished Drugs amounted to HK$285,705,000, up 29.5% as compared to the previous year. The segment results amounted to HK$47,414,000, increasing by 3% over the last year. Net of extraordinary revenue from the disposal of the old factory in the last year, the segment results actually increased by 24.8% over the previous year.

Finished Drugs of the Group comprised mainly of anti-infectious, musculo-skeletal and gastro-intestinal category, followed by the category of cerebral-cardiovascular, anti-depressant and psychiatric disorder specific drugs. After two years of market introductory phase, the sales of new drugs entered the growth phase. Sales of Shi Si Tai, Huo Duo Shi and Jida Bente significantly increased by 77.2%, 95% and 126.8% over the previous year respectively. As new specific drugs require a higher level of technical input, the average gross profit margin reached 80%.

In addition, the sale of Song Taisi, one of the key products of the Group, recorded an increase of 102%. Song Taisi is a reduced glutathione sodium for injection that is widely used as a treatment of liver impairment of different origins, auxiliary treatment for radiotherapy and chemotherapy, as well as hypoxemia. This product was awarded the Famous Brand of Yunnan Province and Famous Product of Yunnan Province in 2009 and our marketing department will promote the sale of this product with full effort in the coming year.

The Group launched four finished drugs during the Year, including Risedronate (a new-generation orthodontic product), Sucralfate Gel (a drug for treating peptic ulcer), Citalopram Hydrobromide (an antidepressant), and Cefaclor Suspension (a paediatric oral antibiotic). Currently, tendering process in various regions has commenced smoothly with good market response. The management believes that these new drugs will drive the sales of the Group and build up reputation in the specialized drug market for the Group.

In addition to the four new products aforesaid, the Group also obtained the drug registration documents for a Category II new drug: Edaravone for injection and bulk materials. Edaravone is the new key product of the Group in 2009, and is mainly used for improving nerve syndromes, and daily activity capacity and function impairment caused by acute stroke. Research findings show that Edaravone has evident efficacy compared to the control drug, and can noticeably improve nerve syndromes caused by stroke with a low incidence rate of adverse effects, reflecting good safety and tolerance.

As shown in the 2007 Annual Report of the Ministry of Health of the PRC, the incidence rate of cerebrovascular disease is 6.6%, with an estimated patient population in China of over 8 million people. Cerebrovascular disease mainly occurs in middle-ages and the elderly, and the incidence rate increases gradually from age 50. Under the aging of population in the PRC, elderly people are accounting for a higher proportion in the population, and the incidence rate of cerebrovascular disease will be increasing. According to the statistics of IMS, the sales of neuroprotection drugs in the PRC amounted to RMB 1.95 billion in 2007. And it was expected that the sales would be over RMB2.5 billion in 2008. Among all neuroprotection drugs, ganglioside has the largest market share of 44% after 13 years of sales and promotion, while Edaravone has climbed to number two with a market share of 19% after only 4 years of marketing in the PRC market. In view of government policies, Edaravone is included in the regional insurance medicine list of 22 provinces and cities in the PRC. The management is highly optimistic about the market prospect of Edaravone and expects that this new drug will become a new profit growth engine for the Group.

Trading Pharmaceutical Products and Health Care Products

During the Period, turnover of Trading Pharmaceutical Products and Health Care Products amounted to HK$82,288,000, representing a decrease of 14.4% as compared with last year. The segment result was HK$29,948,000, representing a decrease of 9.6% as compared to the previous year. The decrease in profit was mainly due to a decrease in exchange gain as a result of the financial tsunami. In addition, the renewal progress of registration of one of the products distributed by the Group was slower than expected, which resulted in a shortage of supply. The registration was completed in January this year, and it is expected that the sales would return to an increasing trend in a short time.

To capture the opportunities brought by the Health Care Reform, the Group will utilize its customer network in Europe built for years to expand the trading business actively. It will also speed up the introduction of best-selling products from the Europe and the United States in the coming two to three years.

Distribution Business

During the Year, turnover of distribution business amounted to HK$102,131,000, with the segment results amounting to HK$5,610,000. This segment business represents the newly acquired item which is mainly engaged in the distribution of pharmaceutical products in the PRC. The growth momentum of this business in the future will originate from the distribution of new drugs developed by the Group and the agent distribution of European and American drugs.

Leveraging on the integration of sales teams, the Group will strengthen its sales network, expand its service areas, enhance service standard and establish a modern pharmaceutical logistic service system of high efficiency. The Group adopts a sales strategy of stimulating regional sales through focal points. In addition to major cities, our sales will also cover second and third tier cities to promote brand value by quality services and promote sales by brand reputation, in an effort to optimize shareholders' return.

Pharmaceutical Bulk Materials

During the Period, the segment of Pharmaceutical Bulk Materials recorded a loss of HK$9,929,000, representing an increase in loss of 151.5% over the previous year. Excluding exchange gains and tax refund, the loss from Pharmaceutical Bulk Materials business increased by 23.6% over last year.

The Pharmaceutical Bulk Materials segment continued to show a lack of improvement. It was mainly attributable to local policies. As the economy continued to grow in the PRC, the State's requirements on sustainable development and environmental protection become more stringent. Due to water pollution caused by blue-green algae in Lake Tai, Wuxi, local governments implemented planning adjustments on a number of chemical industrial zone. The production base of bulk material of the Group was as a result affected. Due to the changes in the planning of the industrial parks, the Group's Citalopram production workshop in Jiangsu bulk material factory was required to relocate in the second quarter of 2008 after negotiation with the government. The relocation is expected to complete in the first quarter of 2010. As such, the FDA export verification progress of this item is delayed for nearly a year and a half, which in turn dragged down the overall profitability of the segment.

During the Period, the Group obtained the GMP Certificate of Citalopram, further facilitating the market development of Citalopram in the domestic and foreign semi-regulated markets. The Group has entered into a number of supply agreements of Citalopram bulk materials with large pharmaceutical enterprises in the PRC. Meanwhile, a number of distributors in overseas semi-regulated markets have initiated the import registration procedures for the Group's Citalopram with the drug regulation authorities in their countries. In addition, the Group also obtained the drug registration documents for its first aseptic bulk material Cefpirome Sulfate, and expects to obtain the GMP Certificate in 2009.

With further integration of the four segments of the Group's business, the segments no longer operate independently but achieve synergy with each other. This is mainly reflected in the following areas:

1. The strengthening in product development ability;

2. Production cost can be further reduced through scale of production, technological innovation and the simultaneous production of bulk materials and finished drugs;

3. Domestic market network can be expanded rapidly to penetrate into the markets in the county level such that the Group can capture the opportunity of market expansion brought by the new Health Care Reform;

4. The continuous development of international market in order to increase sales and reduce the risk of depending on a single market.

These competitive advantages will bring strong growth in sales and profit to the Group in the future.

FINANCIAL REVIEW

Liquidity

As at 31 March 2009, cash and cash equivalents of the Group totaled approximately HK$42.4 million (2008: approximately HK$20.8 million), of which approximately 6.1% are in Hong Kong dollars, 77% in RMB, 6% in US dollars, 10.7% in Euro and 0.2% in Macau Pataca. The increase in cash and cash equivalents over last year is a provision of higher cash fund for business expansion and project development.

As at 31 March 2009, the Group had aggregate banking facilities of approximately HK$224.4 million (2008: approximately HK$189.6 million) of which approximately HK$175.7 million was utilized (2008: approximately HK$119.5 million) as to approximately HK$115.5 million in long term bank loans, as to approximately HK$36.3 million in short term bank loans, as to the balance of approximately HK$23.9 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, the set up of the bulk material factory in Jiangsu and acquisition of the PRC distribution business. The Group's aggregate banking facilities of approximately HK$224.4 million include approximately HK$13.8 million equivalents in RMB denominated banking facilities. The utilized banking facilities of approximately HK$175.7 million includes approximately HK$13.8 million equivalent in RMB denominated bank borrowings.

Interest rate risk

The management had replaced the RMB loan during the Period with US dollar loan in order to minimize interest cost. As at 31 March 2009, the gearing ratio was approximately 23% (2008: approximately 18%), calculated based on the Group's total bank borrowings of approximately HK$151.9 million (2008: approximately HK$91.5 million) over the Group's total assets of approximately HK$651.5 million (2008: approximately HK$506.2 million). The increase in gearing ratio is mainly due to the investment in R&D projects, the set up of the bulk material factory in Jiangsu and acquisition of the PRC distribution business.

Foreign currency risk

The Group is subject to foreign currency risk as its certain bills payable arising form import of purchase from European countries are denominated in EURO dollars. Management had hedged with 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 2009 not provided for in the financial statements were as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted for		
— acquisition of technical know-how	**2,972**	7,192
— acquisition of property, plant and equipment	**7,192**	3,023
	10,164	5,930

Capital commitments of the Group in relation to its interest in associates are as follows:		
	2009	2008
	HK$'000	*HK$'000*
Contracted for	**—**	5,000

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

Charge on Group assets

As at 31 March 2009, bank loans amounting to approximately HK$146 million (31 March 2008: HK$85.7 million) were secured by certain assets of the Group having a net book value of approximately HK$140.9 million (31 March 2008: HK$113.6 million).

Contingent Liabilities

As at 31 March 2009, 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 INCOME STATEMENT

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	3, 4	**472,089**	317,429
Cost of sales		**(263,885)**	(171,425)
Gross profit		**208,204**	146,004
Other income	5	**7,854**	21,878
Selling expenses		**(78,079)**	(39,492)
Administrative expenses		**(59,720)**	(51,605)
Other operating expenses		**(4,552)**	(2,585)
Operating profit		**73,707**	74,200
Finance costs	6	**(4,545)**	(4,605)
Share of results of associates		**(143)**	(18)
Profit before income tax		**69,019**	69,577
Income tax expense	7	**(5,682)**	(11,472)
Profit for the year		**63,337**	58,105
Attributable to:			
Equity holders of the Company		**51,522**	48,255
Minority interests		**11,815**	9,850
Profit for the year		**63,337**	58,105
Final dividend proposed after the balance sheet date	8	**16,050**	16,050
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic	9	**3.21 cents**	3.07 cents
Diluted	9	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

as at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**241,629**	168,875
Land use rights		**29,059**	22,830
Construction in progress		**9,950**	42,810
Interests in associates		**19,839**	12,982
Available-for-sale financial assets	*10*	**—**	26,874
Goodwill		**9,066**	978
Intangible assets		**5,231**	593
Other receivables		**15,291**	—
Deferred tax assets		**3,930**	3,469
		333,995	279,411
Current assets			
Inventories		**71,662**	57,962
Accounts and bills receivable	*11*	**135,766**	101,473
Land use rights		**935**	631
Deposits, prepayments and other receivables		**46,781**	23,388
Amounts due from related companies	*12*	**13,544**	19,651
Amount due from an investee company		**—**	2,878
Tax recoverable		**—**	54
Pledged bank deposits		**6,400**	—
Cash and cash equivalents		**42,420**	20,774
		317,508	226,811
Current liabilities			
Bank loans		**36,343**	49,706
Accounts and bills payable	*13*	**76,379**	55,005
Accrued expenses and other payables		**17,610**	15,812
Tax payable		**3,764**	3,284
		134,096	123,807
Net current assets		**183,412**	103,004
Total assets less current liabilities		**517,407**	382,415
Non-current liabilities			
Bank loans		**115,528**	41,826
Deferred tax liabilities		**6,421**	—
		121,949	41,826
Net assets		**395,458**	340,589
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**16,050**	16,050
Reserves		**320,431**	278,891
		336,481	294,941
Minority interests		**58,977**	45,648
Total equity		**395,458**	340,589

Notes

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

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 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets

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. Accordingly, no prior period adjustment is required.

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

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, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination [2]
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) — Interpretation 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement — Embedded Derivatives [5]
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes [3]
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) — Interpretation 18	Transfer of Assets from Customers [6]
Various — Annual Improvements to HKFRS 2008 [7]	
Various — Annual Improvements to HKFRS 2009 [8]	

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for transfer of assets from customers received on or after 1 July 2009
[7] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
[8] Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The directors of the Company anticipate that all of these pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) — Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. This amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group 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 comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 — Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents total invoiced value of pharmaceutical products and health care products supplied, less return and discount.

4. 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 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.

In prior years, the directors determined that "Healthcare products — Manufacturing and sale of healthcare products" (the "Health Care segment") was an individual business segment and presented separately. In current year, upon the acquisition of subsidiaries during the year, a new business segment "Distribution — Distributions of pharmaceutical products" is now presented and the directors consider that it is more appropriate to present the Health Care segment as part of the Trading pharmaceutical and health care products segment starting from this year.

Primary reporting format — business segments

	Pharmaceutical products		Trading pharmaceutical and health care products		Distributions		Pharmaceutical bulk materials		Inter-segment elimination		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**285,705**	220,674	**82,288**	96,165	**102,131**	—	**1,965**	590	**—**	—	**472,089**	317,429
Inter-segment revenue	**42,727**	11,392	**75,971**	38,561	**—**	—	**—**	—	**(118,698)**	(49,953)	**—**	—
	328,432	232,066	**158,259**	134,726	**102,131**	—	**1,965**	590	**(118,698)**	(49,953)	**472,089**	317,429
Segment results	**47,414**	46,043	**29,948**	33,131	**5,610**	—	**(9,929)**	(3,948)	**(423)**	(859)	**72,620**	74,367
Unallocated operating income and expenses											**1,087**	(167)
Operating profit											**73,707**	74,200
Finance costs											**(4,545)**	(4,605)
Share of results of associates											**(143)**	(18)
Income tax expense											**(5,682)**	(11,472)
Profit for the year											**63,337**	58,105
Depreciation of property, plant and equipment	**9,675**	10,221	**495**	687	**995**	—	**1,845**	1,029	**—**	—	**13,010**	11,937
Amortisation of intangible assets	**1,199**	1,998	**—**	—	**—**	—	**—**	—	**—**	—	**1,199**	1,998
Amortisation of land use rights	**354**	485	**35**	35	**108**	—	**263**	253	**—**	—	**760**	773
(Gain)/Loss on disposal of land use rights and property, plant and equipment	**10**	(8,270)	**—**	1	**—**	—	**44**	467	**—**	—	**54**	(7,802)
Provision for impairment of obsolete inventories	**—**	—	**126**	—	**—**	—	**579**	—	**—**	—	**705**	—
Impairment of other receivables	**—**	906	**—**	—	**—**	—	**—**	—	**—**	—	**—**	906
Segment assets	**297,044**	224,600	**174,797**	162,184	**40,416**	—	**32,058**	36,938	**(1,650)**	(1,225)	**542,665**	422,497
Unallocated assets											**108,838**	83,725
Total assets											**651,503**	506,222
Segment liabilities	**29,009**	27,209	**27,473**	41,463	**31,188**	—	**6,245**	1,658	**—**	—	**93,915**	70,330
Unallocated liabilities											**162,130**	95,303
Total liabilities											**256,045**	165,633
Capital expenditure incurred during the year	**11,886**	7,637	**38**	113	**36,446**	—	**10,218**	38,052	**—**	—	**58,588**	45,802

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

	Segment assets		**Capital expenditure**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**57,704**	76,978	**38**	105
Macau	**36,696**	35,380	**—**	8
PRC (excluding Hong Kong and Macau)	**448,265**	310,139	**58,550**	45,689
	542,665	422,497	**58,588**	45,802
Unallocated	**108,838**	83,725	**—**	—
	651,503	506,222	**58,588**	45,802

5. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Consultancy fee income	**120**	232
Dividend income from available-for-sale financial assets	**—**	35
Exchange gain, net	**3,659**	7,098
Gain on disposal of land use rights and property, plant and equipment	**—**	7,802
Gain on disposal of available-for-sale financial assets	**2,641**	—
Government grants	**547**	928
Interest income	**259**	290
License fee income	**—**	1,667
Value-added tax refund	**242**	3,501
Others	**386**	325
	7,854	21,878

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest charges on bank loans wholly repayable within five years	**5,722**	5,236
Less: interest capitalised included in construction in progress	**(1,177)**	(631)
	4,545	4,605

7. INCOME TAX EXPENSE

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) 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% (2008: 33%).

A subsidiary which is located in Kunming, Yunnan, PRC is entitled to preferential PRC EIT rate of 15% (2008: 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.

	2009	2008
	HK$'000	*HK$'000*
Current tax		
— Hong Kong		
Tax for the year	**2,667**	4,347
Over provision in respect of prior years	**—**	(42)
	2,667	4,305
— Outside Hong Kong		
Provision for PRC income tax	**7,028**	4,295
Tax refunded	**(3,448)**	—
	3,580	4,295
Deferred tax (assets)/liabilities		
Current year	**(565)**	2,872
Total income tax expense	**5,682**	11,472

8. DIVIDENDS

Dividends attributable to the year

	2009	2008
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK$0.01 per share (2008: HK$0.01 per share)	**16,050**	16,050

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 2009.

9. 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$51,522,000 (2008: HK$48,255,000) and the weighted average of 1,605,000,000 (2008: 1,569,672,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 March 2009 was not presented because the impact of the exercise of the share options was anti-dilutive (2008: Nil)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2009	2008
	HK$'000	*HK$'000*
Unlisted equity securities in PRC, at cost		
At beginning of the year	**26,874**	1,229
Addition	**—**	25,521
Disposal *(note (i))*	**(25,521)**	—
Reclassified as subsidiaries due to additional investments *(note (ii))*	**(1,353)**	—
Translation differences	**—**	124
At end of the year	**—**	26,874

(i) During June 2007, the Group acquired 70% equity interest in Shanxi Fanshi County Longchang Industrial Co. Ltd. (山西繁峙縣龍昌實業有限責任公司) ("Longchang"), a company incorporated in the PRC, which possess the rights to the exploitation of iron ores in an area in Fanshi County of Shanxi Province, the PRC. Since the Group exerted no control or influence on Longchang, the Group recognised the investment in Longchang as available for sale investment and recognised it at cost less accumulated impairment for the year ended 31 March 2008.

On 8 October 2008, Jiwa Development Limited ("JDL"), a wholly owned subsidiary of the Group, entered into a sale and purchase agreement (the "Agreement") with an independent party. Pursuant to the Agreement the buyer agreed to purchase and JDL agreed to sale the 70% of the issued share capital of Longchang for a consideration of RMB27,000,000.

(ii) During the Year, the Group entered into a sale and purchase agreement to acquire 100% of ordinary shares of Jiwa Pharm & Chemicals Limited ("Jiwa P&C"), which holds 93% interest of YJPL. As a result, YJPL became a subsidiary of the Group and the 7% of equity interest of YJPL held by the Group as available-for-sale financial assets for the year ended 31 March 2008 together with the 93% interest acquired during the year are now accounted for as subsidiaries and consolidated.

11. ACCOUNTS AND BILLS RECEIVABLE — GROUP

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

	2009	2008
	HK$'000	*HK$'000*
Accounts and bills receivable		
Within 3 months	**84,715**	74,486
Over 3 months but less than 6 months	**47,051**	21,765
Over 6 months	**4,000**	5,222
	135,766	101,473

Customers are generally granted with credit terms ranging from 30 days to 180 days and no interest is charged.

12. AMOUNTS DUE FROM RELATED COMPANIES — GROUP

	2009	2008
	HK$'000	*HK$'000*
YJPL	**—**	5,232
Yunnan Pharmaceutical and Industrial Corporation Limited	**13,544**	14,419
	13,544	19,651

The amounts due are unsecured, interest-free and repayable within twelve months.

Amount of HK$1,310,000 (2008: HK$6,648,000) included in amounts due from related companies were trade receivables from the related companies. Related companies are 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 companies based on invoice dates at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**1,310**	4,905
Over 3 months but less than 6 months	**—**	1,743
	1,310	6,648

13. ACCOUNTS AND BILLS PAYABLE — GROUP

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

	2009	2008
	HK$'000	*HK$'000*
Accounts payable		
Within 3 months	**62,048**	26,464
Over 3 months but within 6 months	**1,076**	298
Over 6 months	**1,893**	258
	65,017	27,020
Bills payable	**11,362**	27,985
	76,379	55,005

OTHER INFORMATION

Employment Remuneration Policy

As at 31 March 2009, the Group had approximately 842 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 2009, 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 2009.

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 2009 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 2009 Annual General Meeting of the Company will be held at 3:00 p.m. on 28 August 2009 (Friday) 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 25 August 2009 (Tuesday) to 28 August 2009 (Friday), 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 2009 (Monday).

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to all shareholders, clients, business partners, management team and staff 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, 22 June 2009

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