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 2011

FINANCIAL HIGHLIGHT

For the year ended 31 March 2011

	2011	2010	Change
	HK$'000	*HK$'000*	
		(Restated)	
Continuing Operations			
Revenue	**175,309**	163,494	+7.2%
Gross Profit	**48,214**	44,865	+7.5%
Net profit before share based payment expenses	**23,768**	23,876	-0.5%
Share based payment expenses	**4,551**	—	
Net profit	**19,217**	23,876	-19.5%
Discontinued Operations			
Profit for the year from discontinued operations			
— Operating profit	**61,786**	57,710	+7.1%
— Gain on deemed disposal of subsidiaries	**209,150**	—	
— Capital gain tax	**(15,285)**	—	
Profit for the year from discontinued operations	**255,651**	57,710	+343.0%
Non-controlling interests	**19,205**	17,004	+12.9%
Profit for the year attributable to owners of the Company	**255,663**	64,582	+295.9%
Earnings per share attributable to the owners of the Company			
Basic	**15.88 cents**	4.02 cents	+295.0%
Diluted	**15.78 cents**	4.00 cents	+294.5%
Dividend per share	**6.0 cents**	1.30 cents	+361.5%

* *For identification purpose only*

RESULTS

On behalf of the board of directors (the "Board") of Jiwa Bio-Pharm Holdings Limited ("Jiwa" or the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011 (the "Year" or the "Period").

In early 2011, Kunming Jida Pharmaceutical Company Limited ("Kunming Jida", owned by the Company as to 70%) has placed and issued 30% of its equity to strategic investors, and also reorganized its businesses in the PRC through including the Company's wholly-owned subsidiaries Yunnan Jiwa Pharm Logistics Company Limited ("Yunnan Jiwa") and Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("Jiangsu Jiwa") into the PRC pharmaceutical business structure that is headed by Kunming Jida. The reorganization generated a gain of HK$209,150,000, with Kunming Jida, Yunnan Jiwa and Jiangsu Jiwa (collectively the "Discontinued Operations") becoming a 49%-owned associated company of the Company from 30 March 2011.

During the period under review, the Group's operating figures once again recorded historical highs, with the turnover from Continuing Operations (also named as Trading Pharmaceutical and HealthCare Products) and Discontinued Operations increasing by 13.5% to HK$722,606,000 as compared to last year.

During the period under review, profit attributable to owners of the Company increased by 295.9% to HK$255,663,000. Excluding the net gain on deemed disposal of subsidiaries of HK$193,865,000 and share-based payment expense of HK$4,551,000, profit attributable to owners of the Company amounted to HK$66,349,000, representing an increase of 2.7% from the same period last year of HK$64,582,000.

Under the above mentioned reorganization of Kunming Jida, Yunnan Jiwa and Jiangsu Jiwa, there was estimated a total of about HK$220 million cash to be received by the Group. The cash fund received would be used (i) to pay the final dividend; (ii) to invest in the existing R&D projects and (iii) to seek the appropriate business opportunities of merger and acquisition.

DIVIDENDS

The Board of the Company has resolved to recommend a final dividend of HK6 cents per share for the year ended 31 March 2011. This proposed final dividend, subject to approval by shareholders of the Company at the annual general meeting to be held on Thursday, 11 August 2011, will be payable on around 26 August 2011 to the shareholders on the Register of Members on 23 August 2011.

INFLECTION POWERED BY POLICIES AND MARKET FORCES

"Policy guided" is a prominent feature of the PRC pharmaceutical industry. During the recent years, the PRC pharmaceutical industry has had a number of new policies promulgated, including the new "GMP Provisions", the new "Drug Price Control Measures", the "Stringent Cost Audit Control for Pharmaceutical Enterprises" and the "Measures to Fight Commercial Corruption in the Pharmaceutical Industry". The new pharmaceutical industry policies with the ultimate objective of lowering drug prices will inevitably impact the pharmaceutical enterprises. However, this is backgrounded by the industry's "Golden Decade". Looking ahead to the "Twelfth Five-year Planning", the PRC government will implement different measures to further promote the "New Medical Reform" and input immense resources to continuously enhance the medical benefits for the low-protection group of the new agricultural cooperations and inhabitants of cities and towns. With the initiation and implementation of the "New Medical Reform", the PRC pharmaceutical enterprises are looking forward to the historical opportunity of growing big and strong.

Alongside with bringing along opportunities for the pharmaceutical industry, the medical reform policies will at the same time further aggravate the competition among the pharmaceutical enterprise. As the industry continuously evolves, the integration of smaller enterprise by leading enterprises through mergers and acquisitions is bound to become even more intense. Situated at such a monumental time of developments, the Group commenced moves of structural organization during the period. While the core and market of the Group's pharmaceutical business are both located in the PRC, the reorganization created room for the building of a capital platform in the PRC. It has at the same time consolidated the brands and will forcefully enhance the development of the pharmaceutical group based on Kunming Jida as the core, aiming at its becoming one of the top 100 pharmaceutical enterprises in the PRC during the "Twelfth Five-year Plan" period. Also, the reorganization has also enabled the integration of pharmaceutical bulk materials, finished drugs and distribution businesses, which in turn will better align its R&D strategies with its marketing capabilities. The introduction of strategic partner also injected new forces and elements as a strengthened backup for proactive strikes.

On the surface, the Group has lost the direct control of Kunming Jida as its shareholding has decreased from 70% to 49% under the reorganization. However, I deeply believe that after the reorganization, Kunming Jida will be able to achieve growth at a hastened speed, as well as accelerated growth in both sales and profits. It will also earn the potential of listing in the form of A shares to realize greater return and investment value for the Group.

PURSUIT FOR HIGH-POTENTIAL INVESTMENT PROJECTS

In the past, the Group has looked to attain steady growth through organic development. To accelerate its growth process, the Group will gradually evolve into being an investment holding company after this structural reorganization. The Group will capitalize on its existing capital, capital platform and industrial network to set foot on high-potential investment projects, in order to speed up the growth in the enterprise scale.

PROSPECTS

Looking ahead, the Group will continue to adopt flexible development strategies and incessantly consolidate its strengths in terms of R&D, capital, management and human resources. The forthcoming year will see the continued implementation of the Group's reorganization project. This will be paralleled by enhanced capital use in the pursuit of high-potential projects, with the objective to maximize the shareholders' return.

BUSINESS REVIEW

Segment Results

During the period, the Group's operating profit was mainly derived from the finished drugs production and sale businesses ("Finished Drugs"), the trading of pharmaceutical and health care products businesses ("Trading Pharmaceutical and Health Care Products") and the pharmaceutical products distribution businesses ("Distribution").

The revenue from the Finished Drugs was HK$347,619,000, up by 21.3% from last year. The segment profit was HK$82,192,000, up by 18.9% from last year. The growth in results for this segment was mainly driven by the key products Song Taisi, Jida Bente and Jiwa Youmin.

Trading Pharmaceutical and Health Care Products generated a revenue of HK$175,309,000, representing an increase of 7.2% compared to last year. The segment profit was HK$28,831,000, increasing by 1% compared to last year. The growth in results for this segment was mainly driven by the key product "Artrodar".

Revenue from the Distribution business was HK$195,725,000, increasing by 6.4% from last year. The segment profit was HK$2,205,000, or a 43.4% decrease from last year. The decrease in margin was mainly attributable to an increase in sale expenses.

Prominent Sales of New Key Products

During the period under review, the Group's key products namely reduced glutathione for injection ("Gluthion", "Song Taisi"), triamcinolone acetonide injection ("Transton", imported triamcinolone acetonide), tamsulosin hydrochloride ("Jida Bente"), diacerein capsule ("Artodar"), edaravone injection ("Jiwa Youmin") and risedronate sodium tablet ("Jiwa Gusong") generated total external sales of HK$430,687,000, up by 17.4% from last year. Of which, Jida Bente and Jiwa Youmin recorded the most outstanding results, with the y-o-y growth rate in sales of 75% and 58% respectively.

In relation to the star-products "Jida Bente" and "Jiwa Youmin", the Group has established the macro environmental foundation for their swift growth in sales volume, with the marketing department launching active plans for swift growth in sales volume that were implemented in phases and provided special support in terms of human and financial resources to provinces that enjoyed bidding advantages and solid regional foundation.

Kunming Jida Successfully Passed the GMP Re-certification Inspection

In April 2010, the GMP Re-certification Inspection Team sent by the National Food and Drug Administration conducted GMP re-certification inspection on the 8 aseptic preparation production lines of Kunming Jida. Through a series of organization and implementation efforts, the 8 aseptic preparation production lines of Kunming Jida successfully passed the GMP re-certification inspection. During the inspection, onsite and back office protection work of Kunming Jida that complied with 6S has significantly enhanced the certification. The successful passing of the GMP re-certification inspection reflected the Group's consistency and effectiveness as to GMP implementation. At the same time, the Group will continue to seek improvement in establishing a highly efficient quality control system with the objective to ensure the drug quality.

Jiangsu Jiwa Successfully Passing GMP Certification for Risperidone and Citalopram

In August 2010, Jiangsu Jiwa submitted the application for GMP certification for two products, namely Risperidone and Citalopram Hydrobromide. The 2 pharmaceutical bulk materials in the end passed the GMP certification onsite inspection at the same time, signifying the effective entry of Jiangsu Jiwa's products into both the international and domestic markets after the relocation of its factory. Also, the Group's anti-depressant drugs will bring along more significant profit growth.

REORGANIZATION OF PHARMACEUTICAL PLATFORM

To accelerate its development in both the domestic and international market, the Group has aggressively looked for suitable strategic partners during the recent years and has successfully introduced Warburg Pincus as one of the major shareholders of the domestic pharmaceutical structure headed by Kunming Jida. Warburg Pincus is a private investment institution that possesses extensive experience in the pharmaceutical industry.

The Board is of the opinion that the introduction of Warburg Pincus as a shareholder of Kunming Jida holding 20% of the equity will enable the Group to: (i) secure an important long-term partner who is strategically interested in Kunming Jida; (ii) help the Group further develop its pharmaceutical product platform, given that Warburg Pincus possesses over 35 years of extensive investment experience in the medical and health industry and its involvement in the board of directors and management of Kunming Jida will benefit the Group from its extensive experience, expertise and business connections; and (iii) raise fund to expand the production capacity and future business development of Kunming Jida.

Through this reorganization, Kunming Jida has laid down more defined positioning for its growth strategies. Its core market growth momentum will be energized in five areas:

1. The Group's new key products are entering the fast growing phase. This series of key products is mainly related to liver diseases, and the digestive, cardio- and cerebrovascular system, the musculoskeletal system and the urinary system. Its core market is targeted at hospitals of the county level or above. Through consolidation of the marketing team, the Group will forcefully step up the marketing capability for the key hospitals in order to speed up market expansion.

2. Currently, not all of the over 50 market-available products of the Group have established direct sales team reaching the terminals. Instead, they need to build up high coverage and deep penetration through a vast distributor network. After the reorganization, Kunming Jida will restructure the national distribution network to reinforce the cooperative partnership with the distributors with the aim to joint efforts in building the market and the brand.

3. Restructure its channels and establish the terminal operation department to strive for speedy expansion of the coverage and penetration into the rural market. It is planned that a 1,000-person sales and marketing team will be formed in three years' time to target at the 260,000 sales terminal network points of county level or below (i.e., drug stores, clinics, health centers, village hospitals etc.) across the nation. After 2 years' market trials, the marketing department has already selected a series of products suited for the development of the rural market, including Cefaclor (a choice antibiotics for pediatrics), Penyanjing (a choice drug for gynecology inflammation) and Zhiweiling (a quality stomach drug). This products enjoy an enormous market and high growth.

4. Yunnan Province has devised unprecedented major development planning for the pharmaceutical industry. According to the latest provincial catalogue of basic drugs published by Yunnan Province, the Group has 13 products successfully listed on the catalogue, of which 7 products are supplement items, namely triamcinolone acetonide injection, reduced glutathione for injection, cefradine capsule and injection, ceftizoxime sodium for injection, sucralfate suspension, bismuth, magnesium and sodium bicarbonate tablets and Penyanjing granule. The marketing department has aggressively prepared for bidding of basic and non-basic drugs in Yunnan Province in an effort to build the Yunnan market as an elite market, consolidate the Group's foundation and continuously explore and share its successful experience.

5. Explore the international market. During the recent years, the Group has proactively explore the international market, and the export sales of cephalosporin antibiotics products and reduced glutathione for injection to the ASEAN market continued to grow. A breakthrough was also achieved for the South American market, where we have obtained the registration and secured the first order for triamcinolone acetonide injection, somatostatin for injection and ceftriaxone sodium for injection. At the same time, another key product edaravone injection has also started to enter the South Asia market, symbolizing a milestone of Kunming Jida

key products in respect of international sales. Another gynaecological Chinese medicine of Kunming Jida, Penyanjing granule, has successfully obtained registration in Thailand, recording both continuous increases in the sales volume and vertical penetration in regions where it is available. Furthermore, the Group has also started to work on registration of the pharmaceutical bulk product, namely Citalopram, in India, Taiwan, Brazil and Turkey.

The managements deeply believe that, after streamlining its market development strategies, Kunming Jida will record growth in the coming five years at a rate that outshines the industry average.

FINANCIAL REVIEW

Liquidity

As at 31 March 2011, cash and cash equivalents of the Group totalled approximately HK$9,506,000 (2010: approximately HK$34,803,000), of which approximately 63.14% are in Hong Kong dollars, 11.69% in RMB, 14.11% in US dollars, 9.93% in Euro. 0.61% in CHF and 0.52% in Macau Pataca. The decrease in cash and cash equivalents is due to the deconsolidation of the discontinued business.

As at 31 March 2011, the Group had aggregate banking facilities of approximately HK$363,350,000 (2010: approximately HK$287,316,000) of which approximately HK$155,336,000 was utilized (2010: approximately HK$153,806,000) as to approximately HK$135,804,000 in short term bank loans, as to the balance of approximately HK$19,532,000 in letter of credit issued by the relevant banks to independent third parties. The increase in total bank borrowings is mainly due to the increase in the bank borrowings against pledged banks deposits.

Interest rate risk

The major portion of bank borrowings was mainly nominated in HK dollar and US dollar in order to minimize currency risk. As at 31 March 2011, the gearing ratio was approximately 15% (2010: approximately 18%), calculated based on the Group's total bank borrowings of approximately HK$135,505,000 (2010: approximately HK$130,899,000) over the Group's total assets of approximately HK$905,098,000 (2010: approximately HK$737,786,000).

Foreign currency risk

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

Credit risk

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed on credit and the payment conduct of clients are monitored both to facilitate the determination of credit limit as well as a control over whether new sale deliveries should be made. The Group's sale staff and marketing agents pay regular visits to customers to promote the Group's products and at the same time would update information on the clients' credit worthiness. The remuneration of sales staff and marketing agents are structured so that there is goal congruence in maintaining a robust credit risk management system.

Capital Commitments

Capital commitments outstanding at 31 March 2011 not contracted for in the financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Contracted for		
— acquisition of technical know-how	—	4,732
— acquisition of property, plant and equipment	**7,647**	2,648
	7,647	7,380

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

The Company had no capital commitment as at 31 March 2011 (2010: Nil).

Charge on Group assets

As at 31 March 2011, bank loans amounting to approximately HK$20,250,000 (2010: HK$100,316,000) were secured by certain assets of the Group having a net book value of approximately HK$6,719,000 (2010: HK$128,838,000).

Contingent Liabilities

As at 31 March 2011, the Group has not provided any form of guarantees for any company outside the Group and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing Operations			
Revenue	4, 5	**175,309**	163,494
Cost of sales		**(127,095)**	(118,629)
Gross profit		**48,214**	44,865
Other income	6	**1,730**	153
Selling expenses		**(1,369)**	(2,241)
Administrative expenses		**(23,701)**	(15,019)
Other operating expenses		**(2,649)**	(604)
Operating profit		**22,225**	27,154
Finance costs	7	**(1,075)**	(693)
Share of results of associates		**(94)**	(101)
Profit before income tax	8	**21,056**	26,360
Income tax expense	9	**(1,839)**	(2,484)
Profit for the year from continuing operations		**19,217**	23,876
Discontinued Operations			
Profit for the year from discontinued operations	10	**255,651**	57,710
Profit for the year		**274,868**	81,586
Other comprehensive income, including reclassification adjustment			
Release of translation reserve upon disposal of subsidiaries		**(32,228)**	—
Exchange gain on translation of financial statements of foreign operations		**7,242**	6
Other comprehensive income/(loss) for the year, including reclassification adjustments and net of tax		**(24,986)**	6
Total comprehensive income for the year		**249,882**	81,592

	Notes	**2011** **_HK$'000_**	2010 *HK$'000* (Restated)
Profit for the year attributable to:			
Owners of the Company		**255,663**	64,582
Non-controlling interests		**19,205**	17,004
		274,868	81,586
Total comprehensive income attributable to:			
Owners of the Company		**237,790**	64,588
Non-controlling interests		**12,092**	17,004
		249,882	81,592
Earnings per share from continuing operations attributable to owners of the Company during the year			
Basic (cents)	*12*	**1.27**	1.55
Diluted (cents)	*12*	**1.26**	1.54
Earnings per share from discontinued operations attributable to owners of the Company during the year			
Basic (cents)	*12*	**14.61**	2.47
Diluted (cents)	*12*	**14.52**	2.46
Earnings per share attributable to owners of the Company during the year			
Basic (cents)	*12*	**15.88**	4.02
Diluted (cents)	*12*	**15.78**	4.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**8,349**	242,034	245,951
Land use rights		—	29,366	24,772
Construction in progress		—	25,149	9,950
Interests in associates	*13*	**400,999**	19,738	19,839
Goodwill		—	9,066	9,066
Intangible assets		**11,765**	5,720	5,231
Other receivables		—	7,955	15,291
Deferred tax assets		—	3,737	3,930
		421,113	342,765	334,030
Current assets				
Inventories		**13,980**	107,871	71,662
Accounts and bills receivable	*14*	**71,431**	157,359	135,766
Land use rights		—	1,022	900
Deposits, prepayments and other receivables		**155,458**	76,765	46,781
Amounts due from associates		**146,172**	—	—
Amounts due from related company	*15*	—	16,983	13,544
Tax recoverable		—	218	—
Derivative financial assets		**1,291**	—	—
Pledged bank deposits		**76,455**	—	6,400
Cash and cash equivalents		**9,506**	34,803	42,420
		474,293	395,021	317,473
Non-current assets held for sales	*13*	**9,692**	—	—
Total current assets		**483,985**	395,021	317,473
Current liabilities				
Bank loans		**135,505**	130,899	151,871
Accounts and bills payable	*16*	**20,256**	119,344	76,379
Amounts due to an associate		**3,000**	—	—
Accrued expenses and other payables		**15,257**	13,744	17,610
Tax payable		**16,892**	5,277	3,764
Derivative financial liabilities		**106,838**	—	—
		297,748	269,264	249,624

	Notes	31 March **2011** *HK$'000*	2010 *HK$'000* (Restated)	1 April 2009 *HK$'000* (Restated)
Net current assets		**186,237**	125,757	67,849
Total assets less current liabilities		**607,350**	468,522	401,879
Non-current liabilities				
Deferred tax liabilities		—	6,022	6,421
		—	6,022	6,421
Net assets		**607,350**	462,500	395,458
EQUITY				
Share capital		**16,100**	16,100	16,050
Reserves		**591,254**	370,419	320,431
Equity attributable to owners of the Company		**607,354**	386,519	336,481
Non-controlling interests		**(4)**	75,981	58,977
Total equity		**607,350**	462,500	395,458

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL INFORMATION

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

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

The financial statements for the year ended 31 March 2011 were approved for issue by the board of directors on 24 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The 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 significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for derivative financial assets and liabilities measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 March each year. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

From 1 April 2010

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Prior to 1 April 2010

Where losses applicable to the minority exceed the non-controlling interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group are recognised in profit or loss. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new or amended 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 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in note 2.2 to the annual results announcement, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The appreciation of revised HKAS 27 has effected the accounting for the Group's disposal of subsidiaries during the year.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. Accordingly, the Group has reclassified these interests from "Land use rights" to "Property, plant and equipment". These amendments had no impact on the Group's retained earnings and current year results.

Effect of adoption of HKSA 17 on the consolidated statement of financial position:

	31 March 2011	31 March 2010	1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in non-current assets:			
Property, plant and equipment	**4,252**	4,287	4,322
Land use rights	**(4,252)**	(4,287)	(4,322)

As a result of the above retrospective reclassification, an additional consolidated statement of financial position is presented in accordance with HKAS 1 Presentation of Financial Statements.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

4. REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Trading of pharmaceutical products	**175,309**	163,494
Discontinued operations		
Pharmaceutical products	**347,619**	286,499
Distributions	**195,725**	183,882
Bulk	**3,953**	2,607
	547,297	472,988
Total	**722,606**	636,482

5. SEGMENT INFORMATION

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Continuing operation	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Revenue		
From external customers	**132,575**	121,956
From subsidiaries disposed of during the year	**42,734**	41,538
Reportable segment revenue	**175,309**	163,494
Reportable segment profit	**28,831**	28,559
Reportable segment assets	**111,388**	107,321
Additions to non-current segment assets during the year	**7,658**	275
Reportable segment liabilities	**35,020**	61,575

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Reportable segment revenues (Continuing operations)	**175,309**	163,494
Discontinued operations		
Revenue from:		
(i) Pharmaceutical products	**347,619**	286,499
(ii) Distributions	**195,725**	183,882
(iii) Bulk products	**3,953**	2,607
Group revenue	**722,606**	636,482
Reportable segment profits	**28,831**	28,559
Fair value gain on the derivative instruments		
— transactions not qualifying as hedges, net	**1,291**	—
Bank interest income	**79**	14
Unallocated income	**—**	12
Depreciation of property, plant and equipment	**(284)**	(312)
Reversal of write down of inventories	**—**	126
Finance costs	**(1,075)**	(693)
Unallocated expenses	**(3,141)**	(1,245)
Share of results of associates	**(94)**	(101)
Share-based payment expenses	**(4,551)**	—
Profit before income tax and discontinued operation	**21,056**	26,360

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

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Hong Kong (place of domicile)	**38,348**	34,800
Macau	**2**	5
The PRC (excluding Hong Kong and Macau)	**382,763**	304,223
	421,113	339,028

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

During the year ended 31 March 2011, two (2010: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two (2010: two) customers accounted for 31% (2010: 31%) of the Group's revenue for the year. As at the reporting date, total trade receivables due from these two (2010: two) customers accounted for 98% (2010: 45%) of such balance. The sales to these two customers are included in the segment of trading of pharmaceutical products.

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Reportable segment assets	**111,388**	107,321
Assets from disposed subsidiaries	**—**	115,625
Derivative financial assets	**1,291**	—
Interests in associates	**400,999**	19,738
Non-current assets held for sale	**9,692**	—
Other corporate assets	**381,728**	495,102
Group assets	**905,098**	737,786
Reportable segment liabilities	**35,020**	61,575
Liabilities from disposed subsidiaries	**—**	207,293
Derivative financial liabilities	**106,838**	—
Taxes payables	**16,892**	5,277
Other corporate liabilities	**138,998**	1,141
Group liabilities	**297,748**	275,286

6. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest Income	**79**	14
Value-added tax refund	**—**	96
Fair value gain in derivative financial instruments		
— transaction not qualifying as hedges, net	**1,291**	—
Others	**360**	43
	1,730	153

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest charges on bank loans wholly repayable within five years	**1,075**	693

The borrowing cost have been capitalised at a rate of 4.01% per annum (2010: 3.25%).

8. PROFIT BEFORE INCOME TAX

	Continuing operations	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit before income tax is arrived at after charging/ (crediting):		
Costs of inventories recognised as expense		
— Write-back of provision for inventories	**127,095**	118,628
— Provision for impairment of inventories	**—**	(126)
Auditor's remuneration	**770**	700
Depreciation of property, plant and equipment:		
— Administrative expenses	**284**	312
Operating lease charges in respect of premises	**2,918**	3,000
Exchange loss, net	**4,538**	162
Research and development costs	**280**	164

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new PRC Enterprise Income Tax ("EIT") rates for domestic and foreign enterprises in China which are currently charging at an EIT rate of 33% are unified at 25% with effect from 1 January 2008. EIT has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (2010: 25%).

A disposed subsidiary which is located in Kunming, Yunnan, PRC is entitled to preferential PRC EIT rate of 15% (2010: 15%) in accordance to the continuous implementation of the Western Development tax preferential policies pursuant to the New PRC Income Tax Law which was renewed on 31 March 2011.

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
— Hong Kong		
Tax for the year	**1,839**	3,178
Over provision in respect of prior years	**—**	(694)
	1,839	2,484

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

	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
Profit before income tax	**21,056**	26,360
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**1,137**	2,056
Tax effect of non-deductible expenses	**1,522**	1,121
Tax effect of non-taxable revenue	**(1,051)**	(818)
Tax effect of temporary differences not recognised	**(278)**	(43)
Tax refund	**—**	6
Others	**509**	856
Over provision in prior years	**—**	(694)
Income tax expense	**1,839**	2,484

10. DISCONTINUED OPERATIONS

In early 2011, Kunming Jida Pharmaceutical Company Limited ("Kunming Jida", owned by the Company as to 70%) has placed and issued 30% of its equity to strategic investors, and also reorganized its businesses in the PRC through including the Company's wholly-owned subsidiaries Yunnan Jiwa Pharm Logistics Company Limited ("Yunnan Jiwa") and Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("Jiangsu Jiwa") into the PRC pharmaceutical business structure that is headed by Kunming Jida. The reorganization generated proceeds of HK$209,150,000, with Kunming Jida, Yunnan Jiwa and Jiangsu Jiwa (collectively the "Discontinued Operations") becoming a 49%-owned associated company of the Company from 30 March 2011.

The results from the disposed group during the period are presented below:

	Period from 1 April 2010 to 30 March 2011 ***HK$'000***	Year ended 31 March 2010 *HK$'000*
Revenue	**547,297**	472,988
Cost of sales	**(260,201)**	(237,444)
Gross profit	**287,096**	235,544
Other income	**4,663**	11,179
Selling expenses	**(159,661)**	(126,204)
Administrative and other operating expenses	**(54,162)**	(50,260)
Other operating expenses	**—**	(567)
Finance costs	**(3,973)**	(3,118)
Profit before income tax	**73,963**	66,574
Income tax expense	**(12,177)**	(8,864)
Profit after income tax	**61,786**	57,710
Gain on disposal of subsidiaries *(note 17)*	**209,150**	—
Capital gain tax on gain on disposal of subsidiaries	**(15,285)**	—
Profit from discontinued operations	**255,651**	57,710

The net cash flows incurred by the discontinued operations are presented below:

	For the period from 1 April 2010 to 30 March 2011	For the year ended 31 March 2010
	HK$'000	*HK$'000*
Operating activities	**340,673**	9,405
Investing activities	**(35,992)**	(23,973)
Net cash inflow/(outflow)	**304,681**	(14,568)

11. DIVIDENDS

(a) Dividends attributable to the year

	2011	2010
	HK$'000	*HK$'000*
Final dividend proposed after the reporting date of HK$0.06 per share (2010: HK$0.013 per share)	**96,600**	20,930

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of the retained profits for the year ended 31 March 2011.

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

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.013 per share (2010: HK$0.01 per share)	**20,930**	16,050

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share attributable to owners of the Company during the year	**255,663**	64,582

	2011	2010
	HK$'000	*HK$'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,610,000**	1,606,954
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**10,018**	5,597
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,620,018**	1,612,551

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to owners of the Company	**255,663**	64,582
Less: Profit for the year from discontinued operations	**(235,200)**	(39,747)
Earnings for the purpose of basic and diluted earnings per share from continuing operation	**20,463**	24,835

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is HK$14.61 cents (2010: HK$2.47 cents) and diluted earnings per share for the discontinued operations is HK$14.52 cents per share (2010: HK$2.46 cents), based on the profit for the year from the discontinued operations of HK$235,200,000 (2010: HK$39,747,000) and the denominators detailed above for both basic and diluted earnings per share.

13. INTERESTS IN ASSOCIATES — GROUP

	2011	2010
Non-current portion	***HK$'000***	*HK$'000*
At beginning of the year	**19,738**	19,839
Fair value of retained equity interest in former subsidiaries	**391,047**	—
Share of results of associates	**(94)**	(101)
Transfer to non-current assets held for sale	**(9,692)**	—
At end of the year	**400,999**	19,738
Non-current assets held for sale	**9,692**	—

Particulars of the associates at 31 March 2011 are as follows:

Name	**Place of incorporation and kind of legal entity**	**Particulars of issued and paid up capital**	**% of issued capital held**	**Principal activities and place of operation**
Leader Forever Limited	BVI, limited liability company	2,500 ordinary shares of USD1 each	40%	Not yet commence business
Vital Element Investments Limited	BVI, limited liability company	4,000 ordinary shares of USD1 each	25%	Not yet commence business
Kunming Jida Pharmaceutical Company Limited ("KJP")	PRC, limited liability company	Reminbi ("RMB") 189,048,600	49% (2010: 70%)	Manufacturing and trading of pharmaceutical products, PRC

All associates have a reporting date of 31 March 2011 except for KJP, which has a reporting date of 31 December 2010. The aggregate amounts of financial information as extracted from the management accounts of the associates as at 31 March 2011 are as follows:

	2011	2010
	HK$'000	*HK$'000*
Assets	**880,635**	71,318
Liabilities	**452,360**	7,061
Revenue	**—**	—
Loss for the year	***(316)**	(263)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

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

* Loss for the period in which the associates were equity accounted for amounted to HK$316. Profit of KJP up to 30 March 2011 has been consolidated under the Group's discontinued operation for the year.

14. ACCOUNTS AND BILLS RECEIVABLE — GROUP

	2011	2010
	HK$'000	*HK$'000*
Accounts receivable	**71,431**	151,188
Bills receivable	**—**	6,171
	71,431	157,359

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

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

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**37,427**	113,704
Over 3 months but less than 6 months	**18,662**	31,421
Over 6 months	**15,342**	12,234
	71,431	157,359

At each reporting date, the Group first assesses whether objective evidence of impairment exists individually for accounts and bills receivable that are individually significant, and individually or collectively for accounts and bills receivable that are not individually significant. The Group also assesses collectively for accounts and bills receivable with similar credit risk characteristics for impairment. The impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable.

The Group did not hold any collateral as security or other credit enhancements over the accounts and bills receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's accounts and bills receivable that were past due as at the reporting dates but not impaired, based on due date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Past due and not impaired		
Not more than one month past due	**12,507**	16,867
Over one month past due	**3,070**	2,222
	15,577	19,089

As at 31 March 2011, accounts and bills receivables of HK$55,854,000 (2010: HK$138,270,000) were neither past due nor impaired. These related to a number of diversified customers from whom there was no recent history of default.

Accounts and bills receivable that were past due but not impaired relate to customers that had a good track record of credit with the Group. Base on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. RELATED PARTY TRANSACTIONS — GROUP

Apart from those transactions and balances with related parties disclosed elsewhere in the financial statements, the following transactions are carried out with related parties during the year.

(a) Related party transactions:

	Note	**2011** **HK$'000**	2010 *HK$'000*
Recurring:			
Sales of goods:			
— Yunnan Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceutical")	*(i)*	**15,203**	9,412
Rentals paid			
— Mr. Lau Yau Bor	*(ii)*	**710**	696
— Jiwa Investment Limited	*(iii)*	**2,005**	1,956

Notes:

(i) Yunnan Pharmaceutical is the minority shareholder of KJP, a former subsidiary of the Group.

KJP became an associated company of the Group since 30 March 2011.

(ii) A director of the Company, Mr. Lau Yau Bor, leased certain properties to the Group.

(iii) Jiwa Investment Limited, which is controlled by directors, Mr. Lau Yau Bor and Madam Chan Hing Ming, leased certain staff quarters and office premises to the Group.

(b) Amounts due from related company

	2011 **HK$'000**	2010 *HK$'000*
Yunnan Pharmaceutical	—	16,983

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

At 31 March 2010, amount of HK$4,945,000 included in amounts due from related company were trade receivables from the related company. Related company is generally granted with credit terms ranging from 30 days to 180 days and no interest is charged.

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

	2011 **HK$'000**	2010 *HK$'000*
Within 3 months	—	4,945

Base on past experiences, the management believes that no impairment provision is necessary in respect of trade receivables from the related company as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances. The carrying amounts of the balances are considered a reasonable approximation of fair value.

(c) **Compensation of key management personnel**

Remuneration of directors and other members of key management during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries, other allowances and benefits in kind	**3,629**	3,875
Discretionary bonus	**150**	103
Rentals for directors	**1,900**	1,872
Share-based employee compensation	**4,551**	—
Contribution to defined contribution plans	**48**	48
	10,278	5,898

16. ACCOUNTS AND BILLS PAYABLE — GROUP

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

	2011	2010
	HK$'000	*HK$'000*
Accounts payable		
Within 3 months	**8,700**	91,912
Over 3 months but within 6 months	**—**	3,212
Over 6 months	**479**	1,313
	9,179	96,437
Bills payable	**11,077**	22,907
	20,256	119,344

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

The fair values of the Group's accounts and bills payable at 31 March 2011 and 2010 approximate to their corresponding carrying amounts due to their short-term maturities.

17. DISPOSAL OF SUBSIDIARIES

As referred to in note 10, on 30 March 2011, the Group disposed of its subsidiaries, KJP, JJRP and YJPL, which are engaged in the manufacturing, trading and distributions of pharmaceutical products. The net assets of these three subsidiaries at the disposal date were as follows:

	2011
	HK$'000
Property, plant and equipment	238,811
Land use rights	31,022
Construction in progress	46,263
Deferred tax assets	5,831
Goodwill	9,066
Intangible assets	5,619
Inventories	75,161
Trade and other receivables	168,810
Cash and cash equivalents	299,260
Bank loans	(93,507)
Trade and other payables	(346,888)
Amount due from/(to) related companies	(61,353)
Tax payable	(495)
Deferred tax liabilities	(5,758)
Net assets disposed of	371,842
Non-controlling interest	(83,359)
Release of translation reserve upon disposal of subsidiaries	(32,228)
Distribution of earnings from KJP	(64,811)
Fair value of profit guarantee	28,882
Fair value of put option	77,956
	298,282
Expenses directly attributable to disposal of subsidiaries	1,380
Gain on disposal of subsidiaries *(note 10)*	209,150
Total consideration	508,812
Satisfied by:	
Cash consideration	117,765
Fair value of the retained interest in former subsidiaries	391,047
Net cash outflow arising on disposal	
Cash consideration	—
Cash and bank balances disposed of	(299,260)
Net outflow of cash and cash equivalents	(299,260)

The Group disposed of its entire equity interest in JJRP and YRPL to its former subsidiary KJP for cash consideration of RMB64,600,000 (equivalent to HK$76,000,000) and RMB35,500,000 (equivalent to HK$41,765,000) respectively. Total sales proceed of RMB100,100,000 (equivalent to HK$117,765,000) had not been received in cash as of the reporting period.

EMPLOYMENT REMUNERATION POLICY

As at 31 March 2011, the Group had approximately 1,184 employees. The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes. The Company may also grant options to eligible employees under its share option scheme.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Board of Directors is of the opinion that during the financial year ended 31 March 2011, the Company had applied the CG Code as set out in the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

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

On specific enquiries made, all directors have confirmed that, for the year ended 31 March 2011, they have complied with the required standard set out in the Model Code and the Own Code.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management and the Company's external auditors, the consolidated statements for the year ended 31 March 2011 including the accounting principles and practices adopted by the Group. Also, this preliminary results announcement has been agreed with the external auditors.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held at 2:00 p.m. on 11 August 2011 (Thursday) at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, 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 18 August 2011 (Thursday) to 23 August 2011 (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, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 August 2011 (Wednesday).

ACKNOWLEDGEMENTS

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

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

Hong Kong, 24 June 2011

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