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# 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 2013

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 2013 (the "Year" or the "Period").

### RESULTS

During the period under review, the Group recorded a turnover of HK$35,648,000, representing a decrease of 82.5% as compared to HK$203,787,000 of the same period last year. During the Year, profit attributable to owners of the Company amounted to HK$41,754,000, compared to HK$70,620,000 of the same period of last year, representing a decrease of 40.9%.

### DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2013.

### PROSPECTS

Over the past year, the management of the Group has ardently explored investment projects and deployed professional teams for analysis of potential return and risks in a number of industries. The Company has consistently upheld the practice of meticulous management as it progressed on the route of business diversification.

Looking into the future, the Company will continuously seek business development and opportunities in the three major areas of trading, R&D project management and investment. Given the co-existence of risk and opportunity, the Group will continue to strengthen its corporate governance, excel in risk management efforts, and balance the investment risks of different industries and projects as it strives for optimization of its industry value and continued enhancement of shareholder's return.

* *For identification purpose only*

## BUSINESS REVIEW

### Trading Business

During the Period, turnover from the trading business was HK$35,648,000, representing a decrease of 82.5% from the previous year; the segmental results amounted to HK$8,101,000, representing a decrease of 72.0% from the previous year. Trading product sales of the Company mainly include import prescription drugs sold indirectly to Kunming Jida Pharmaceutical Company Limited ("KJP", a 49% owned associated company of the Group) via an authorised and independent import and export company and a small portion of health care products manufactured in the People's Republic of China ("PRC"). After completion of the reorganization, KJP has established a subsidiary in Hong Kong, which is specifically responsible for KJP's new trading business and direct procurement from suppliers in Europe to strengthen its competitive edges. With the gradual expansion of scale of KJP, the pharmaceutical trading business of the Group has been significantly downsized. However, the Group is ardently looking at trading opportunities in different regions and industries, building on its market network in Europe, ASEAN and China, as well as the extensive experience of its management in trading business.

### R&D and Project Management

The Group has commenced joint effort chemical and biological researches with R&D institution in Hong Kong since 2007. During the Period, segment results of HK$21,739,000 were recorded. The management is optimistic towards this business and continuously propelling the existing projects as well as putting continuous efforts in identifying R&D projects with potentials.

During the Period, one of the Group's R&D projects of pharmaceutical products has attained phasal achievement. On 23 July 2012, the Group entered into a technology transfer agreement with Jiwa Biotech, pursuant to which an aggregate consideration of RMB111,000,000 was payable by Jiwa Biotech upon satisfaction of the pre-condition stipulated for each of the following three phases of construction, production and registration.

At phase 1, the Group will transfer the technical documents of the product production technology to Jiwa Biotech within six months upon signing the Technology Transfer Agreement; at phase 2, the Group has to assist Jiwa Biotech to construct a production plant and ancillary facilities for the production of the pharmaceutical bulk materials products to be qualified by the Group and Jiwa Biotech within a specific construction budget; and at phase 3, the Group has to assist Jiwa Biotech to commence (i) full scale of production of such pharmaceutical bulk materials products at a specific production capacity and ensuring the production cost of such bulk materials relating thereto not exceeding the specific unit cost, and (ii) obtaining the registration certificates of such products as well as the certification of "Good Manufacturing Practice" by the State Food and Drug Administration of the PRC by no later than 31 December 2016.

According to the Technology Transfer Agreement, RMB40,000,000, RMB20,000,000 and RMB51,000,000 will be invoiced upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above. The above payment schedule may be extended by mutual agreement between the contracting parties to the Technology Transfer Agreement, while the maximum consideration will be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full. As ancillary to the Technology Transfer Agreement, the Company (being the Guarantor) and Jiwa Biotech further entered into a guarantee agreement on 23 July 2012, pursuant to which Jiwa Biotech has been guaranteed by the Company for the implementation of all the pre-conditions as set out therein. In case of Jiwa Biotech's failure of obtaining the requisite registration certificates of such products as well as the certification of Good Manufacturing Practice by the State Food and Drug Administration of the PRC by 31 December 2016, the Purchaser may request the vendor and/or the Company to repurchase the technology that had already been transferred to Jiwa Biotech; while the vendor and/or the Company has to repay the full consideration that had already been paid to Kunming Jida up to that time. Based on the Group's current estimate, failure of fulfilling the above pre-conditions under the Technology Transfer Agreement so as leading to the vendor's and/or the Company's obligations for making repayment to the Purchaser is remote.

**Investment and Treasury Function**

During the Period, losses of this segment amounted to HK$2,618,000, which was mainly derived from losses from treasury products. In May 2012, the Group acquired a unit in Grade A commercial building for HK$20,070,000 that can be used in conjunction with the adjacent unit currently held by the Group to enhance the over all value of the properties. The property would be disposed at a consideration of HK$22,000,000 under the Property Disposal Agreement dated 12 March 2013.

During the Period, the Group also disposed part of the treasury products and would continue to look at the opportunity of relatively higher yield return treasury products under limited risk exposure to maximize excess cash flow operation.

**Disposal of 49% equity interest in the Kunming Jida Group**

Reference is made to the joint announcement issued by the Company and U-Home Group International Limited dated 22 April 2013. Unless otherwise defined, all terms and reference used herein shall been the meaning ascribed to them in the joint announcement.

On 12 March 2013, the Company, through Jiwa Development as vendor, and the JW Purchaser as purchaser entered into the Disposal Agreement, pursuant to which the JW Purchaser conditionally agreed to acquire and Jiwa Development conditionally agreed to dispose of the Disposal Shares, comprising the entire issued share capital of Jiwa Pharm (including the indirect 49% equity interest in the Kunming Jida Group), at the Disposal Consideration of HK$512,000,000.

The Group is principally engaged in (i) trading of pharmaceutical products and healthcare products; (ii) investment holding and treasury function; and (iii) research and development of chemical and biological products. At the request of the Offeror, the Vendors proposed the Disposal to the Company in order to divest its non-core business, and to focus its capital and management resources on the operating business of trading of pharmaceutical products and R&D and project management.

The Directors estimate that the net proceed from the Disposal will be approximately HK$478 million. The Directors are of the view that the Disposal provides an opportunity for the Company to realise the Group's investment in the non-core business while receiving the Disposal Consideration in cash. If the possible Special Dividend is declared, the Company intends to use the net proceeds from the Disposal for the payment of the possible Special Dividend to the Shareholders. As such, the Disposal may provide an opportunity to the Shareholders to realise part of their investments in the Company by receiving the possible Special Dividend.

The Company has agreed with the Subscribers in February 2011 that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from 7 April 2011, the Subscribers may, within six months from the expiry of such 48 months, request the Company to repurchase their equity interest in Kunming Jida. As at the date of the joint announcement, Kunming Jida has not obtained a separate listing status on any stock exchange.

During the course of preparation for the Listing Application on the Shenzhen Stock Exchange, the Company has been advised by the relevant professional parties after communication with the China Securities Regulatory Commission that if the controlling shareholder of Kunming Jida (i.e. currently being the Company) is a listed company in another overseas stock exchange, there will be significant regulatory hurdle for the Listing Application on the grounds that the relevant regulatory authority does not expect the same operating entity supporting two listing status (the listing of the Company and the listing of the Kunming Jida Group), whether in the PRC or overseas, hence causing the success of the Listing Application to be highly uncertain.

Based on the advice available to the Company from the advisers advising the proposed listing of Kunming Jida, any change in control of Kunming Jida will likely hinder the Listing Application of Kunming Jida and Kunming Jida will have to remain in the control of the same new controlling shareholder(s) for three years before proceeding with the proposed listing on the Shenzhen Stock Exchange, in which case the Repurchase Obligation will be triggered. If the Company were to reduce its shareholding in Kunming Jida to a "non-controlling level", the Company is advised that Kunming Jida will be treated as a "多人共同控制公司" (multi-controlling shareholders company) by relevant authority and thus will be deemed to have a change in control in Kunming Jida. On the other hand, if the Company were to dispose of its shareholding to other investors rather than the Lau's Family (who currently controlled Kunming Jida indirectly through the Company), it is obvious that a change in control of Kunming Jida would be resulted. Indeed, the Company considers it not making commercial sense for an independent investor to take up the interest in Kunming Jida and bearing the Repurchase Obligation at the same time while Kunming Jida can only proceed with its listing exercise after three years, not to say the uncertainties involved. Taking into account the above, the Company is of the view that the Disposal is fair and reasonable when comparing with the other options described above.

In view of the high possibility of triggering the Repurchase Obligation if the Listing Application is not successful, the Offeror does not expect the Repurchase Obligation would still be attributable to the Company after the completion of the Share Purchase Agreement. As such, the Disposal is one of the key conditions precedent to the entering into of the Share Purchase Agreement and completion thereof. The Repurchase Obligation will be assumed by the JW Purchaser prior to the Disposal Completion. In negotiation with the JW Purchaser in respect of the Disposal, the Directors have taken into consideration the management and ownership continuity of Kunming Jida and the established co-operation relationship among the existing equity holders of Kunming Jida, in order to ensure the smooth implementation of the Listing Application. In such regard, all the Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family. Following the Disposal Completion, the Lau's Family, being the single largest equity holder of Kunming Jida, together with other equity holders thereof, will continue to proceed with the Listing Application.

**Possible special dividend**

Subject to (i) the Disposal Completion; (ii) the completion of the Property Disposal; (iii) completion of the Property Transfer; (iv) compliance with the relevant bye-laws of the Company governing the declaration of and payment for dividends; (v) the sufficiency of the distributable reserves of the Company immediately after the Disposal Completion and the completion of the Property Disposal and the Property Transfer; and (vi) approval by the Shareholders of the possible Special Dividend at the SGM by way of poll, the Board had declared on 23 May 2013 the possible Special Dividend of HK$0.375 per Share to the Qualifying Shareholders as contemplated under the Closing Conditions under the Share Purchase Agreement.

**Possible mandatory unconditional cash offer**

On 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAU's Holdings Co. Ltd., MINGS Development Holdings Limited and WHYS Holdings Co. Ltd. as venders, and U-Home Group International Limited ("the Offeror") as purchaser entered into the Shares Purchase Agreement, pursuant to which the Vendors agreed to sell 1,173,102,000 Sale Shares to the Offeror.

As at the date of the joint announcement, the Offeror and parties acting in concert with it are not interested in any Shares (other than the interest in Shares under the Share Purchase Agreement). Immediately after completion of the Share Purchase Agreement, the Offeror and parties acting in concert with it will own a total of 1,173,102,000 Shares, representing approximately 72.19% of the existing issued share capital of the Company. Under Rules 26.1 and 13 of the Takeovers Code, the Offeror will be required to make a mandatory unconditional general offer in cash for all the issued Shares and to cancel all outstanding Options (other than those Shares already acquired or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer Price is HK$0.2378 for each Offer Share, which is the same as the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

Shareholders may be entitled to the possible Special Dividend, if declared, whether they accept the Share Offer or not during the offer period. If completion of the Share Purchase Agreement proceeds, the Lau's Family will receive an aggregate of approximately HK$0.6128 per Share from the sale proceeds of the Sale Shares and the possible Special Dividend, if declared. Similarly, other existing Shareholders will receive a total benefit of approximately HK$0.6128 per Share from the possible Special Dividend, if declared and the Share Offer if they accept the Share Offer.

## FINANCIAL REVIEW

### Liquidity

As at 31 March 2013, cash and cash equivalents of the Group totalled approximately HK$94,058,000 (2012: approximately HK$58,532,000), of which approximately 51.4% are in Hong Kong dollars, 13.1% in RMB, 35.1% in US dollars, 0.3% in Euro, and 0.1% in Macau Pataca. The increase in cash and cash equivalents is mainly attributable to a result of the receipt of cash proceeds under the Technology Transfer Agreement and the receipt of cash dividends from Kunming Jida Group.

As at 31 March 2013, the Group had aggregate banking facilities of approximately HK$388,000,000 (2012: approximately HK$581,030,000) of which approximately HK$181,153,000 was utilized (2012: approximately HK$283,988,000). This comprised of as to approximately HK$178,545,000 in short term bank loans and approximately HK$2,608,000 in letter of credit issued by the relevant banks to independent third parties. The decrease in total bank borrowings are mainly due to the decrease in the bank borrowings against pledged bank deposits and pledged treasury products.

### Interest rate risk

The Group's bank borrowings was mainly denominated in HK dollar and US dollar in order to minimize currency risk. As at 31 March 2013, the gearing ratio was approximately 21% (2012: approximately 27%), calculated based on the Group's total bank borrowings of approximately HK$178,545,000 (2012: approximately HK$256,071,000) over the Group's total assets of approximately HK$872,449,000 (2012: approximately HK$932,953,000).

### Foreign currency risk

The Group is subject to foreign currency risk as certain bills payable arising from import of purchases from European countries are denominated in EUROs. Management had hedged with EURO forward contracts to minimize the foreign currency risk.

**Credit risk**

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed to purchase 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**

At 31 March 2013, outstanding Capital Commitment not provided for in the financial statements were as follows:

| | **The Group** | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Contracted for | | |
| — acquisition of property, plant and equipment | — | 65,921 |

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 2013 (2012: Nil).

**Charge on Group assets**

As at 31 March 2013, bank loans amounting to approximately HK$9,585,000 (2012: HK$15,250,000) were secured by the investment property (2012: investment property) of the Group having a net book value approximately HK$22,000,000 (2012: HK$29,000,000). In additions, bank loans amounting to HK$79,960,000 (2012: HK$97,821,000) were secured by the Group's pledged bank deposits amounting HK$76,652,000 (2012: HK$90,008,000). The bank loans amounted to approximately HK$89,000,000 (2012: HK$127,000,000) were secured by the Group's treasury products amounting HK$100,888,000 (2012: HK$141,427,000).

**Contingent Liabilities**

As at 31 March 2013, the Group has issued corporate guarantees to banks amounting to approximately HK$237,000,000 (2012: HK$150,323,000) with respect to bank borrowings of the associates of the Group. As at 31 March 2013, the outstanding balances of the bank borrowings were HK$157,000,000 (2012: HK$33,323,000).

The Group 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 2013*

| | Notes | **2013** | 2012 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **35,648** | 203,787 |
| Cost of sales | | **(27,720)** | (168,472) |
| Gross profit | | **7,928** | 35,315 |
| Other income | *6* | **6,278** | 3,528 |
| Selling expenses | | **—** | (1,065) |
| Administrative expenses | | **(12,891)** | (18,573) |
| Other operating expenses | | **(4,476)** | (906) |
| Other gains and losses, net | *7* | **19,557** | 19,622 |
| **Operating profit** | | **16,396** | 37,921 |
| Finance costs | | **(4,435)** | (3,404) |
| Share of results of associates | | **35,352** | 40,737 |
| **Profit before income tax** | *8* | **47,313** | 75,254 |
| Income tax expense | *9* | **(5,559)** | (4,636) |
| **Profit for the year** | | **41,754** | 70,618 |
| **Other comprehensive income, including reclassification adjustment** | | | |
| Fair value adjustment upon transfer of owner-occupied properties to investment property | | **—** | 22,353 |
| Release of translation reserve upon disposal of a subsidiary | | **(1,002)** | — |
| Exchange gain on translation of financial statements of foreign operations | | **—** | 862 |
| **Other comprehensive income for the year, including reclassification adjustments and net of tax** | | **(1,002)** | 23,215 |
| **Total comprehensive income for the year** | | **40,752** | 93,833 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **41,754** | 70,620 |
| Non-controlling interests | | **—** | (2) |
| | | **41,754** | 70,618 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **40,752** | 93,835 |
| Non-controlling interests | | **—** | (2) |
| | | **40,752** | 93,833 |
| **Earnings per share** | *11* | | |
| Basic (HK cents) | | **2.57** | 4.39 |
| Diluted (HK cents) | | **2.56** | 4.37 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **373** | 2,652 |
| Investment properties | | **55,000** | 29,000 |
| Interests in associates | | **443,816** | 408,464 |
| Intangible assets | | — | 29,994 |
| Deposit for land use right | | — | 14,326 |
| | | **499,189** | 484,436 |
| **Current assets** | | | |
| Inventories | | — | 586 |
| Accounts receivable | *12* | **8,282** | 59,126 |
| Deposits, prepayments and other receivables | | **10,634** | 25,100 |
| Amounts due from associates | | **81,873** | 50,011 |
| Derivative financial assets | | — | 4,019 |
| Treasury products at fair value through profit or loss | | **100,888** | 161,032 |
| Tax recoverable | | **873** | 103 |
| Pledged bank deposits | | **76,652** | 90,008 |
| Cash and cash equivalents | | **94,058** | 58,532 |
| | | **373,260** | 448,517 |
| **Current liabilities** | | | |
| Bank borrowings | | **178,545** | 256,071 |
| Accounts and bills payable | *13* | **7,727** | 4,992 |
| Accrued expenses and other payables | | **2,283** | 5,442 |
| Tax payable | | **1,832** | 6,969 |
| Derivative financial liabilities | *14* | **64,523** | 53,704 |
| | | **254,910** | 327,178 |
| **Net current assets** | | **118,350** | 121,339 |
| **Total assets less current liabilities** | | **617,539** | 605,775 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **1,602** | 1,192 |
| **Net assets** | | **615,937** | 604,583 |
| **EQUITY** | | | |
| Share capital | | **16,250** | 16,100 |
| Reserves | | **599,693** | 588,489 |
| **Equity attributable to owners of the Company** | | **615,943** | 604,589 |
| **Non-controlling interests** | | **(6)** | (6) |
| **Total equity** | | **615,937** | 604,583 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2013*

### 1. GENERAL INFORMATION

Jiwa Bio-Pharm Holdings Limited (the "Company") is a limited liability company incorporated 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 & 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 "Stock Exchange").

The Company and its subsidiaries are collectively referred to as the "Group".

The Company is principally engaged in investment holding. The principal activities of its subsidiaries include trading of pharmaceutical and health care products, research and development of chemical and biological products and investment and treasury function.

On 21 September 2012, one of the Group's wholly owned subsidiary, Jiwa Pharm & Chemicals Limited, entered into a conditional sale and purchase agreement with Kunming Jida Pharmaceutical Company Limited ("KJP"), a 49%-owned associated company of the Group, to dispose its entire 100% equity interests in a subsidiary of the Group, namely Yunnan Jiwa Biotech Limited ("YJB"), for a cash consideration of Renminbi ("RMB") 19,000,000 (Hong Kong Dollars ("HK$") 23,170,000 equivalent). YJB is incorporated in the People's Republic of China (the "PRC") and is principally engaged in manufacturing and trading of pharmaceutical products in the PRC. The directors consider that the Group has lost of controls over YJB and the disposal was completed on 24 September 2012.

On 23 July 2012, one of the Group's wholly owned subsidiaries, Base Affirm International Limited, entered into a technology transfer agreement with YJB, pursuant to which an aggregate consideration of RMB111 million (HK$135.4 million equivalent) is payable by YJB upon satisfaction of the pre-condition set for each of the 3 phases. The technology has been transferred to YJB and phase 1 of the arrangement has been completed on 28 September 2012. Accordingly, the gain on disposal of YJB and the technology amounted to HK$23,529,000 in aggregate has been recognised in consolidated statement of comprehensive income in "Other gains and losses" during the year ended 31 March 2013.

On 12 March 2013, the Company through Jiwa Development Co. Ltd., a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Disposal Agreement") with a company which is wholly owned by Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung (collectively referred to as "Lau's Family"), directors of the Company, to dispose its entire 100% equity interests in a subsidiary of the Group, namely Jiwa Pharmaceutical Limited ("JPL") which held 49% direct equity interest in KJP, for a cash consideration of HK$512,000,000. KJP has four wholly owned subsidiaries in the PRC or Hong Kong, namely Wuxi Jida Pharmaceutical Company Limited ("JJRP"), Kunming Jida Pharmaceutical Distribution Company Limited ("YJPL"), YJB and Jida Pharm (HK) Trading Co., Limited (collectively referred to as the "KJP Group"). The disposal has not yet been completed on 31 March 2013.

The directors consider its ultimate parent is LAUs Holdings Co. Ltd, a company incorporated in British Virgin Islands.

The financial statements for the year ended 31 March 2013 were approved for issue by the board of directors on 11 June 2013.

## 2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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. 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 financial statements have been prepared under historical cost convention except for investment properties, treasury products at fair value through profit or loss and derivative financial assets and liabilities, which are stated at fair value.

The accounting policies used in preparing the consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2012 with the addition of certain standards and interpretations of HKFRSs issued and which became effective in the current year as described below.

## 3. ADOPTION OF NEW OR AMENDED HKFRSs

### (a) Adoption of new/revised HKFRSs — effective 1 April 2012

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012:

| | |
|---|---|
| Amendments to HKFRS 7 | Disclosures — Transfers of Financial Assets |

The adoption of these amendments has no material impact on the Group's financial statements.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| Amendments to HKAS 1 (Revised) | Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1] |
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities[3] |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities[2] |
| HKAS 27 (2011) | Separate Financial Statements[2] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[2] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 13 | Fair Value Measurements[2] |

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities[3] |
| HKFRSs (Amendments) | Annual Improvement 2009-2011 Cycle[2] |

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

***Amendments to HKAS 1 (Revised) Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

***Amendments to HKAS 32 Presentation — Offsetting Financial Assets and Financial Liabilities***

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

***Amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities***

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and 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. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

***HKFRS 10 Consolidated Financial Statements***

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

***HKFRS 12 Disclosure of Interests in Other Entities***

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

***HKFRS 13 Fair Value Measurements***

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities***

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

***HKFRSs (Amendments) — Annual Improvements 2009-2011 Cycle***

The improvements made amendments to five standards in which four standards are relevant to the Group.

*(i) HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

*(ii) HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

*(iii) HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

*(iv) HKAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company are not yet in a position to quantify the effects on the Group's financial statements.

## 4. REVENUE

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trading of pharmaceutical and health care products | **35,648** | 203,787 |

## 5. SEGMENT INFORMATION

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

For the year ended 31 March 2013, the Group has identified the following reportable segments:

(i) Trading of pharmaceutical and health care products — Trading of pharmaceutical and health care products

(ii) Research and development — Research and development of chemical and biological products

(iii) Investment and treasury function — Investment holding and treasury function

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

— expenses related to share-based payments
— fair value gain or loss on Put options and gain on derecognition of Profit guarantees
— impairment of/reversal of impairment for other receivables
— share of profit or loss of associates accounted for using the equity method
— finance costs incurred on corporate borrowings
— income tax
— corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude interests in associates and tax recoverable. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment and the Group's headquarters.

Segment liabilities exclude derivative financial liabilities in relation to Put options. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include tax payable and deferred tax liabilities.

No asymmetrical allocations have been applied to reportable segments.

**Segment revenue, segment results, segment assets and segment liabilities**

Information regarding the Group's reportable segments including the reconciliations to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

| | Trading of pharmaceutical and health care products *HK$'000* | Research and development *HK$'000* | Investment and treasury function *HK$'000* | Sub-total *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **For the year ended 31 March 2013** | | | | | | |
| **Reportable segment revenue** | 35,648 | — | — | 35,648 | — | 35,648 |
| **Reportable segment profit/(loss)** | 8,101 | 21,739 | (2,618) | 27,222 | — | 27,222 |
| Fair value loss on Put option | | | | | | (10,356) |
| Share base payment | | | | | | (2,027) |
| Impairment of other receivables | | | | | | (12,013) |
| Write back of other receivables | | | | | | 7,500 |
| Finance costs on corporate borrowings | | | | | | (1,439) |
| Share of results of associates | | | | | | 35,352 |
| Unallocated corporate income | | | | | | 8,476 |
| Unallocated corporate expenses | | | | | | (5,402) |
| **Profit before income tax** | | | | | | 47,313 |

| | Trading of pharmaceutical and health care products *HK$'000* | Research and development *HK$'000* | Investment and treasury function *HK$'000* | Corporate *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Other information** | | | | | |
| Interest income | | | | | |
| — Bank deposits and loans to associates | 45 | 4 | — | 2 | 51 |
| — Bank deposits subject to interest rate swap contracts | — | — | 2,150 | — | 2,150 |
| — Overdue receivables | — | — | — | 216 | 216 |
| Finance costs | — | — | (2,996) | (1,439) | (4,435) |
| Depreciation of property, plant and equipment | (224) | (248) | — | — | (472) |
| Fair value losses on other derivative financial instruments not qualifying as hedges, net | — | — | (6,218) | — | (6,218) |
| Fair value gain on treasury products at fair value through profit or loss | — | — | 2,893 | — | 2,893 |
| Gain on disposal of a subsidiary | — | 23,529 | — | — | 23,529 |
| Additions to specified non-current asset# | 21,028 | 15,472 | — | — | 36,500 |

| | Trading of pharmaceutical and health care products HK$'000 | Research and development HK$'000 | Investment and treasury function HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 31 March 2013** | | | | |
| **Reportable segment assets** | **163,440** | **27,655** | **177,540** | **368,635** |
| Interests in associates | | | | **443,816** |
| Tax recoverable | | | | **873** |
| Other corporate assets | | | | **59,125** |
| **Consolidated total assets** | | | | **872,449** |
| **As at 31 March 2013** | | | | |
| **Reportable segment liabilities** | **10,005** | **—** | **80,423** | **90,428** |
| Derivative financial liabilities — Put option | | | | **64,060** |
| Tax payables | | | | **1,832** |
| Deferred tax liabilities | | | | **1,602** |
| Other corporate liabilities | | | | **98,590** |
| **Consolidated total liabilities** | | | | **256,512** |

| | Trading of pharmaceutical and health care products HK$'000 | Research and development HK$'000 | Investment and treasury function HK$'000 | Sub-total HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **For the year ended 31 March 2012** | | | | | | |
| **Reportable segment revenue** | 203,787 | — | — | 203,787 | — | 203,787 |
| **Reportable segment profit/(loss)** | 28,930 | (1,680) | 4,395 | 31,645 | 900 | 32,545 |
| Gain on derecognition of Profit guarantee | | | | | | 3,289 |
| Fair value gain on Put option | | | | | | 24,252 |
| Impairment of other receivables | | | | | | (20,211) |
| Finance costs on corporate borrowings | | | | | | (1,805) |
| Share of results of associates | | | | | | 40,737 |
| Unallocated corporate income | | | | | | 3,863 |
| Unallocated corporate expenses | | | | | | (7,416) |
| **Profit before income tax** | | | | | | 75,254 |

| | Trading of pharmaceutical and health care products *HK$'000* | Research and development *HK$'000* | Investment and treasury function *HK$'000* | Corporate *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Other information** | | | | | |
| Interest income | | | | | |
| — Bank deposits and loans to associates | 82 | 220 | — | 449 | 751 |
| — Bank deposits subject to interest rate swap contracts | — | — | 2,034 | — | 2,034 |
| Finance costs | — | — | (1,599) | (1,805) | (3,404) |
| Depreciation of property, plant and equipment | (415) | (248) | — | — | (663) |
| Fair value loss on treasury products at fair value through profit or loss | — | — | (428) | — | (428) |
| Fair value (loss)/gain on other derivative financial instruments not qualifying as hedges, net | (159) | — | 4,178 | — | 4,019 |
| Additions to specified non-current asset# | 809 | 18,963 | — | — | 19,772 |
| Deposits to specified non-current asset# | — | 14,326 | — | — | 14,362 |

| | Trading of pharmaceutical and health care products *HK$'000* | Research and development *HK$'000* | Investment and treasury function *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **As at 31 March 2012** | | | | |
| **Reportable segment assets** | 153,415 | 55,817 | 257,416 | 466,648 |
| Interests in associates | | | | 408,464 |
| Tax recoverable | | | | 103 |
| Other corporate assets | | | | 57,738 |
| **Consolidated total assets** | | | | 932,953 |
| **As at 31 March 2012** | | | | |
| **Reportable segment liabilities** | 10,353 | — | 97,821 | 108,174 |
| Derivative financial liabilities | | | | |
| — Put option | | | | 53,704 |
| Tax payables | | | | 6,969 |
| Deferred tax liabilities | | | | 1,192 |
| Other corporate liabilities | | | | 158,331 |
| **Consolidated total liabilities** | | | | 328,370 |

# Including the Group's property, plant and equipment, investment properties, intangible assets, deposit for land use right and interests in associates but excluding deferred tax assets

**Geographical information**

The Group's revenue is predominantly derived from the PRC. An analysis of the Group's property, plant and equipment, investment properties, intangible assets, deposit for land use right and interest in associates (i.e. specified non-current assets) by geographical locations, determined based on physical location of the assets or location of operations in case of interests in associates, is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **55,373** | 59,680 |
| Macau | **—** | 1 |
| The PRC (excluding Hong Kong and Macau) | **443,816** | 424,755 |
| | **499,189** | 484,436 |

**Information about major customers**

During the year ended 31 March 2013, the Group had three (2012: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. The revenue of HK$22,951,000 (2012: HK$148,943,000), HK$8,637,000 (2012: HK$31,639,000) and HK$4,060,000 (2012: HK$985,000) from these three customers accounted for 64% (2012: 73%), 24% (2012: 16%) and 12% (2012: 1%) respectively of the Group's revenue for the year.

As at 31 March 2013, accounts and bills receivable due from the largest customer accounted for 25% of the Group's total accounts and bills receivable balances while the balances due from the associates were included in "amounts due from associates". As at 31 March 2013, total accounts and bills receivable due from the three customers accounted for 91% of such balances. The sales to these three customers (2012: two customers) are included in the segment of trading of pharmaceutical and health care products.

## 6. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **2,201** | 2,374 |
| Interest income on overdue receivables | **216** | — |
| Interest income on loans to associates | **—** | 411 |
| Rental income | **1,091** | 210 |
| Others | **2,770** | 533 |
| | **6,278** | 3,528 |

In last year, the exchange gain (net), fair value gain on other derivative financial instruments not qualifying as hedges (net) and gain on disposal of property, plant and equipment amounted to HK$8,628,000, HK$4,019,000 and HK$73,000 respectively were disclosed within "Other income", management considered that inclusion of these items in "Other gains and losses' is a better presentation in this year and accordingly, these comparative figures have been reclassified.

## 7. OTHER GAINS AND LOSSES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Exchange gain, net | **9,170** | 8,628 |
| Fair value gain on investment properties | **4,972** | — |
| Fair value (loss)/gain on Put option | **(10,356)** | 24,252 |
| Fair value gain/(loss) on treasury products at fair value through profit or loss, net | **2,893** | (428) |
| Fair value (loss)/gain on other derivative financial instruments not qualifying as hedges, net | **(6,218)** | 4,019 |
| Gain on derecognition of Profit guarantee *(note (a))* | **—** | 3,289 |
| Gain on disposal of a subsidiary | **23,529** | — |
| Gain on disposal of property, plant and equipment | **80** | 73 |
| Impairment of other receivables *(note (b))* | **(12,013)** | (20,211) |
| Write back of impairment on other receivables *(note (c))* | **7,500** | — |
| | **19,557** | 19,622 |

In last year, the fair value loss on treasury products at fair value through profit or loss (net) of HK$428,000 was disclosed within "Other operating expenses", management considered that inclusion of this item in "Other gains and losses" is a better presentation in this year and accordingly, the comparative figure has been reclassified.

*Note:*

(a) Pursuant to the terms of the capital injection (the "Capital Injection") in relation to the disposal of the subsidiaries incurred for the year ended 31 March 2011, the Group would compensate the independent subscribers for any shortfall if there was non-compliance of the Profit guarantee. As at 31 March 2012, the Profit guarantee period expired and accordingly, the Group derecognised the financial liability in relation to the Profit guarantee and recognised the corresponding balance in the amount of HK$3,289,000 in "Other gains and losses".

(b) Impairment loss on other receivables for the year ended 31 March 2013 comprises of impairment provision of HK$12,013,000 (2012: HK$10,000,000) provided for the consideration receivable in relation to disposal of equity interests in Longchang Industrial Co. Ltd.（山西繁峙縣龍昌實業有限責任公司）("Longchang").

For the year ended 31 March 2012, the following items were also included:

— impairment provision of HK$4,692,000 provided for the consideration receivable for exercising the Put option of Leader Forever Limited ("Leader Forever"); and

— impairment provision of HK$5,519,000 provided for other receivables. Based on impairment assessment, management determined that the balances are unlikely to be recovered and impairment provision was provided for in the year.

(c) Write back of impairment included HK$5,000,000 settled by the shareholder of Leader Forever and HK$2,500,000 settled by the shareholder of Vital Element Limited during the year.

During the year ended 31 March 2011, the Group exercised the put option pursuant to the shareholders' agreement of Leader Forever, the Group's former associate, requiring the controlling shareholder of Leader Forever to re-purchase the 1,000 shares of Leader Forever held by the Group at a consideration of HK$10,000,000. Considerations of HK$5,000,000 were received in previous years. As at 31 March 2012, the directors of the Company determined that the remaining consideration receivable is unlikely to be recovered and impairment provision of was provided for accordingly.

During the year ended 31 March 2012, the Group had exercised the put option pursuant to the shareholders' agreement of Vital Element Investments Limited ("Vital Element"), the Group's former associate, requiring the controlling shareholder of Vital Element to re-purchase the 500 shares of Vital Element held by the Group at a consideration of HK$2,500,000. Consideration of HK$2,500,000 (2012: Nil) has been received up to 31 March 2013. As at the date of the exercise of the put option, the net carrying of the Group's interests in Vital Element was nil, representing initial investment cost of HK$5,000,000, less the accumulated amount of share of losses of Vital Element up to the date of exercise of the put option.

As at 31 March 2012 and 2013, other than those shares subject to put option, the Group held another 500 shares in Vital Element. The net carrying value of these remaining 500 shares was nil, representing initial investment cost of HK$5,000,000, less the accumulated amount of share of losses of Vital Element up to nil at the reporting date. There was no further share of loss of Vital Element recognised by the Group at the reporting date as the net losses of Vital Element was Nil (2012: HK$1,413,000).

Particulars of Leader Forever and Vital Element as at 31 March 2013 are as follows:

| **Name of company** | **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 | BVI, limited liability company | 2,500 ordinary shares of US$1 each | Nil (2012:40%) | Research and development of pharmaceutical products |
| Vital Element | BVI, limited liability company | 4,000 ordinary shares of US$1 each | 12.5% (2012: 25%) | Research and development of pharmaceutical products |

## 8. PROFIT BEFORE INCOME TAX

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax is arrived at after charging/(crediting): | | |
| Auditor's remuneration | **750** | 600 |
| Cost of inventories recognised as expense including | **27,720** | 168,472 |
| Write off of inventories | **—** | 5,834 |
| Depreciation of property, plant and equipment *(note (a))* | **472** | 663 |
| Employee benefit expenses (including directors' emoluments) | **7,993** | 8,703 |
| Operating lease charges in respect of premises | **3,339** | 2,919 |
| Written off of prepayments | **39** | — |
| Research and development costs *(note (a))* | **780** | 1,092 |

*Note:*

(a) These are included in "Administrative expenses" in the consolidated statement of comprehensive income for the years ended 31 March 2013 and 2012.

## 9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (2012: 25%).

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| — Hong Kong | | |
| Tax for the year | **170** | 1,532 |
| (Over)/Under-provision in respect of prior years | **(1,026)** | 227 |
| | **(856)** | 1,759 |
| — PRC – Tax for the year | **6,005** | 1,685 |
| Deferred tax | | |
| Current year | **410** | 1,192 |
| | **5,559** | 4,636 |

## 10. DIVIDENDS

### (a) Dividends attributable to the year

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend proposed after the reporting date (2012: HK$0.021 per share) | **—** | 33,810 |

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 2012.

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year of HK$0.021 per share (2012: HK$0.060 per share) | **34,125** | 96,600 |

## 11. EARNINGS PER SHARE

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

| | *HK$'000* |
|---|---|
| ***Earnings*** | |
| **For the year ended 31 March 2013** | |
| Earnings used in calculating basic earnings per share and diluted earnings per share attributable to owners of the Company during the year | **41,754** |
| **For the year ended 31 March 2012** | |
| Earnings used in calculating basic earnings per share and diluted earnings per share attributable to owners of the Company during the year | 70,620 |

| | 2013 | 2012 |
|---|---|---|
| ***Weighted average number of ordinary shares*** | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **1,622,616** | 1,610,000 |
| Effect of dilutive potential ordinary shares — Share options issued by the Company | **7,631** | 7,652 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **1,630,247** | 1,617,652 |

## 12. ACCOUNTS RECEIVABLE — GROUP

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

The Group generally allows a credit period of 30 days to 180 days (2012: 30 days to 180 days) to its trade customers. Based on invoice date, ageing analysis of the Group's accounts receivable is as follows:

| | 2013<br>*HK$'000* | 2012<br>*HK$'000* |
|---|---|---|
| Within 3 months | **8,282** | 15 |
| Over 3 months but less than 6 months | — | 57,933 |
| Over 6 months | — | 1,178 |
| | **8,282** | 59,126 |

At each reporting date, the Group first assesses whether objective evidence of impairment exists individually for its accounts receivable that are individually significant, and individually or collectively for accounts receivable that are not individually significant. The Group also assesses collectively for accounts receivable with similar credit risk characteristics for impairment. The impaired receivables, if any, are determined 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. Based on impairment assessment, no impairment loss was recognised for the Group's accounts receivable for the years ended 31 March 2013 and 2012.

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

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

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Past due and not impaired | | |
| Over 1 month but less than 6 months past due | — | 1,242 |

As at 31 March 2013, accounts receivable of HK$8,282,000 (2012: HK$57,884,000) were neither past due nor impaired. These related to a number of customers from whom there was no recent history of default.

Accounts receivable that were past due but not impaired relate to customers that had a good track record of credit with the Group. Based 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 considered fully recoverable.

## 13. ACCOUNTS AND BILLS PAYABLE — GROUP

Ageing analysis of accounts and bills payable is as follows:

| | 2013 | 2012 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Accounts payable | | |
| Within 3 months | **5,119** | — |
| Bills payable | **2,608** | 4,992 |
| | **7,727** | 4,992 |

Accounts and bills payable are non-interest bearing and are all are expected to be settled within one year.

The fair values of the Group's accounts and bills payable at 31 March 2013 and 2012 approximate to their corresponding carrying amounts due to their short-term maturities.

### 14. DERIVATIVE FINANCIAL LIABILITIES — GROUP

| | 2013 | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value of Put option *(note (a))* | **64,060** | 53,704 |
| Fair value of interest rate swap and foreign currency forward contract | **463** | — |
| | **64,523** | 53,704 |

*Notes:*

(a) In connection with the Capital Injection detailed in note 7(a), the Group and the subscribers entered into agreements, pursuant to which Put options were granted to the subscribers. The Group had obligations to purchase the equity interests from the subscribers upon exercise of the options by the subscribers if KJP does not obtain a listing on a stock exchange within 48 months from the completion date of Capital Injection, each of the subscribers may, within 6 months from the expiry of such 48 months, request the Group to purchase the subscribers' interest in KJP, plus a compound interest of 10% per annum thereon. The Put option was valued by an independent valuer, Roma, using Black-Scholes Option Pricing Model. On initial recognition and as at 31 March 2011, the fair value of the put option was HK$77,956,000. As at 31 March 2013, the fair value of the Put option is HK$64,060,000 (2012: HK$53,704,000) and the Group recognised the change in fair value amounted to HK$10,356,000 (2012: HK$24,252,000) in profit or loss under "Other gains and losses" (note 7).

### 15. EVENTS AFTER REPORTING DATE

On 25 April 2013, 15,000,000 options carrying the rights to subscribe for 15,000,000 ordinary shares of HK$0.01 each of the Company granted under the share option scheme adopted by the Company on 24 September 2003 have been exercised by 4 grantees of the Company at an exercise price of HK$0.34 each on 25 April 2013. Upon the exercise of the Options and at the date of this announcement, the total number of issued shares of the Company is 1,640,000,000.

## EMPLOYMENT REMUNERATION POLICY

As at 31 March 2013, the Group had approximately 14 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 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" and the revised version of it which takes effect from 1 April 2012 (the "CG Code") as set out in Appendix 14 of the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 March 2013, the Company had applied the CG Code as set out in the Listing Rules.

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, for the year ended 31 March 2013, 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, the consolidated statements for the year ended 31 March 2013 including the accounting principles and practices adopted by the Group.

## REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held at 11:00 a.m. on 24 July 2013 (Wednesday) 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.

## APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation for all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

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

Hong Kong, 11 June 2013

*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.*