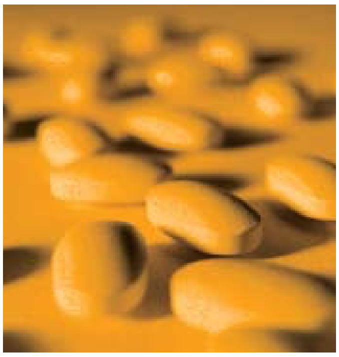


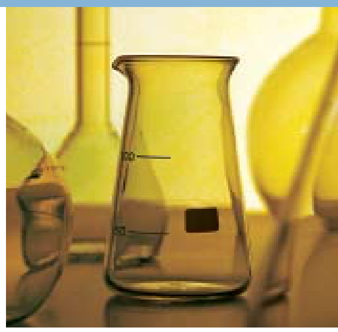
積華

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)



*for identification only

Annual Report 2008

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Yau Bor *(Chairman)*
Mr. Lau Kin Tung
(Vice Chairman and Chief Executive Officer)
Madam Chan Hing Ming

Independent Non-Executive Directors

Mr. Choy Ping Sheung
Mr. Fung Tze Wa
Mr. Seet Lip Chai

Company Secretary

Mr. Chu Kim Ho (FCCA, FCPA)

AUTHORISED REPRESENTATIVE (FOR THE PURPOSE OF THE LISTING RULES) AND PROCESS AGENTS (UNDER PART XI OF THE COMPANIES ORDINANCE)

Mr. Lau Yau Bor
Mr. Lau Kin Tung

AUDIT COMMITTEE

Mr. Fung Tze Wa *(Chairman)*
Mr. Choy Ping Sheung
Mr. Seet Lip Chai

REMUNERATION COMMITTEE

Mr. Choy Ping Sheung *(Chairman)*
Mr. Fung Tze Wa
Mr. Seet Lip Chai

NOMINATION COMMITTEE

Mr. Seet Lip Chai *(Chairman)*
Mr. Choy Ping Sheung
Mr. Fung Tze Wa

INVESTOR RELATIONS

Mr. Chu Kim Ho (FCCA, FCPA)
Telephone: +852 2810 8991
Fax: +852 2115 9832
Email: kelvin-finc-hk@jiwa.com.hk

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANY ORDINANCE

2904 & 2906, Tower One
Lippo Centre
89 Queensway
Central
Hong Kong

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.jiwa.com.hk

STOCK CODE

2327

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Jiwa Bio-Pharm Holdings Limited (the "Company"), I am pleased to present the results and future prospects of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008 (the "Period" or the "Year").

RESULTS

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

This year, the Group implemented the following main operative directions:
— To adjust the product mix in response to the market demand;
— To expand the marketing network;
— To make new drug promotion efficient;
— To expand sales from rural markets;
— To develop new profit growth engines.

Such measures help the Group to obtain outstanding results for the year:
— turnover increased 53.7% to HK$317,429,000;
— operating profits significantly increased 111% to HK$74,200,000;
— profits attributable to equity holders dramatically increased 129.1% to HK$48,255,000.

DIVIDEND

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

FUTURE PROSPECTS

(1) China pharmaceutical market

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

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

(2) International pharmaceutical market

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

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

(3) Develop high profit margin products

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

CONCLUSION

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

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

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

ACKNOWLEDGEMENTS

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

Lau Yau Bor
Chairman
Hong Kong, 25 June 2008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Segment Results

Pharmaceutical Products

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

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

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

Trading Pharmaceutical Products

During the Period, turnover of Trading Pharmaceutical Products amounted to HK$89,216,000, up 58.1% as compared to the previous year. The segment result was HK$33,570,000, up 366.2% as compared to the previous year. During the Period, Gluthion, the Group's pivotal product, continued to excise its brand name effect and recorded growth in sales year after year on the back of establishing its position in the Chinese market. It recorded a significant increase of 74% in sales for the year. Sales of the new medicine, Artrodar, distributed by the Group as a sole agent in China, increased 263.3% over the previous year. As more information known to the public on the direction of health care reform of the country, our marketing department estimates that during the next round of review of the national basic medical insurance catalogue ("Medical Insurance"), Artrodar would be covered by the Medical Insurance. The Group believes such product will record exponential growth in sales.

Health Care Products

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

Pharmaceutical Bulk Materials

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

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

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

Launching New Drug

During the year, Jiwa Group obtained the first patent for research of pharmaceutical products and was smoothly awarded with patent certificate for "Antidepressant medical composition taken orally including Citalopram and Cyclodextrin" at the end of 2007, effective for a period of 20 years. Citalopram is a selective serotonin reuptake inhibitor (SSRIs), clinically proved for treatment of depressed psychonosema (internal and non-internal depression). As for the SSRIs type of depressants, Citalopram has an advantage over others which no similar depressants can replace. It represents a high level of compatibility to a receptor, lowering the possibility of side effects from similar SSRIs type of depressants and seldom has reaction with other medicines. So far, orally-taken Citalopram in the market are in their traditional dosage form which pose a problem to swallow for a considerable number of the elderly. In addition, the tradition dosage forms pose a negative psychological influence on patients. Products research and development department of the Group finds out that wrapping Citalopram under Cyclodextrin can conceal its taste and has effects on the stability of medicine. The world is in great demand for Citalopram . The Group not only possesses the advantage on technology, but also has its own supplies for bulk materials from bulk materials factory in Jiangsu, so the Group has absolute predominance on qualities and costs.

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

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

Key R&D projects

Reduced Glutathione

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

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

A Key Antibiotics

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

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

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

International Strategic Cooperation

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

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

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

Interest rate risk

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

Foreign currency risk

The Group has for its hedging purposes a 1 million US dollar forward exchange contract banking facility in place as at 31 March 2008 and actively monitors its net foreign currency exposures. As the bulk of the Group's transactions and assets are denominated in HK dollars, US dollars and RMB, the impact of foreign currency fluctuations is minimal and the current hedging facilities are considered sufficient for the near future.

Credit risk

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

Capital Commitments

Capital commitments outstanding at 31 March 2008 not provided for in the financial statements were as follows:

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

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

	2008	2007
	HK$'000	*HK$'000*
Contracted for	**5,000**	—
Authorised but not contracted for	**—**	—
	5,000	—

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

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

Charge on Group assets

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

Contingent Liabilities

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

EMPLOYMENT REMUNERATION POLICY

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

The directors are pleased in presenting their annual report together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 19 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 2008 and the state of the Group's affairs as at that date are set out in the financial statements on pages 31 to 93.

DIVIDENDS

No interim dividend was declared by the Company during the year ended 31 March 2008. The Directors decided to recommend at the forthcoming annual general meeting to be held on 26 August 2008, the payment of a final dividend for the year ended 31 March 2008 of HK$0.01 per share in cash to be paid on or about 18 September 2008 to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2008.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 32 to the financial statements.

BONUS ISSUE OF SHARES

Pursuant to the resolution passed at the annual general meeting held on 31 August 2007, a bonus issue on the basis of two new ordinary shares of HK$0.01 were credited as fully paid, for every one existing share held by the shareholders of the Company whose names are on the register of members of the Company on 31 August 2007. The bonus shares should rank pari passu in all respects with the existing shares.

RESERVES

Profits attributable to shareholders of the Company, before dividends, of approximately HK$48.3 million (2007: approximately HK$21.1 million) have been transferred to reserves. Details of the movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and the consolidated statement of changes in equity respectively.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment of the Group for the year ended 31 March 2008 are set out in note 16 to the financial statements.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Lau Yau Bor *(the Chairman)*
Mr. Lau Kin Tung *(the Vice Chairman and Chief Executive Officer)*
Madam Chan Hing Ming

Non-Executive Directors

Mr. Choy Ping Sheung
Mr. Fung Tze Wa
Mr. Seet Lip Chai

Pursuant to the Bye-law 87 (1) of the Company, each director is required to retire by rotation once every three years and that one-third (or the number nearest to one-third but not less than one-third) of the directors shall retire from office by rotation at each annual general meeting of the Company. Accordingly, Lau Yau Bor and Fung Tze Wa will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTOR'S SERVICE CONTRACTS

Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming have entered into service contracts with the Company respectively for an initial period of three years commencing from 1 April 2003 and shall continue thereafter for successive terms of one year.

Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai have been appointed as an Independent Non-Executive Director since 1 September 2003, 1 September 2004 and 1 September 2005, respectively, their service contracts had been renewed for successive terms of one year since their appointment.

Other than as disclosed above, none of the directors has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected Transactions", no contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors and chief executive of the Company who held office as at 31 March 2008 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of the SFO) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules:

Interests in issued Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total number of Shares held	% of total issued Shares
Lau Yau Bor	97,878,000	119,706,000 *(Note 2)*	840,000,000 *(Note 4)*	1,057,584,000	65.89%
Lau Kin Tung	28,650,000	—	105,000,000 *(Note 5)*	133,650,000	8.33%
Chan Hing Ming	44,706,000	937,878,000 *(Note 3)*	75,000,000 *(Note 6)*	1,057,584,000	65.89%

Notes:

1. The Shares are registered under the name of the Directors or chief executive of the Company who are the beneficial owners.
2. 75,000,000 Shares are held by MINGS Development Holdings Limited which is wholly and beneficially owned by Chan Hing Ming, the spouse of Lau Yau Bor, 44,706,000 Shares are held by Chan Hing Ming as beneficial owner.
3. 840,000,000 Shares are held by LAUs Holding Co. Ltd. which is wholly and beneficially owned by Lau Yau Bor, the spouse of Chan Hing Ming, 97,878,000 Shares are held by Lau Yau Bor as beneficial owner.
4. These Shares are held by LAUs Holding Co. Ltd., the entire issued share capital of which is held by Lau Yau Bor.
5. These Shares are held by WHYS Holding Co. Ltd, the entire issued share capital of which is held by Lau Kin Tung.
6. These Shares are held by MINGS Development Holdings Limited, the entire issued share capital of which is held by Chan Hing Ming.

Interests in underlying Shares

The directors and chief executive of the Company have been granted options under the Company's share option scheme (the "Share Option Scheme"), details of which are set out in the section "Share Option Scheme" below.

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SHARE OPTION SCHEME

The Share Option Scheme which was adopted on 24 September 2003 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, and any suppliers, consultants or advisers who have provided services to any company in the Group to take up options to subscribe for Shares. The Share Option Scheme shall be valid and effective for a period of ten years ending on 24 September 2013, after which no further options will be granted. The exercise price of options is the highest of the nominal value of the Shares, the closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant and the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of grant.

The total number of securities available for issue under the Share Option Scheme as at 1 September 2007 was 53,500,000 Shares, which represented 10% of the issued share capital of the Company as at 31 August 2007, the date of approval of the refreshment of the maximum number of the ordinary share of HK$0.01 each in the share capital of the Company ("Shares") which may be issued upon the exercise of all the share options to be granted under the Share Option Scheme and such other schemes of the Company which initially shall not in aggregate exceed 10% of the Shares in issue at the date of the approval of the Share Option Scheme by the Shareholders and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of refreshed limit by shareholders of the Company.

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 March 2008 were as follows:

	Date of grant	Exercisable period	Balance at 01/04/2007	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31/03/2008	Exercise price	Exercise date
			Number of options	*Number of options*	*Number of options*	*Number of options*	*Number of options*	*HK$*	
Executive directors									
Mr. Lau Yau Bor	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	(5,000,000)	—	—	0.336	01/08/2007
	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	01/08/2007
Mr. Lau Kin Tung	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	01/08/2007
	12/04/2007	12/04/2007 to 11/04/2012	—	5,000,000	(5,000,000)	—	—	0.315	01/08/2007
Madam Chan Hing Ming	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	(5,000,000))	—	—	0.336	01/08/2007
	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	02/08/2007
	12/04/2007	12/04/2007 to 11/04/2012	—	5,000,000	(5,000,000)	—	—	0.315	08/08/2007
Employees In aggregate	01/11/2007	01/11/2008 to 31/10/2013	—	5,000,000	—	—	5,000,000	0.300	N/A
At 31 March 2008			**25,000,000**	**15,000,000**	**(35,000,000)**	**—**	**5,000,000**		

The options were granted for a consideration of HK$1 under the Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one Share.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Share as at 31 March 2008 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 36 to the financial statements also fell under the definition of "connected transaction" in Chapter 14A of the Listing Rules, details of which are set out below. The Company has compiled with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

(1) Tenancy Agreements

Jiwa International Limited, a wholly-owned subsidiary of the Company, entered into the Albany Tenancy Agreement, the Lippo Tenancy Agreement and the Car Park Licence Agreement with Jiwa Investment Limited. Jiwa International also entered into the Robinson Tenancy Agreement with Mr. Lau Yau Bor ("Mr. Lau"). Jiwa Investment is wholly owned by Mr. Lau and his associates, Mr. Lau is a Director and a substantial shareholder of the Company. Mr. Lau and Jiwa Investment are therefore connected persons of the Company under the Listing Rules. Content of the agreements is summarised below:

(i) The Albany Tenancy Agreement

Date of agreement	:	1 May 2006
Landlord:	:	Jiwa Investment Limited
Tenant	:	Jiwa International Limited
Premises	:	Apartment A1 (also known as Apartment C), 21st Floor and Car Park No. 21 on 4th Floor (Carpark Level 5), The Albany, No. 1 Albany Road, Hong Kong with a total gross floor area of approximately 201 square metres
Term	:	two years commencing from 1 May 2006 to 30 April 2008 (both days inclusive)
Annual rental	:	HK$960,000 (HK$80,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month

(ii) The Robinson Tenancy Agreement

Date of agreement	:	1 September 2006
Landlord:	:	Mr. Lau
Tenant	:	Jiwa International Limited
Premises	:	Apartment A on 22nd Floor and Car Parking Space No. 7 on 4th Floor of Regal Crest, No. 9 Robinson Road, Hong Kong with a gross floor area of approximately 215 square metres.
Term	:	two years commencing from 1 September 2006 to 31 August 2008 (both days inclusive)
Annual rental	:	HK$576,000 (HK$48,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month

(iii) The Lippo Tenancy Agreement

Date of agreement	:	1 September 2006
Landlord:	:	Jiwa Investment Limited
Tenant	:	Jiwa International Limited
Premises	:	Office 4, 29th Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong with a total gross floor area of approximately 150 square metres
Term	:	two years commencing from 1 September 2006 to 31 August 2008 (both days inclusive)
Annual rental	:	HK$660,000 (HK$55,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month

(iv) The Car Park Licence Agreement

Date of agreement	:	1 September 2006
Licensor	:	Jiwa Investment Limited
Licensee	:	Jiwa International Limited
Subject of the licence	:	Car Parking Space No. 8, Upper Basement "1", Botanical Court, No. 5 Caine Road, Hong Kong
Term	:	two years commencing from 1 September 2006 to 31 August 2008 (both days inclusive)
Annual licence fee	:	HK$36,000 (HK$3,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month

The Car Park Licence Agreement was terminated with effect from 10 February 2007.

The aggregate rental and licence fee under the Albany Tenancy Agreement, the Robinson Tenancy Agreement, the Lippo Tenancy Agreement and the Car Park Licence Agreement, will be subject to the following annual cap and shall not exceed:

(a) HK$1,622,000 for the year ending 31 March 2007;

(b) HK$2,232,000 for the year ending 31 March 2008; and

(c) HK$610,000 for the year ending 31 March 2009.

(2) Sale and Purchase Agreements

On 2 October 2003, the Company obtained from the Stock Exchange a waiver from strict compliance with the disclosure requirements under Chapter 14A of the Listing Rules in respect of certain continuing connected transaction between Kunming Jida Pharmaceutical Company Limited ("Kunming Jida"), a 70% owned subsidiary of the Company and Yunnan Jiwa Pharm Logistics Co. Ltd. ("Yunnan Jiwa", a 93% owned subsidiary of Jiwa Pharm & Chemical Limited ("Jiwa Pharm & Chemical"), which is beneficially owned as to 60% by Lau Yau Bor and as to 40% by Lau Kin Tung, directors of the Company), and the transaction between Kunming Jida and Yunnan Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceutical", a substantial shareholder of Kunming Jida). The waivers were expired on 31 March 2005 and 31 March 2006 for each of the transactions respectively. As these transactions will be carried out in the usual and ordinary course of business of the Group, the Group has entered into new agreements with Yunnan Pharamceutical on 1 November 2006, and with Yunnan Jiwa on 1 February 2007.

Kunming Jida is principally engaged in the research, development, manufacture and sale of pharmaceutical products. Yunnan Pharmaceuitcal has its own distribution throughout the PRC market and Yunnan Jiwa is currently one of the renowned distributors of pharmaceutical products in Yunnan Province, the PRC. The Directors are of the view that it is beneficial to the Group to enter into the transactions as the Group can leverage on the distribution network of Yunnan Jiwa and Yunnan Pharmaceutical to penetrate the PRC market without incurring material capital investment.

The cap amount for the transactions entered into between Kunming Jida and Yunnan Jiwa in respect for each of the years ended 31 March 2007, 31 March 2008 and 31 March 2009 will not be more than HK$9.5 million.

The cap amount for the transactions entered into between Kunming Jida and Yunnan Pharmaceutical in respect for each of the years ended 31 March 2007, 31 March 2008 and 31 March 2009 will not be more than HK$9.5 million.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company provided a confirmation in respect of the continuing connected transactions in accordance with the Listing Rules.

Connected Transactions

(1) Asset Transfer Agreement

On 13 February 2008, Kunming Jida entered into an asset transfer agreement with Yunnan Pharmaceutical pursuant to which Kunming Jida agreed to sell and transfer the land and building owned by Kunming Jida located at No.22 Wang Jia Ba of Kunming City of the PRC with land areas of 3,729.1m^2 and building areas of 6,177.5 m^2 to Yunnan Pharmaceutical for a cash consideration of RMB18,500,000.

Yunnan Pharmaceutical, which is interested in 30% of the registered capital of Kunming Jida, is a connected person of the Company under the Listing Rule. Accordingly, the transaction constitutes a connected transaction subject to the reporting, announcement and independent shareholders approval requirement under the Listing Rule.

The Company received a written resolution on 13 February 2008 from Mr. Lau Yau Bor, who holds more than 58.43% of the total issued shares of the Company, the Company has applied and the Stock Exchange of Hong Kong Limited has granted to the Company a waiver of accepting the written independent shareholders approval in lieu of holding a general meeting.

(2) Sales and Purchase Agreement and Establishment of Two Joint Ventures

On 22 February 2008, Jiwa Development, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with GeneHarbor (Hong Kong) Technologies Limited ("GeneHarbor"), pursuant to which GeneHarbor agreed to sell and Jiwa Development agreed to purchase 14.3% of a technology for development of a key antibiotics ("Technologies") for a cash consideration of HK$5,000,000.

On 25 February 2008, Jiwa Development entered into a shareholders agreement with GeneHarbor and Vital Element Investments Limited ("Vital Element") for the Establishment of Vital Element (the "First Shareholders Agreement"). On the same date, Jiwa Development also entered into another shareholders agreement with GeneHarbor and Rise Hill Development Limited ("Rise Hill") for the establishment of Rise Hill (the "Second Shareholders Agreement").

Pursuant to the First Shareholders Agreement, GeneHarbor shall subscribe for 3,000 ordinary shares of Vital Elements by assigning 85.7% of the intellectual property rights in the Technology owned by GeneHarbor, and Jiwa Development shall subscribe for 500 ordinary shares of Vital Element by assigning 14.3% of the Intellectual Property Rights in the Technology owned by Jiwa Development. Upon establishment of Vital Element, Jiwa Development and GeneHarbor will be interested in 14.3% and 85.7% of the issued share capital of Vital Element respectively.

Pursuant to the Second Shareholders Agreement, Jiwa Development and GeneHarbor shall subscribe for 600 and 400 shares of Rise Hill for a cash consideration of HK$6,000 and HK$4,000 respectively. Upon establishment of Rise Hill, Jiwa Development and GeneHarbor will be interested in 60% and 40% of the issued share capital of Rise Hill respectively.

GeneHarbor owned 40% issued share capital of Base Affirm (a 60% owned subsidiary of the Company), according to the Listing Rule, GeneHarbor is a connected person as defined under the Listing Rule and the transactions contemplated between GeneHarbor and Jiwa Development are connected transactions under the Listing Rule.

As the applicable percentage ratios as defined under the Listing Rule in respect of the transaction is more than 2.5% but less than 25% and the consideration is less than HK$10,000,000, the transaction is subject to reporting, and announcement requirements under the Listing Rule, and is exempt form the independent shareholders approval requirements under the Listing Rule.

(3) Subcontracting Agreement

In June 2007, the Group acquired 70% equity interest in Shanxi Fanshi County Longchang Industrial Co. Ltd. (山西繁峙縣龍昌實業有限責任公司) ("Longchang"), a company incorporated in the PRC, which possess the rights to the exploitation of iron ores in an area in Fanshi County of Shanxi Province, the PRC, at a consideration of Reminbi ("RMB") 24,500,000 (approximately HK$25,132,000).

Longchang afterwards entered into a subcontracting agreement ("Agreement") with Shanxi Wu Tai County Fu Di Mining Co. Ltd. (山西五台縣福地礦業有限公司) ("Wu Tai"), a PRC company 50% owned by the 30% equity holder of Longchang. Pursuant to the Agreement Longchang assigned the management and operation rights to Wu Tai for the period from 1 January 2008 to 31 December 2012 (the "Period"). During the Period, Wu Tai will be entitled to all the profits of Longchang and bear all the losses of Longchang if incurred. Accordingly Wu Tai will pay to Longchang an annual license fee of RMB 8,600,000, in which 70% of the license fee which amounted to RMB 6,020,000 will be paid to the Group.

The Directors considered that the Group exerted no control or influence on Longchang, the Group recognised the investment in Longchang as available for sale investment and recognised it at cost less accumulated impairment.

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.

FIXED ASSETS

During the year, the Group acquired properties for approximately HK$0.2 million and machineries for approximately HK$6 million for the Group's factory. Details of these acquisitions and other movements in fixed assets are set out in note 16 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2008 are set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchase**
The largest customer	17.5%	
Five largest customers in aggregate	41.5%	
The largest supplier		37.2%
Five largest suppliers in aggregate		51%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund scheme for its employees in Hong Kong and participates in a defined contribution retirement scheme organized by the PRC municipal government for its PRC employees. Particulars of these retirement schemes are set out in note 3(r) to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant events taking place after the balance sheet date are set out in note 38 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's Bye-Laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors of the Company, the percentage of the Shares which are in the hands of the public exceeds 25% of the total number of issued Shares.

AUDITORS

The term of office of Grant Thornton will expire at the forthcoming Annual General Meeting. A resolution for the re-appointment of auditors of the Company for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held at 3:30 p.m. on 26 August 2008 (Tuesday) at 20th Floor, Central Tower, 28 Queen's Road Central, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21 August 2008 (Thursday) to 26 August 2008 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 August 2008 (Wednesday).

On behalf of the Board of Directors
Lau Kin Tung
Vice Chairman and Chief Executive Officer

Hong Kong, 25 June 2008

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.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors is of the opinion that during the financial year ended 31 March 2008 (the "Period"), 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 2008, they have complied with the required standard set out in the Model Code and the Own Code.

BOARD OF DIRECTORS

Composition of the Board

The Composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

During the Period, the Board of Directors consists of three Executive Directors and three Independent Non-Executive Directors with a variety of experience in management, marketing, R&D, accounting and finance; their brief biographical particulars and their relationship among the Board are set out on pages 25 to 26 respectively of this annual report.

Four regular board meetings were held for the year ended 31 March 2008 and the attendance was as follows:

Board members	**Attendance**
Executive Directors	
Mr. Lau Yau Bor *(the Chairman)*	4/4
Mr. Lau Kin Tung *(the Vice Chairman and Chief Executive Officer)*	4/4
Madam Chan Hing Ming	4/4
Non-Executive Directors	
Mr. Choy Ping Sheung	4/4
Mr. Fung Tze Wa	4/4
Mr. Seet Lip Chai	4/4

The Company has appointed sufficient numbers of Independent Non-Executive Directors in accordance with the Listing Rules, including those with accounting and finance expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard interests of the company and its subsidiaries.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with independence guidelines set out in the Listing Rules.

The Operation of the Board of Directors

The Board oversees the Group's strategic development, and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Board members have access to appropriate business documents and information about the Group on a timely basis. All directors and board committees have access to external legal counsel and other professionals for independent advice at the Group's expense if they require it.

Three board committees, namely, the audit committee, remuneration committee and nomination committee, have been established to oversee particular aspects of the Group's affairs. The Board has delegated the day-to-day management and operations of the Group's businesses to management of the Company and its subsidiaries.

The board had met four times during the Period to discuss and formulate overall strategies for the Group, review the financial performance, as well as other significant matters when board decisions were required.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Yau Bor is the Chairman of the Company and is mainly responsible for the management of the Board. Mr. Lau Kin Tung is the Chief Executive Officer of the Company and is delegated with the authority and is responsible for day-to-day management of the Group's business, and the implementation of the approved strategies in achieving the overall business objectives.

NON-EXECUTIVE DIRECTORS

Each of the Non-Executive Directors has entered into a service contract with the Company for a term of one year or till retirement by rotation in accordance with the Bye-laws of the Company, whichever is earlier.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 1 September 2005 with written terms of reference as disclosed on the Company's website. The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues. The committee shall consult with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year under review, the members of Remuneration Committee are Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai, all Independent Non-executive Directors. Mr. Choy Ping Sheung is the Chairman of the remuneration committee.

During the Period, the Remuneration Committee had held 1 meeting. Attendance of each individual member was as follows:

Committee Member	Meeting Attended/Held
Mr. Choy Ping Sheung *(Chairman)*	1/1
Mr. Fung Tze Wa	1/1
Mr. Seet Lip Chai	1/1

The emolument policies of the directors of the Company are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details on the emolument payable to the Directors and the Company's share option scheme are disclosed in note 15 to the financial statements.

NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 1 September 2005 with written terms of reference as disclosed on the Company's website. The Nomination Committee is responsible for reviewing and making recommendations to the board on relevant matters relating to the appointment, re-appointment and succession planning for the board members. The Nomination Committee has the responsibility to consider and access candidates for directorships on the Board based on their characters, qualifications and experience appropriate for the businesses of the Group.

During the Period, the members of Nomination Committee are Mr. Seet Lip Chai, Mr. Choy Ping Sheung, and Mr. Fung Tze Wa, all Independent Non-Executive Directors. Mr. Seet Lip Chai is the Chairman of the remuneration committee.

During the year, the Nomination Committee had held 1 meeting. Attendance of each individual member was as follows:

Committee Member	Meeting Attended/Held
Mr. Seet Lip Chai *(Chairman)*	1/1
Mr. Choy Ping Sheung	1/1
Mr. Fung Tze Wa	1/1

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the Period, the Group is required to pay to the Auditors, Grant Thornton the following remuneration:

Nature of services	*HK$'000*
Audit services	600

AUDIT COMMITTEE

The Audit Committee members comprise Mr. Fung Tze Wa, Mr. Choy Ping Sheung and Mr. Seet Lip Chai, all Independent Non-Executive Directors. Mr. Fung Tze Wa is the Chairman of the Audit Committee who has appropriate professional qualifications and accounting expertise. No member of this committee is a member of the former or external auditors of the Company.

The audit committee's primary responsibilities include overseeing the relationship with the Company's external auditors, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management. The Company has adopted a term of reference of the audit committee, which complies with the provisions of the CG Code. The terms of reference of the audit committee are available on the Company's website.

During the year, the Audit Committee had held 2 meetings. Attendance of each individual member was as follows:

Committee Member	**Meeting Attended/Held**
Mr. Fung Tze Wa *(Chairman)*	2/2
Mr. Choy Ping Sheung	2/2
Mr. Seet Lip Chai	2/2

RESPONSIBILITY ON FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company.

The board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to the statutory requirements. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of Grant Thornton, the Company's auditors, are stated in the Auditors' Report on page 29 of the Annual Report.

INTERNAL CONTROL

The Board had conducted a review of the effectiveness of the system of internal control of the Group which covered all material controls, including financial, operational and compliance controls and risk management functions.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Lau Yau Bor, aged 70, is the Chairman, Executive Director and one of the founders of the Group. Mr. Lau is responsible for the overall strategic development and direction of the Group. Mr. Lau has over 26 years of experience in corporate management.

Mr. Lau is also the Standing Board Member of Association of Chinese Expatriates and Entrepreneurs, Foundation Member of Association of Chinese Expatriate and Entrepreneur Invested Enterprises, Deputy Chairman of Association of Foreign-owned Enterprises of Yunnan Province, Consultant of Association of Returned Chinese Expatriates of Yunnan Province, Consultant of Association for Overseas Economic Cooperation of Yunnan Province, Committee Member of Yunnan Overseas Association (United Front Department), Overseas Committee Member of Association of Overseas Exchange of Yunnan Province (Overseas Chinese Affairs Office) and Honorary Professor of Kunming Medical College. Mr. Lau graduated from The University of Hong King with a Master of Philosophy Degree in Engineering in 1981.

Other than holding the directorship in the Company, Mr. Lau is also the director and shareholder of LAUs Holding Co. Ltd., a company incorporated in the British Virgin Islands, which holds as to 52.3% of the shares of the Company; and the director of Jiwa Pharmaceuticals Limited ("Jiwa Pharmaceuticals"), Jiwa International Limited ("Jiwa International"), Kunming Jida Pharmaceutical Co., Ltd ("Kunming Jida"), Jiwa Rintech Holdings Limited ("Jiwa Rintech") and Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("JJRP") subsidiaries of the Company.

Mr. Lau Kin Tung, aged 38, is the Vice-Chairman, Chief Executive Officer and Executive Director of the Group. Mr. Lau joined the Group in June 1992. In 1993, Mr. Lau assisted in setting up Kunming Jida. Since then, Mr. Lau has been responsible for the international trading, research and development, sales and marketing aspects of the Group. Mr. Lau holds a Bachelor of Business Administration Degree from the University of Hong Kong (1992), a Master of Business Administration Degree from the University of Manchester (2002), and a Bachelor of Science Degree in Pharmaceutical Studies from the University of Sunderland (2003). Mr. Lau is the son of Mr. Lau Yau Bor, Chairman of the Company and Madam Chan Hing Ming, Director of the Company.

Other than holding the directorship in the Company, Mr. Lau is also the director and shareholder of WHYS Holding Co Ltd, a company incorporated in the British Virgin Islands, which holds as to 6.5% of the shares of the Company; and the director of Jiwa Pharmaceuticals, Tech-Medi Development Limited (Tech-Medi), Jiwa Development Company Limited, Kunming Jida, Jiwa Rintech, JJRP, Sino Tech International (Macao Commercial Offshore) Limited ("Sino Tech"), Base Affirm International Limited (Base Affirm) and Rise Hill Development Limited (Rise Hill), subsidiaries of the Company. Mr. Lau is also the director of Leader Forever Limited and Vital Elements Investments Ltd, associates of the Company.

Madam Chan Hing Ming, aged 67, is one of the founders and an Executive Director of the Group. Madam Chan assisted in founding the Group and has been responsible for the international trading, marketing and financial aspects of the Group. Madam Chan also has over 25 years of experience in corporate management. Madam Chan is the spouse of Mr. Lau Yau Bor, the Chairman of the Group.

Other than holding the directorship in the Company, Madam Chan is also the director and shareholder of MINGS Development Holdings Limited, a company incorporated in the British Virgin Islands, which holds as to 4.7% of the shares of the Company; and the director of Jiwa Pharmaceuticals, Tech-Medi, Jiwa International, Kunming Jida, Jiwa Rintech, JJRP and Sino Tech, subsidiaries of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Ping Sheung, aged 60, is an Independent Non-Executive Director of the Group. Mr. Choy had held senior management positions in Nanyang Commercial Bank and the China and South Sea Bank (Hong Kong Branch). Mr. Choy obtained a Higher Certificate in Business Studies (Banking) from the Hong Kong Polytechnic in 1986.

Mr. Choy was appointed as an Independent Non-Executive Director of the Company in September 2003. Save as disclosed above, Mr. Choy does not hold any other directorship of any other listed company in the last three years.

Mr. Fung Tze Wa, aged 51, is an Independent Non-executive Director of the Group. Mr. Fung is a certified public accountant and a director of an accounting firm in Hong Kong. Mr. Fung has more than 23 years experience in auditing, taxation and company secretarial practice in Hong Kong. He obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Since April 2004, he has also been appointed the Independent Non-Executive director of China Haidan Holdings Limited and New Capital International Investment Limited whose shares are listed on the Stock Exchange.

Mr. Fung was appointed as an Independent Non-Executive Director of the Group in September 2004. Save as disclosed above, Mr. Fung has not held any directorship in any listed public companies in the last three years.

Mr. Seet Lip Chai, aged 65, is an Independent Non-Executive Director of the Group. Mr. Seet holds degrees of Bachelor of Medicine and Bachelor of Surgery, a Diploma in Public Health (with Distinction) from the University of Singapore. Mr. Seet has held senior management positions in major global pharmaceutical companies such as Ciba-Geigy, SmithKline Beecham and GlaxoWellcome both in the Asian Region and in China prior to taking up an academic position as Associate Professor in Nanyang Technological University, Singapore in 1999. Besides holding Directorships in several private companies, Mr. Seet is presently an Executive Director of Longlife Group Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited. Mr. Seet is also an Independent Non-Executive Director and Non-Executive Chairman of Rockeby biomed Ltd, a medical diagnostic company listed on the Australian Stock Exchange (RBY.ASX).

Mr. Seet was appointed as an Independent Non-Executive Director of the Group in September 2005. Save as disclosed above, Mr. Seet has not held any directorship in any listed public companies in the last three years.

SENIOR MANAGEMENT

Dr. Kenneth J.T. Li, aged 62, is Senior Vice President (Corporate Development) of the Group and Director of Rise Hill and Base Affirm. Dr. Li has accumulated over 20 years of experience in the market development of biopharmaceutical and health products, biotechnology and clinical development of protein therapeutics. He was formerly employed by Boehringer Mannheim Canada, a large subsidiary of the German pharmaceutical group in Canada, and Abbott Laboratories of USA as Marketing Manager. Dr. Li was former Assistant Director of the School of Chinese Medicine at the University of Hong Kong, CSO/CEO and COO of several local biopharmaceutical firms before joining the Jiwa Group in 2007. He holds a Doctor of Specialty degree from University of Lyon in France and a PhD degree in biochemistry from McGill University in Montreal, Canada.

Mr. Chu Kim Ho, aged 45, is the Financial Controllor and Company Secretary of the Group and the Director of Rise Hill and Base Affirm. Mr. Chu joined the Group in September 2006 and is currently responsible for the financial and accounting functions of the Group. Mr. Chu has over 21 years of experience in auditing, treasury, financial accounting and corporate financial consulting. Mr. Chu is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chu holds a Bachelor degree of Economics and Business Administration at the University of Hong Kong.

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Mr. Li Hong Xiang, aged 55, is the Deputy General Manager of Kunming Jida. Mr. Li joined the Group in January 1994 and is currently in charge of the production and GMP management functions of the Group. Mr. Li is a Senior Engineer, he has over 23 years of experience in the pharmaceutical industry. Mr. Li completed professional studies in electrical engineering at Yunnan Broadcasting Television University in 1983 and advanced studies in business administration at Business Administration Studies Centre of the University of the People's Republic of China in 2001.

Mr. Wang Chang Wen, aged 40, is the Deputy General Manager of JJRP. Mr. Wang joined the Group in July 2004, he was the Senior Manager of Engineering Department of Kunming Jida. He graduated from East China Institute of Chemical Technology in 1989, with a Bachelor's Degree in Engineer and the title of medical engineer. Mr. Wang has over 18 years' experience in the instrument and engineering management of pharmaceutical enterprises.

Ms. Luo Dong Mei, aged 39, is the Executive Assistant to Chairman and Chief Operating Office of Kunming Jida. Ms. Luo joined Kunming Jida in 1994, she holds a Bachelor of Science Degree in Engineering, and has 16 years' experience in production, quality control, sales, purchase and administration of pharmaceutical enterprises.

Mr. Yu Qi, aged 42, is the Marketing Director of Kunming Jida, he joined the Group in 2001, he has nearly 15 years experience in medicine industry. Mr. Yu holds a Master and a Bachelor of Medicine Degrees from the Second Army Medical University, he also holds a Master Degree in Business Administration from Shanghai Jiao Tong University.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Liu Chun Xia, aged 46, is the Quality & Technical Director of the Group. Ms. Liu joined the Group in March 1997 and is currently in charge of the quality assurance department of the Group. Ms. Liu held a position in the People's Republic of China Pharmaceutical Production Review Bureau. Ms. Liu is a Licensed Pharmacist and a Senior Licensed Manager and has received several awards from governmental authorities in the PRC, including the State Technological Advancement Award Grade II and the Second Prize in Technological Advancement in Public Health and Pharmaceutical by the Public Health Ministry of the PRC. Ms. Liu obtained a Bachelor of Science Degree from Yunnan University in 1983.

Ms. Feng Pu Chun, aged 35, is the Director of the R&D department of Kunming Jida, she joined the Group in September 2001, she is in charge of new products R&D and governmental issues of the Group. Ms. Feng holds a Master of Business Administration Degree from Bering University of Post and Telecommunications in 2004 and a Bachelor of Medicine Degree form HeBer Medical University in 1996. She has over 12 years' experience in new medicines R&D and has engaged in management for 8 years. Ms. Feng also acts as member of Chinese Prices Society.

Ms. Xu Xin Fang, aged 46, is the Senior Manager of Production Department of Kunming Jida. Ms. Xu joined the Group in March 1994 and is currently in charge of the production division of the Group. During 1986 to 1994, Ms. Xu held a position in North China Pharmaceutical Corporation (NCPC). She has over 22 years of experience in the pharmaceutical industry. Ms. Xu graduated from Shenyang Pharmaceutical University in 1986, with a Bachelor of Science Degree.

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To the members of Jiwa Bio-Pharm Holdings Limited
積華生物醫藥控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jiwa Bio-Pharm Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 93, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

25 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 *HK$'000*	2007 *HK$'000*
Revenue	*5*	**317,429**	206,572
Cost of sales		**(171,425)**	(109,262)
Gross profit		**146,004**	97,310
Other income	*7*	**21,878**	3,712
Selling expenses		**(39,492)**	(23,663)
Administrative expenses		**(51,605)**	(39,618)
Other operating expenses		**(2,585)**	(2,583)
Operating profit		**74,200**	35,158
Finance costs	*8*	**(4,605)**	(2,317)
Share of results of associates	*20*	**(18)**	—
Profit before income tax	*9*	**69,577**	32,841
Income tax expense	*10*	**(11,472)**	(5,786)
Profit for the year		**58,105**	27,055
Attributable to:			
Equity holders of the Company	*11*	**48,255**	21,060
Minority interests		**9,850**	5,995
Profit for the year		**58,105**	27,055
			(restated)
Final dividend proposed after the balance sheet date	*12*	**16,050**	6,000
Earnings per share for profit attributable to the equity holders of the Company during the year			(restated)
Basic	*13*	**3.07 cents**	1.40 cents
Diluted		**N/A**	1.40 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	168,875	159,291
Land use rights	17	22,830	26,978
Construction in progress	18	42,810	8,912
Interests in associates	20	12,982	—
Available-for-sale financial assets	21	26,874	1,229
Goodwill	22	978	942
Intangible assets	23	593	2,356
Deferred tax assets	31	3,469	5,536
		279,411	205,244
Current assets			
Inventories	24	57,962	39,041
Accounts and bills receivable	25	101,473	69,715
Land use rights	17	631	635
Prepayments and other receivables	26	23,388	22,826
Amounts due from related companies	36(b)	19,651	2,080
Amount due from an investee company	36(c)	2,878	—
Tax recoverable		54	—
Cash and cash equivalents	27	20,774	27,192
		226,811	161,489
Current liabilities			
Bank loans	28	49,706	44,234
Accounts and bills payable	29	55,005	31,873
Amount due to a director	36(d)	—	96
Accrued expenses and other payables	30	15,812	9,264
Tax payable		3,284	1,417
		123,807	86,884
Net current assets		103,004	74,605
Total assets less current liabilities		382,415	279,849
Non-current liabilities			
Bank loans	28	41,826	11,911
Net assets		340,589	267,938

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	32	**16,050**	5,000
Reserves	33	**278,891**	223,105
		294,941	228,105
Minority interests		**45,648**	39,833
Total equity		**340,589**	267,938

Lau Yau Bor
Director

Lau Kin Tung
Director

BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries	19	82,380	82,380
Current assets			
Amounts due from subsidiaries	19	62,171	58,805
Dividend receivable		26,000	7,000
Cash and cash equivalents		102	62
		88,273	65,867
Current liabilities			
Amounts due to subsidiaries	19	—	434
Accrued expenses and other payables		3	3
Tax payable		58	58
		61	495
Net current assets		88,212	65,372
Net assets/Total assets less current liabilities		170,592	147,752
EQUITY			
Share capital	32	16,050	5,000
Reserves	33	154,542	142,752
Total equity		170,592	147,752

Lau Yau Bor
Director

Lau Kin Tung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit before income tax		69,577	32,841
Adjustments for:			
Interest income		(290)	(266)
Interest expense		4,605	2,317
Depreciation of property, plant and equipment		11,937	8,118
Employee share-based compensation		1,353	1,084
Amortisation of land use rights		773	635
Amortisation of intangible assets		1,998	892
Gain on disposal of land use rights and property, plant and equipment		(7,802)	(1,713)
Impairment of other receivables		906	—
Share of results of associates		18	—
Operating profit before changes in working capital		83,075	43,908
Increase in inventories		(18,921)	(10,902)
Increase in accounts and bills receivable		(31,758)	(1,909)
Increase in prepayments and other receivables		(1,468)	(6,048)
Increase in amounts due from related companies		(5,938)	(2,068)
Increase in amount due from an investee company		(2,878)	—
Increase in accounts and bills payable		23,132	8,815
Decrease in amount due to a related company		—	(428)
(Decrease)/Increase in amount due to a director		(96)	96
Increase/(Decrease) in accrued expense and other payables		6,326	(1,060)
Net cash inflow from operations		51,474	30,404
Hong Kong profits tax (paid)/refunded		(1,316)	1,578
Taxation outside Hong Kong paid		(5,701)	(2,255)
Taxation outside Hong Kong refunded		—	3
Net cash generated from operating activities		44,457	29,730
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(8,791)	(4,022)
Proceeds from disposal of land use rights and property, plant and equipment	39	1,111	3,287
Payment of expenses for the disposal of land use rights and property, plant and equipment		(436)	—
Payment for construction in progress		(37,011)	(7,713)
Payment for acquisition of available-for-sale financial assets		(25,156)	—
Payment for acquisition of intangible assets		—	(2,828)
Payment for investment in associates		(13,000)	—
Interest received		290	266
Net cash used in investing activities		(82,993)	(11,010)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from financing activities			
Proceeds from bank loans		102,709	49,144
Repayment of bank loans		(71,767)	(59,935)
Proceeds from issue of shares upon exercise of share options		10,710	—
Share issue expenses		(59)	—
Minority interest arising from acquisition of subsidiaries		8	—
Interest paid		(4,605)	(2,317)
Dividends paid		(6,420)	(5,000)
Dividends paid to minority equity holders	39	—	(2,324)
Net cash generated from/(used in) financing activities		30,576	(20,432)
Net decrease in cash and cash equivalents		(7,960)	(1,712)
Translation difference		1,542	1,166
Cash and cash equivalents at the beginning of the year		27,192	27,738
Cash and cash equivalents at the end of the year		20,774	27,192

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Equity attributable to equity holders of the Company												Minority interests	Total equity
	Share capital	Share premium *(note 33(v))*	Contributed surplus *(note 33(i))*	General reserve fund *(note 33(ii))*	Enterprise expansion fund *(note 33(ii))*	Translation reserve	Revaluation adjustment *(note 33(iii))*	Capital reserve *(note 33(iv))*	Share option reserve	Proposed final dividend	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	5,000	52,609	2,000	561	57	2,549	(320)	2,830	—	5,000	135,449	205,735	34,929	240,664
Translation difference/Net income recognised directly in equity	—	—	—	—	—	5,226	—	—	—	—	—	5,226	1,233	6,459
Profit for the year	—	—	—	—	—	—	—	—	—	—	21,060	21,060	5,995	27,055
Total recognised income and expenses for the year	—	—	—	—	—	5,226	—	—	—	—	21,060	26,286	7,228	33,514
Employee share-based compensation *(notes 14 and 34)*	—	—	—	—	—	—	—	—	1,084	—	—	1,084	—	1,084
Dividend paid in respect of the previous year *(note 12)*	—	—	—	—	—	—	—	—	—	(5,000)	—	(5,000)	—	(5,000)
Dividend declared and payable to minority interest	—	—	—	—	—	—	—	—	—	—	—	—	(2,324)	(2,324)
Proposed final dividend *(note 12)*	—	—	—	—	—	—	—	—	—	6,000	(6,000)	—	—	—
Transfer to reserve	—	—	—	(14)	—	—	—	—	—	—	14	—	—	—
At 31 March 2007	5,000	52,609	2,000	547	57	7,775	(320)	2,830	1,084	6,000	150,523	228,105	39,833	267,938
At 1 April 2007	5,000	52,609	2,000	547	57	7,775	(320)	2,830	1,084	6,000	150,523	228,105	39,833	267,938
Translation difference/Net income recognised directly in equity	—	—	—	—	—	12,997	—	—	—	—	—	12,997	3,952	16,949
Profit for the year	—	—	—	—	—	—	—	—	—	—	48,255	48,255	9,850	58,105
Total recognised income and expenses for the year	—	—	—	—	—	12,997	—	—	—	—	48,255	61,252	13,802	75,054
Issue of ordinary shares upon exercise of share options *(note 32)*	350	12,282	—	—	—	—	—	—	(1,922)	—	—	10,710	—	10,710
Issue of ordinary shares upon bonus issue *(note 32)*	10,700	(10,700)	—	—	—	—	—	—	—	—	—	—	—	—
Share issue expenses	—	(59)	—	—	—	—	—	—	—	—	—	(59)	—	(59)
Minority interest arising from formation of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	8	8
Minority interest arising from increase in share capital of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	2,813	2,813
Employee share-based compensation *(notes 14 and 34)*	—	—	—	—	—	—	—	—	1,353	—	—	1,353	—	1,353
Dividend paid in respect of the previous year *(note 12)*	—	—	—	—	—	—	—	—	—	(6,000)	(420)	(6,420)	—	(6,420)
Dividend declared and payable to minority interest	—	—	—	—	—	—	—	—	—	—	—	—	(10,808)	(10,808)
Proposed final dividend *(note 12)*	—	—	—	—	—	—	—	—	—	16,050	(16,050)	—	—	—
Transfer to reserve	—	—	—	4,235	—	—	—	—	—	—	(4,235)	—	—	—
At 31 March 2008	16,050	54,132	2,000	4,782	57	20,772	(320)	2,830	515	16,050	178,073	294,941	45,648	340,589

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. During the year, the Group also derived license fee income from subcontracting the iron ores business to a related company (see note 21).

The financial statements on pages 31 to 93 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. 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 for the year ended 31 March 2008 were approved for issue by the board of directors on 25 June 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

HKAS 1 (Amendment) – Capital Disclosures

In accordance with HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 41.

HKFRS 7 – Financial Instruments: Disclosures

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

— a sensitivity analysis explaining the Group's market risk exposure in regard to its financial instruments, and

— a maturity analysis that shows the remaining contractual maturities of financial liabilities,

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

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

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

HKAS 1 (Revised) – Presentation of Financial Statements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities measured at amortised cost. 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, are disclosed in note 4.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

(c) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combination (other than for combing entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

Minority interests are presented in the consolidated balance sheet within equity, separate from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

(d) Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3(j)) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(e) Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition

Revenue comprises the fair value for the sales of goods and services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risk and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Consultancy fee income is recognised in the accounting period when the agreed services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

License fee income is recognised on a straight-line basis over the licensing period.

Dividend is recognised when the right to receive payment is established.

(g) Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 3(d).

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

(h) Intangible assets (other than goodwill) and research and development activities

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Such intangible assets are tested for impairment as described below in note 3(j). Amortisation commences when the intangible assets are available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets (other than goodwill) and research and development activities *(Continued)*

Research and development costs

Research expenditure is expensed as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) the management intends to complete the intangible asset and use or sell it;

(iii) the Group is able to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) there are adequate technical, financial and other resources to complete the development and use or sell the intangible asset; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are amortised on straight-line basis over its useful life from the point at which the asset is ready for use.

(i) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, as follows:

Buildings	20-50 years
Motor vehicles	3 years
Plant and machinery	5-15 years
Furniture, fixtures and equipment	5 years

The assets' residue values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leases *(Continued)*

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risk and rewards of ownership to the Group are classified as operating leases. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

Land use rights

Land use rights are up-front payments to acquire the land use rights/leasehold land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the lease term.

(l) Financial assets

The Group's accounting policies for financial assets other than investment in subsidiaries and associates are set out below.

The Group classified its financial assets as loans and receivables, including accounts, bills and other receivable, amounts due from related companies, amount due from an investee company, cash and cash equivalents and available-for-sale financial assets, and for the Company, amounts due from subsidiaries.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expired or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

(i) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary financial assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest rate method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised costs

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) Financial assets carried at cost less any identified impairment losses

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Construction in progress

Construction in progress is stated at cost less impairment losses. The cost comprises construction costs including direct materials, labour, contractors' fees, interest expenses, overheads and cost of plant and machineries attributable to bringing the production facilities to its present condition.

When the construction or installation is completed, the relevant cost of construction in progress is transferred to the appropriate categories of property, plant and equipment.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method and in the case of work in progress and finished goods, comprise direct materials and an appropriate portion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(p) Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. Changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Accounting for income taxes *(Continued)*

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(q) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(r) Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Retirement benefit costs and short-term employee benefits *(Continued)*

Defined contribution plans *(Continued)*

According to the relevant rules and regulations in the PRC, the employers of the Group's subsidiaries in the PRC are required to participate in the state-sponsored retirement plan (the "PRC RB Plan") operated by the respective local municipal governments in the PRC. These PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the PRC RB Plan ("Employer contributions"). The PRC RB Plan is responsible for the entire pension obligations payable to the retired employees and the Group has no further obligations for the actual pension payments or other post-retirement benefits beyond the Employer contributions. Contributions under the PRC RB Plan are charged to the consolidated income statement as they become payable in accordance with the rules of the PRC RB Plan.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(s) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in the income statement, with a corresponding increase in share option reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial liabilities

The Group's financial liabilities include bank loans, accounts, bills and other payable, accrued expenses and amount due to a director, and for the Company, amounts due to subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ii) Accounts, bills and other payable, accrued expenses and amount due to a director

Accounts, bills and other payables, accrued expenses and amount due to a director are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(u) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed.

(w) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

— controls, is controlled by, or is under common control with, the Group;

— has an interest in the Group that gives it significant influence over the Group;

— has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, intangible assets; inventories, receivables and operating cash, and mainly exclude corporate assets and available-for-sale financial assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, construction in progress, and intangible assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

(y) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

(z) Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received or the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight-line basis over the expected lives of the related assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

(ii) Impairment of interests in associates, property, plant and equipment

The Group assesses impairment at each balance sheet date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment condition exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Impairment of available-for-sale financial assets

The Group's available-for-sale financial assets comprise various unlisted equity instruments that do not have a quoted market price in an active market and whose fair value, in the opinion of the directors, cannot be reliably measured. Accordingly, the Group has recognised these available-for-sale financial assets at cost less accumulated impairment losses.

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement on the investee's business performance, market conditions, changes in technology, operational and financing cash flows, etc.

(iv) Impairment of receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than the estimated.

(v) Net realisable value of inventories

The estimate is based on the current market condition and the historical experience of selling products of similar nature. If could change significantly as a result of competitors' actions in response to severe industry cycles. The Group's management reassesses these estimations at the balance sheet dates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(vi) Valuation of share options granted

The fair value of share options granted was calculated using the Binomial Option Pricing Model based on the Group's management's significant inputs into calculation including volatility of share price, estimated life of share options granted, weighted average annual risk free interest rate, expected dividend yield and suboptimal exercise factor. Further details are set out in note 34 to the financial statements.

5. REVENUE AND TURNOVER

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

6. SEGMENT INFORMATION

Primary reporting format — business segments

The Group is organised into four main business segments:

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

(ii) Trading pharmaceutical products — Trading of pharmaceutical products.

(iii) Health care products — Manufacturing and sale of health care products.

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

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

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

6. SEGMENT INFORMATION *(Continued)*

Secondary reporting format — Geographical segments

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

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, construction in progress and intangible assets, analysed by the geographical areas in which the assets are located.

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

7. OTHER INCOME

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

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest charges on bank loans wholly repayable within five years	**5,236**	2,317
Less: interest capitalised included in construction in progress *(note 18)*	**(631)**	—
	4,605	2,317

9. PROFIT BEFORE INCOME TAX

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

Notes:

(i) Cost of inventories includes HK$9,073,000 (2007: HK$8,947,000) relating to staff costs, depreciation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) Research and development costs for the year ended 31 March 2008 do not include any staff cost.

Research and development costs for the year ended 31 March 2007 comprised staff costs of HK$58,000 (which were also included in the total amount of staff costs disclosed in note 14).

10. INCOME TAX EXPENSE

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

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

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

10. INCOME TAX EXPENSE *(Continued)*

	2008 HK$'000	2007 HK$'000
Current tax		
— Hong Kong		
Tax for the year	4,347	1,234
Over provision in respect of prior years	(42)	(26)
	4,305	1,208
— Outside Hong Kong		
Provision for PRC income tax	4,295	2,632
Under provision in respect of prior years	—	1,742
Tax refund	—	(3)
	4,295	4,371
Deferred tax		
Current year *(Note 31)*	2,872	207
Total income tax expense	11,472	5,786

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

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

12. DIVIDENDS

(a) Dividends attributable to the year

	2008	2007
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK$0.01 per share (2007: HK$0.004* per share)	**16,050**	6,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of the retained profits for the year ended 31 March 2008.

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

	2008	2007
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year of HK$0.004* per share (2007: HK$0.003* per share)	**6,420**	5,000

* Adjusted for the proportionate change in bonus issue.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$48,255,000 (2007: HK$21,060,000) and on 1,569,672,000 (2007: 1,500,000,000 as adjusted for the proportionate change in bonus issue (note 32)) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

13. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

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

	2007
	HK$'000
Profit attributable to equity holders of the Company	21,060
Weighted average number of ordinary shares (diluted)	*'000*
— Weighted average number of ordinary shares as at 31 March 2007 (adjusted for the proportionate change in bonus issue *(note 32)*)	1,500,000
— Effect of deemed issue of shares under the Company's share option scheme	754
	1,500,754

During the year, the Company approved a bonus issue of ordinary shares on the basis of two bonus shares for every share of the Company (see note 32). The weighted average number of ordinary shares for the year ended 31 March 2007, as if the bonus issue had occurred on 1 April 2006, was deemed to be 1,500,754,000.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008	2007
	HK$'000	*HK$'000*
Salaries and wages, other allowances and benefits in kind	**24,752**	22,543
Consultancy fee	**469**	—
Rentals for staff and directors	**1,536**	1,526
Employee share-based compensation *(note 34)*	**1,353**	1,084
Contribution to defined contribution plans	**1,573**	1,225
	29,683	26,378

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Executive directors and independent non-executive directors

	Fees	Salaries, housing, other allowances and benefits in kind	Employee share-based compensation *(note (iii))*	Contribution to retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Executive directors					
Mr. Lau Yau Bor	—	1,834	—	—	1,834
Mr. Lau Kin Tung	—	1,270	419	12	1,701
Madam Chan Hing Ming	—	296	419	—	715
Independent non-executive directors					
Mr. Choy Ping Sheung	80	—	—	—	80
Mr. Fung Tze Wa	100	—	—	—	100
Mr. Seet Lip Chai	100	—	—	—	100
	280	3,400	838	12	4,530
2007					
Executive directors					
Mr. Lau Yau Bor	—	1,711	361	—	2,072
Mr. Lau Kin Tung	—	1,183	361	12	1,556
Madam Chan Hing Ming	—	236	362	—	598
Independent non-executive directors					
Mr. Choy Ping Sheung	80	—	—	—	80
Mr. Fung Tze Wa	100	—	—	—	100
Mr. Seet Lip Chai	100	—	—	—	100
	280	3,130	1,084	12	4,506

Notes:

(i) There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the year ended 31 March 2008 (2007: Nil).

(ii) During the year, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

(iii) During the year, 10,000,000 share options with a fair value of approximately HK$838,000 were granted to the directors of the Company to subscribe for ordinary shares of the Company (2007: 15,000,000 shares options granted with a fair value of approximately HK$1,084,000).

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries, housing, other allowances and benefits in kind	**665**	837
Consultancy fee	**469**	—
Discretionary bonus	**80**	168
Employee share-based compensation	**515**	—
Contribution to defined contribution plans	**12**	17
	1,741	1,022

The emoluments of the two (2007: two) individuals fell within the following bands:

	Number of individuals	
	2008	2007
Nil — HK$1,000,000	**2**	2

No emolument was paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

16. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2006					
Cost	90,893	2,476	49,291	9,413	152,073
Accumulated depreciation	(8,371)	(1,692)	(12,732)	(3,921)	(26,716)
Net book amount	82,522	784	36,559	5,492	125,357
Year ended 31 March 2007					
Opening net book amount	82,522	784	36,559	5,492	125,357
Additions	—	280	3,334	408	4,022
Disposals	(1,249)	—	(307)	(18)	(1,574)
Depreciation	(3,956)	(309)	(1,984)	(1,869)	(8,118)
Transfer from construction in progress	18,254	—	16,171	1,099	35,524
Transfer to construction in progress	—	—	(804)	—	(804)
Translation differences	3,458	36	1,170	220	4,884
Closing net book amount	99,029	791	54,139	5,332	159,291
At 31 March 2007					
Cost	110,082	2,843	69,264	11,246	193,435
Accumulated depreciation	(11,053)	(2,052)	(15,125)	(5,914)	(34,144)
Net book amount	99,029	791	54,139	5,332	159,291
Year ended 31 March 2008					
Opening net book amount	**99,029**	**791**	**54,139**	**5,332**	**159,291**
Additions	**234**	**303**	**6,053**	**2,201**	**8,791**
Disposals	**(5,333)**	**—**	**(996)**	**(492)**	**(6,821)**
Depreciation	**(6,236)**	**(264)**	**(3,440)**	**(1,997)**	**(11,937)**
Transfer from construction in progress	**3,248**	**—**	**556**	**200**	**4,004**
Translation differences	**10,209**	**72**	**4,665**	**601**	**15,547**
Closing net book amount	**101,151**	**902**	**60,977**	**5,845**	**168,875**
At 31 March 2008					
Cost	**116,273**	**3,372**	**79,553**	**12,895**	**212,093**
Accumulated depreciation	**(15,122)**	**(2,470)**	**(18,576)**	**(7,050)**	**(43,218)**
Net book amount	**101,151**	**902**	**60,977**	**5,845**	**168,875**

Buildings with carrying amount of HK$90,128,000 (2007: HK$73,114,000) were pledged to secure bank loans (note 28).

17. LAND USE RIGHTS — GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Hong Kong held on:		
— Leases of over 50 years	**4,356**	4,392
Outside Hong Kong, held on:		
— Leases of between 10 to 50 years	**19,105**	23,221
	23,461	27,613
Less: Current portion included in current assets	**(631)**	(635)
	22,830	26,978

Land use rights with carrying amount of HK$23,461,000 (2007: HK$7,066,000) was pledged to secure bank loans (note 28).

	2008	2007
	HK$'000	*HK$'000*
Opening net carry amount	**27,613**	27,323
Disposal	**(5,700)**	—
Annual charges of prepaid operating lease payment	**(773)**	(635)
Translation differences	**2,321**	925
Closing net carrying amount	**23,461**	27,613

18. CONSTRUCTION IN PROGRESS — GROUP

	2008 HK$'000	2007 HK$'000
At beginning of the year	8,912	34,524
Additions	37,011	7,713
Transferred from property, plant and equipment	—	804
Transferred to property, plant and equipment	(4,004)	(35,524)
Translation differences	891	1,395
At end of the year	42,810	8,912

Construction in progress at 31 March 2008 primarily represents costs incurred in connection with the Group's new GMP production facility in Kunming and Jiangsu.

Included in additions to construction in progress for the year ended 31 March 2008 is net interest capitalised of HK$631,000 (2007: Nil).

19. INVESTMENT IN SUBSIDIARIES — COMPANY

(a) Investment cost

	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost	82,380	82,380

Particulars of the Company's subsidiaries as at 31 March 2008 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Percentage of issued capital held by the Company	Principal activities and place of operation
Jiwa Development Co. Ltd. ("JDL")	British Virgin Islands ("BVI"), limited liability company	100,000 ordinary shares of US$0.5 each	100%*	Investment holding, Hong Kong
Jiwa International Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1,000 each	100%	Trading of pharmaceutical products, Hong Kong
Jiwa Pharmaceuticals Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1,000 each	100%	Investment holding, Hong Kong

19. INVESTMENT IN SUBSIDIARIES — COMPANY *(Continued)*

(a) Investment cost *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Percentage of issued capital held by the Company	Principal activities and place of operation
Tech-Medi Development Limited	Hong Kong, limited liability company	200 ordinary shares of HK$1,000 each	100%	Trading of health care products, Hong Kong
Kunming Jida Pharmaceutical Company Limited ("KJP")	PRC, limited liability company	Reminbi ("RMB") 122,334,000	70%	Manufacturing and trading of pharmaceutical products, PRC
Jiwa Rintech Holdings Limited	BVI, limited liability company	10 ordinary shares of US$1 each	100%	Investment holding, Hong Kong
Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("JJRP")	PRC, limited liability company	RMB58,000,000	100%	Manufacturing and trading of pharmaceutical bulk materials, PRC
Sino-Tech International (Macao Commercial Offshore) Limited	Macau, limited liability company	MOP100,000	100%	Trading of health care products, Macau
Rise Hill Development Limited ("Rise Hill") *(note (i))*	BVI, limited liability company	1,000 ordinary shares of USD1 each	60%	Not yet commenced business
Base Affirm International Limited ("Base Affirm") *(note (ii))*	BVI, limited liability company	1,000 ordinary shares of USD1 each	60%	Not yet commenced business

* Issued capital held directly by the Company

Notes:

(i) Rise Hill became a subsidiary of the Group on 3 March 2008.

(ii) Base Affirm became a subsidiary of the Group on 3 December 2007.

19. INVESTMENT IN SUBSIDIARIES — COMPANY *(Continued)*

(b) Amounts due from/(to) subsidiaries

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

The carrying amounts of amounts due from/(to) subsidiaries approximate their fair value.

20. INTERESTS IN ASSOCIATES — GROUP

	2008
	HK$'000
Acquisition of associates	13,000
Share of results of associates	(18)
Balance at 31 March 2008	12,982

Particulars of the associates at 31 March 2008 are as follows:

Name	Particulars of issued shares held	Country of incorporation	% of interest held
Leader Forever Limited ("Leader Forever")	500 ordinary shares of USD1 each	BVI	25%
Vital Element Investments Limited ("Vital Element")	800 shares of USD1 each	BVI	21%

The summarised financial information of the Group's associates extracted from their financial statements is as follows:

	2008
	HK$'000
Assets	57,929
Liabilities	—
Revenue	—
Loss	71

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2008 *HK$'000*	2007 *HK$'000*
Unlisted equity securities in PRC, at cost		
Balance b/f	**1,229**	1,181
Addition *(note (i))*	**25,521**	—
Translation differences	**124**	48
	26,874	1,229

Notes:

(i) In June 2007, the Group acquired 70% equity interest in Shanxi Fanshi County Longchang Industrial Co. Ltd. (山西繁峙縣龍昌實業有限責任公司) ("Longchang"), a company incorporated in the PRC, which possess the rights to the exploitation of iron ores in an area in Fanshi County of Shanxi Province, the PRC, at a consideration of RMB 24,500,000 (approximately HK$25,521,000).

Longchang afterwards entered into a subcontracting agreement ("Agreement") with Shanxi Wu Tai County Fu Di Mining Co. Ltd. (山西五台縣福地礦業有限公司) ("Wu Tai"), a PRC company 50% owned by the 30% equity holder of Longchang. Pursuant to the Agreement, Longchang assigned the management and operation rights to Wu Tai for the period from 1 January 2008 to 31 December 2012 (the "Period"). During the Period, Wu Tai will be entitled to all the profits of Longchang and bear all the losses of Longchang if incurred. Accordingly Wu Tai will pay to Longchang an annual license fee of RMB8,600,000, in which 70% of the license fee which amounted to RMB6,020,000 will be paid to the Group.

The directors considered that the Group exerted no control or influence on Longchang, the Group recognised the investment in Longchang as available-for-sale investment and recognised it at cost less accumulated impairment.

(ii) The above unlisted investments are measured at cost at the balance sheet date because there is no active market and the directors of the Company are of the opinion that their fair value cannot be measured reliably as no market value is available.

22. GOODWILL — GROUP

	2008	2007
	HK$'000	HK$'000
At beginning of the year		
Gross carrying amount	942	906
Accumulated impairment	—	—
Net carrying amount	942	906
Year ended 31 March		
Net carrying amount at 1 April	942	906
Translation difference	36	36
Net carrying amount at 31 March	978	942
At end of the year		
Gross carrying amount	978	942
Accumulated impairment	—	—
Net carrying amount	978	942

Subsequent to the annual impairment test for 2008, the carrying amount of goodwill is allocated to the cash generating unit of pharmaceutical products. The recoverable amounts for the cash generating unit above was determined based on value-in-use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the growth rate of 15% per annum and discount rate of 6%. The growth rates reflect the long-term average growth rates for the pharmaceutical products.

The management's key assumptions have been determined based on past performance and its expectation for market's development. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating unit.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

23. INTANGIBLE ASSETS — GROUP

	Technical know-how *HK$'000*
Year ended 31 March 2007	
Opening net book amount	403
Additions	2,828
Translation difference	17
Amortisation charge	(892)
Closing net book amount	2,356
At 31 March 2007	
Cost	3,458
Accumulated amortisation	(1,102)
Net book amount	2,356
Year ended 31 March 2008	
Opening net book amount	2,356
Translation difference	235
Amortisation charge	(1,998)
Closing net book amount	**593**
At 31 March 2008	
Cost	3,833
Accumulated amortisation	(3,240)
Net book amount	**593**

The directors consider the useful lives of the above technical know-how are 21 months to 36 months.

24. INVENTORIES — GROUP

	2008 *HK$'000*	2007 *HK$'000*
Raw materials	**25,760**	17,818
Work in progress	**9,064**	6,219
Finished goods	**23,138**	15,004
	57,962	39,041

25. ACCOUNTS AND BILLS RECEIVABLE — GROUP

	2008	2007
	HK$'000	HK$'000
Accounts receivable	101,372	69,412
Bills receivable	101	303
	101,473	69,715

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

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

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

At each balance sheet 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 following is an ageing analysis of the Group's accounts and bills receivable that are not impaired at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	66,086	39,406
Past due but not impaired		
Not more than one month past due	29,082	13,773
Over one month past due	6,305	16,536
	35,387	30,309
	101,473	69,715

25. ACCOUNTS AND BILLS RECEIVABLE — GROUP *(Continued)*

Accounts and bills receivable that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Accounts and bills receivable that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Base on past experiences, the management believes that no impairment provision 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. The Group does not hold any collateral over these balances.

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

	2008	2007
	HK$'000	*HK$'000*
United States Dollars ("US$")	**16,765**	49,358
EURO ("EUR")	**56,921**	—

26. PREPAYMENTS AND OTHER RECEIVABLES — GROUP

	2008	2007
	HK$'000	*HK$'000*
Deposits	**2,042**	638
Other receivables	**12,614**	6,718
Prepayments	**8,732**	15,470
	23,388	22,826

27. CASH AND CASH EQUIVALENTS — GROUP

Included in bank and cash balances of the Group is HK$16,879,000 (2007: HK$15,444,000) of bank balances denominated in RMB placed with banks in PRC. RMB is not a freely convertible currency.

28. BANK LOANS — GROUP

Bank loans amounted to HK$85,682,000 (2007: HK$44,444,000) are secured by the buildings and land use rights of the Group with net book value of HK$90,128,000 (2007: HK$73,114,000) and HK$23,461,000 (2007: HK$7,066,000) respectively.

28. BANK LOANS — GROUP *(Continued)*

Bank loans amounted to HK$52,676,000 (2007: HK$11,701,000) are guaranteed by the Company.

The maturity dates of the bank loans at the balance sheet dates were as follows:

	2008	2007
	HK$'000	*HK$'000*
Due within 1 year or on demand	49,706	44,234
After 1 year but within 2 years	7,600	11,911
After 2 years but within 5 years	34,226	—
	91,532	56,145
Less: Portion due within 1 year included in current liabilities	(49,706)	(44,234)
Non-current portion included under non-current liabilities	41,826	11,911

The carrying amounts of the bank loans are denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	18,750	—
RMB	38,856	44,445
USD	33,926	11,700
	91,532	56,145

The effective interest rates per annum of the bank loans at the balance sheet dates were as follows:

	Interest rates	
	2008	2007
Bank loans in HK$ — Floating rate to be matured in 2008 to 2011	HK$ Prime rate (2008: 5.5%) less 2%	—
Bank loans in RMB — Fixed rates, to be matured in 2008	6.39% to 7.29%	5.10% to 5.85%
Bank loans in US$ — Floating rate to be matured in 2008 to 2012	US$ Prime rate (2008: 5.25%) less 0.75%	US$ Prime rate (2007: 8.25%) less 0.75%

In the opinion of the directors, the carrying amounts of the Group's current and non-current bank loans approximate their fair values. The fair values of the non-current bank loans are calculated by discounting their expected future cash flows at market rates.

29. ACCOUNTS AND BILLS PAYABLE — GROUP

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

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

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 2008 and 2007 approximate to their corresponding carrying amounts due to their short-term maturities.

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

	2008 HK$'000	2007 HK$'000
US$	3,840	6,022
EUR	29,200	9,614

30. ACCRUED EXPENSES AND OTHER PAYABLES — GROUP

	2008 HK$'000	2007 HK$'000
Other payables	13,913	7,735
Accruals	1,899	1,529
	15,812	9,264

31. DEFERRED TAX

GROUP

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation *HK$'000*	Internally generated intangible assets *HK$'000*	Total *HK$'000*
Deferred tax arising from:			
At 1 April 2006	2,324	3,195	5,519
Charged to consolidated income statement	(111)	(96)	(207)
Exchange difference	95	129	224
At 31 March and 1 April 2007	2,308	3,228	5,536
Charged to consolidated income statement	(2,766)	(106)	(2,872)
Exchange difference	458	347	805
At 31 March 2008	**—**	**3,469**	**3,469**

The Group has not recognised deferred tax assets in respect of unused tax losses of HK$6,577,000 (2007: HK$534,000) because of the unpredictability of future profit streams. The amount of tax loss that has no expiry date is approximately HK$921,000 (2007: HK$534,000) and the remaining tax loss of approximately of HK$5,656,000 (2007: Nil) is subject to expiry period of five years.

Company

As at 31 March 2008, the Company did not have any material temporary differences (2007: Nil).

32. SHARE CAPITAL

	2008		2007	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning of the year	1,000,000,000	10,000	1,000,000,000	10,000
Increase in authorised ordinary shares *(note (i))*	9,000,000,000	90,000	—	—
At end of the year	10,000,000,000	100,000	1,000,000,000	10,000

	2008		2007	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	500,000,000	5,000	500,000,000	5,000
Employee share option scheme				
— proceeds from shares issued *(note (ii))*	35,000,000	350	—	—
Bonus issue *(note (iii))*	1,070,000,000	10,700	—	—
At end of the year	1,605,000,000	16,050	500,000,000	5,000

Notes:

(i) By an ordinary resolution passed at the special general meeting held on 3 July 2007, the authorised share capital of the Company was increased from HK$10 million divided into 1,000,000,000 ordinary shares of HK$0.01 each to HK$100 million by the creation of a further 9,000,000,000 shares of HK$0.01 each ranking pari passu in all respects with the existing shares of the Company.

(ii) On 1, 2 and 8 August 2007, the directors of the Company exercised their rights to convert a total of 35,000,000 share options into 35,000,000 ordinary shares of HK$0.01 each of the Company at exercise prices of HK$0.28, HK$0.315 and HK$0.336. Details regarding the exercise of share options are summarised in note 34.

(iii) Pursuant to an ordinary resolution passed at the annual general meeting on 31 August 2007, the Company offered its shareholders bonus issue of shares on the basis of 2 bonus ordinary shares of par value of HK$0.01 each for every 1 existing ordinary share of par value of HK$0.01 each held on 31 August 2007.

33. RESERVES

Group

Please refer to the Consolidated Statement of Changes in Equity for reserves of the Group on page 37.

(i) Contributed surplus

Pursuant to the corporate reorganisation of the Group during 2002 to 2003 (the "Reorganisation"), the Company became the holding company of the Group on 24 September 2003. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation was transferred to contributed surplus. Contributed surplus is available for distribution to shareholders subject to the provision under section 54 of the Companies Act of Bermuda.

(ii) General reserve fund and Enterprise expansion fund

In accordance with the articles of association and equity joint venture agreement, the subsidiaries in the PRC are required to set up a general reserve fund and an enterprise expansion fund, which are non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries.

(iii) Revaluation adjustment

Revaluation adjustment represents the fair value adjustment which is attributed to the 5% increase in the shareholdings of KJP, a subsidiary of the Group. It is the portion of revaluation difference that arose since the original acquisition date that is attributable to the increase in the Group's interest. This reserve adjustment will be recognised in the income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

(iv) Capital reserve

Upon completion of the capital verification on 25 April 2003, KJP capitalised the enterprise expansion fund of RMB3,000,000 as its registered share capital according to a board resolution dated 18 January 2003. The amount was recognised as capital reserve in the consolidated balance sheet.

(v) Share premium

The Share premium represents the premium arising from the issue of shares, net of placing expenses.

33. RESERVES *(Continued)*

COMPANY

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2006	52,609	82,180	—	5,062	139,851
Dividend paid in respect of the previous year *(note 12(b))*	—	—	—	(5,000)	(5,000)
Employee share-based compensation *(note 34)*	—	—	1,084	—	1,084
Profit for the year	—	—	—	6,817	6,817
At 31 March and 1 April 2007	52,609	82,180	1,084	6,879	142,752
Exercise of share options	12,282	—	(1,922)	—	10,360
Bonus issue	(10,700)	—	—	—	(10,700)
Share issue expenses	(59)	—	—	—	(59)
Dividend paid in respect of the previous year *(note 12(b))*	—	—	—	(6,420)	(6,420)
Employee share-based compensation *(note 34)*	—	—	1,353	—	1,353
Profit for the year	—	—	—	17,256	17,256
At 31 March 2008	**54,132**	**82,180**	**515**	**17,715**	**154,542**

	2008 *HK$'000*	2007 *HK$'000*
Retained profits represent:		
Final proposed dividend *(note 12(a))*	**16,050**	6,000
Others	**1,665**	879
	17,715	6,879

34. EMPLOYEE SHARE-BASED COMPENSATION

The Company has a share option scheme (the "Scheme") which was adopted on 24 September 2003 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and consultants and advisers to the Group (subject to the eligibility requirements) to take up options to subscribe for shares of the Company representing up to a maximum of 10% of the shares in issue at the date of approval of the Scheme. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share. The grantee shall pay HK$1 to the Company by way of consideration for the grant.

34. EMPLOYEE SHARE-BASED COMPENSATION *(Continued)*

On 31 August 2007, an ordinary resolution regarding the refreshment of scheme mandate limit was approved by the shareholders of the Company at the annual general meeting. Starting from 31 August 2007, further options to subscribe up to 53,500,000 ordinary shares of the Company, being 10% of the total number of shares in issue on the date of annual general meeting are available to be granted under the Scheme.

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 March 2008 were as follows:

	Date of grant	Exercisable period	Balance at 01/04/2007	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31/03/2008	Exercise price	Exercise date
			Number of options	*Number of options*	*Number of options*	*Number of options*	*Number of options*	*HK$*	
Executive directors									
Mr. Lau Yau Bor	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	(5,000,000)	—	—	0.336	01/08/2007
	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	01/08/2007
Mr. Lau Kin Tung	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	01/08/2007
	12/04/2007	12/04/2007 to 11/04/2012	—	5,000,000	(5,000,000)	—	—	0.315	01/08/2007
Madam Chan Hing Ming	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	(5,000,000))	—	—	0.336	01/08/2007
	12/04/2006	12/04/2006 to 11/04/2011	5,000,000	—	(5,000,000)	—	—	0.280	02/08/2007
	12/04/2007	12/04/2007 to 11/04/2012	—	5,000,000	(5,000,000)	—	—	0.315	08/08/2007
Empolyees									
In aggregate	01/11/2007	01/11/2008 to 31/10/2013	—	5,000,000	—	—	5,000,000	0.300	N/A
At 31 March 2008			**25,000,000**	**15,000,000**	**(35,000,000)**	**—**	**5,000,000**		

34. EMPLOYEE SHARE-BASED COMPENSATION *(Continued)*

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 March 2007 were as follows:

	Date of grant	Exercisable period	Balance at 01/04/2006 *Number of options*	Granted during the year *Number of options*	Exercised during the year *Number of options*	Cancelled during the year *Number of options*	Balance at 31/03/2007 *Number of options*	Exercise price *HK$*	Exercise date
Executive directors									
Mr. Lau Yau Bor	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	—	—	5,000,000	0.336	N/A
	12/04/2006	12/04/2006 to 11/04/2011	—	5,000,000	—	—	5,000,000	0.280	N/A
Mr. Lau Kin Tung	04/05/2004	04/05/2004 to 03/05/2009	4,000,000	—	—	(4,000,000)	—	0.310	N/A
	29/12/2004	29/12/2004 to 28/12/2009	1,000,000	—	—	(1,000,000)	—	0.336	N/A
	12/04/2006	12/04/2006 to 11/04/2011	—	5,000,000	—	—	5,000,000	0.280	N/A
Madam Chan Hing Ming	29/12/2004	29/12/2004 to 28/12/2009	5,000,000	—	—	—	5,000,000	0.336	N/A
	12/04/2006	12/04/2006 to 11/04/2011	—	5,000,000	—	—	5,000,000	0.280	N/A
Employees									
In aggregate	31/03/2004	31/03/2004 to 30/03/2009	2,000,000	—	—	(2,000,000)	—	0.377	N/A
At 31 March 2007			**17,000,000**	**15,000,000**	**—**	**(7,000,000)**	**25,000,000**		

34. EMPLOYEE SHARE-BASED COMPENSATION *(Continued)*

Share options and weighted average exercise prices for the years ended 31 March 2008 and 2007 are presented as follows:

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		HK$		HK$
Outstanding at 1 April	25,000,000	0.302	17,000,000	0.335
Granted	15,000,000	0.310	15,000,000	0.280
Exercised	(35,000,000)	0.306	—	—
Cancelled	—	—	(7,000,000)	0.333
Outstanding at 31 March	5,000,000	0.300	25,000,000	0.302

Shares options granted on 12 April 2007 are vested immediately and share options granted on 1 November 2007 are subject to a vesting period of 12 months

The fair values of options granted under the Scheme on 12 April 2007 and 1 November 2007, measured at the date of grant, were approximately HK$838,000 and HK$515,000, respectively. The following significant assumptions were used to derive the fair values of the share options, using the Binomial Option Pricing Model:

	Share options granted on	
	12 April 2007	1 November 2007
Share price	HK$0.315	HK$0.260
Exercise price	HK$0.315	HK$0.300
Expected volatility	34%	50%
Expected option life *(year)*	5	5
Weighted average annual risk free interest rate	4.068%	3.447%
Expected dividend yield	4.00%	4.36%
Suboptimal exercise factor	2	2

The expected volatility was determined with reference to the historical volatility of the Company's share prices. It is assumed that the volatility is constant throughout the option life. The expected volatility reflects the assumption that the historical volatility is indicative of future share market price trends, which may also not necessarily be the actual outcome. The risk-free interest rate was determined with reference to the yield of Exchange Fund Notes as at the grant date.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.911 (2007: N/A as no share options were exercised).

The share options outstanding as at 31 March 2008 had weighted average exercise prices of HK$0.300 (2007: HK$0.302) and a weighted average remaining contractual life of 5.6 years (2007: 2.8 years).

The total consideration received during the year from the grantees for taking up the options is HK$3. In total, employee compensation expense of HK$1,353,000 (2007: HK$1,084,000) (note 14) has been included in the consolidated income statement for the year. The corresponding amount of which has been credited to share option reserve (note 33). No liabilities were recognised due to share-based employee compensation.

35. COMMITMENTS

(a) Operating lease commitments

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Group

	2008 *HK$'000*	2007 *HK$'000*
Within 1 year	877	2,457
After 1 year but within 5 years	67	599
	944	3,056

The Group leases a number of properties under operating leases. The leases run for periods from one year to two years (2007: one to two years). None of the leases include contingent rentals.

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

(b) Capital commitments

At 31 March 2008, outstanding capital commitments not provided for in the financial statements were as follows:

Group

	2008 *HK$'000*	2007 *HK$'000*
Contracted for		
— acquisition of technical know-how	2,907	2,607
— acquisition of property, plant and equipment	3,023	2,342
	5,930	4,949
Authorised but not contracted for		
— acquisition of property, plant and equipment	—	5,140
	5,930	10,089

35. COMMITMENTS *(Continued)*

(b) Capital commitments *(Continued)*

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

	2008 *HK$'000*	2007 *HK$'000*
Contracted for	5,000	—

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

36. 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 parties transactions:

	Note	2008 *HK$'000*	2007 *HK$'000*
Recurring:			
Sales of goods:			
— Yunnan Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceutical")	*(i)*	9,457	8,918
— Yunnan Jiwa Pharm Logistics Company Limited ("Yunnan Jiwa Pharm Logistics")	*(ii)*	9,329	—
Rentals paid			
— Mr. Lau Yau Bor	*(iii)*	576	336
— Jiwa Investment Limited	*(iv)*	1,620	1,881
Non-recurring:			
— Sale of land use rights and property, plant and equipment to Yunnan Pharmaceutical	*(v)*	18,500	—
— License fee income from Wu Tai	*(vi)*	1,667	—
— Acquisition of technical know-how from GeneHarbor (Hong Kong) Technologies Limited ("GeneHarbor")	*(vii)*	5,000	—

36. RELATED PARTY TRANSACTIONS — GROUP *(Continued)*

(a) Related parties transactions: *(Continued)*

Notes:

(i) Yunnan Pharmaceutical is the minority equity holder of KJP, a subsidiary of the Group.

(ii) The directors of the Company, Mr. Lau Yau Bor and Mr. Lau Kin Tung are beneficial owners of Yunnan Jiwa Pharm Logistics.

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

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

(v) On 13 February 2008, KJP, a subsidiary of the Group, entered into an asset transfer agreement with Yunnan Pharmaceutical pursuant to which KJP agreed to sell and transfer certain land use rights and property, plant and equipment to Yunnan Pharmaceutical at consideration of RMB18,500,000.

(vi) During the year, the Group assigned the management and operation rights of Longchang to Wu Tai in return for annual license fee. The license fee received by the Group for the year ended 31 March 2008 was HK$1,667,000. The minority equity holder of Longchang holds 50% equity interest in Wu Tai.

(vii) On 22 February 2008, JDL entered into a sale and purchase agreement with GeneHarbor, the minority equity holder of a subsidiary, Base Affirm. Pursuant to the agreement, GeneHarbor agreed to sell and JDL agreed to purchase 14.3% of the D-7ACA Technology (“Technology”) at consideration of HK$5,000,000.

The interest in the Technology was assigned to Vital Element on 25 February 2008. In return, Vital Element alloted 500 ordinary shares to JDL and 3,000 ordinary shares to GeneHarbor.

On 25 February 2008, JDL, GeneHarbor and Rise Hill entered into a shareholders’ agreement pursuant to which JDL and GeneHarbor agreed to subscribe 600 and 400 ordinary shares in Rise Hill of USD1 each. Rise Hill became a subsidiary of the Group on 3 March 2008.

(b) Amounts due from/(to) related companies at 31 March 2008

	2008 *HK$'000*	2007 *HK$'000*
Yunnan Jiwa Pharm Logistics	**5,232**	49
Yunnan Pharmaceutical	**14,419**	2,031
	19,651	2,080

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

(c) Amount due from an investee company at 31 March 2008

The amount due is unsecured, interest-free and repayable on demand.

(d) Amount due to a director at 31 March 2007

The amount due was unsecured, interest-free and repayable on demand.

36. RELATED PARTY TRANSACTIONS — GROUP *(Continued)*

(e) Compensation of key management personnel

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

	2008 *HK$'000*	2007 *HK$'000*
Salaries, other allowances and benefits in kind	**2,529**	2,245
Consultancy fee	**469**	—
Discretionary bonus	**80**	10
Rentals for directors	**1,536**	1,526
Employee share-based compensation	**1,353**	1,084
Contribution to defined contribution plans	**24**	17
	5,991	4,882

37. GUARANTEE — COMPANY

At balance sheet date, the Company had issued the following significant guarantees:

	2008 *HK$'000*	2007 *HK$'000*
Guarantees in respect of:		
Credit facilities granted by banks to certain subsidiaries	**80,662**	18,352

38. POST BALANCE SHEET EVENTS

(a) Granting of share options

On 14 April 2008, the Company granted 15,000,000 share options to Mr. Lau Kin Tung, a director of the Company. These share options, vested on the date of grant, are exercisable during the period from the date of grant to 13 April 2013 at the exercise price of HK$0.18 per share. The closing market price of the Company's share on the date of grant of these share options was HK$0.179.

(b) Subscription for a further 200 shares in Leader Forever

Pursuant to the shareholders' agreement signed by JDL, GeneHarbor and Leader Forever, on or before 31 May 2008, if Leader Forever meet the development target or to such stage to the satisfaction of the JDL and GeneHarbor, JDL agrees to subscribe for a further 200 shares for HK$2,000,000.

Subsequent to the balance sheet date, as Leader Forever has met the development target. The board of directors of JDL, proposed and approved to subscribe for a further 200 shares of US$1 each in Leader Forever in accordance to the Shareholder Agreement. Upon completion of the subscription, the Group will increase its equity interest in Leader Forever from 25% to 31.8%.

38. POST BALANCE SHEET EVENTS *(Continued)*

(c) New borrowings from Nanyang Commercial Bank ("NCB")

On 16 May 2008, KJP entered into a loan agreement with NCB pursuant to which NCB agrees to provide loan facilities to KJP of up to an aggregate principal amount of USD1,500,000. The loan is interest bearing at US$ prime rate and repayable by 5 instalments commencing on 24 August 2009 and the final instalment will be due on 23 August 2010. The Company has undertaken to provide corporate guarantee to secure the loan facilities.

(d) Refreshment of scheme mandate limit of the Scheme

On 25 June 2008, the board of directors proposed that subject to the approval of shareholders at the annual general meeting, the scheme mandate limit under the Scheme of the Company will be refreshed so that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not exceed 10% of the shares in issue as at the date of approval of the relevant resolution at the annual general meeting.

39. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year, KJP, a 70% subsidiary of the Company, sold and transferred to Yunnan Pharmaceutical, which is interested in 30% of the registered capital of KJP, the land and building owned by KJP located in Kunming City of the PRC, at a consideration of RMB18,500,000 (equivalent to HK$20,552,000), in which cash amounted to RMB1,000,000 (equivalent to HK$1,111,000) was received from Yunnan Pharmaceutical upon entering into the asset transfer agreement, RMB7,027,000 (equivalent to HK$7,808,000) was settled during the year through off-setting against dividend paid by KJP during the year. The remaining RMB10,473,000 (equivalent to HK$11,633,000) is expected to be repaid in March 2009 and is included in amounts due from related companies at the balance sheet date.

(ii) During the year, dividend amounted to RMB2,700,000 (equivalent to HK$2,813,000) paid by KJP to Yunnan Pharmaceutical was off-set against the additional capital contribution of Yunnan Pharmaceutical to KJP.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Group has not used any derivatives or other instruments for hedging purpose.

The Group is not actively engaged in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk

The Group mainly operates in Hong Kong, PRC and Macau. The functional currencies of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in RMB, US$ and EUR. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily RMB, US$ and EUR, against the functional currency of the relevant Group entities. Currently the Group does not have foreign currency policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As US$ is linked to HK$, the Group does not have material exchange risk on this currency.

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in foreign exchange rates, with all other variables held constant at the balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for reasonably possible changes in the foreign exchange rates.

	2008			2007		
	Change in foreign exchange rates	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in retained profits	Change in foreign exchange rates	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in retained profits
		HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
EUR	+2%	555	555	+2%	(188)	(188)
	-2%	(555)	(555)	-2%	188	188
RMB	+3%	861	861	+3%	(46)	(46)
	-3%	(861)	(861)	-3%	46	46

The Company's exposure to foreign exchange risk is minimal as all its financial assets and liabilities are denominated in HK$.

(b) Interest rate risk

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. At 31 March 2008, approximately 58% (2007: 21%) of the bank borrowings were at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at year end are disclosed in note 28.

The Group's bank balances are also exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk *(Continued)*

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the balance sheet date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

Group

	2008			2007		
	Change in interest rate	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in retained profits	Change in interest rate	Increase/ (Decrease) in profit for the year	Increase/ (Decrease) in retained profits
		HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
Borrowings in HK$	+1%	(155)	(155)	N/A	N/A	N/A
	-1%	155	155	N/A	N/A	N/A
Borrowings in US$	+1%	(280)	(280)	1%	(367)	(367)
	-1%	280	280	-1%	367	367

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumptions that the borrowing period of each loan outstanding at year end resembles that of the current financial year.

(c) Credit risk

The Group's and the Company's maximum credit risk exposure in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as shown in the consolidated and Company's balance sheets.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating. Credit risk on receivables is minimised as the Group performs ongoing evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, the management reviews the recoverability of receivables individually and collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

A significant portion of Group's sales are made to several major customers and as at 31 March 2008, these major customers have accounts receivable of approximately HK$90,772,000 out of the total accounts and bills receivable of HK$101,473,000 as stated on the consolidated balance sheet. These customers made continuous settlements with the Group and therefore, the management believes that the credit risk on the amounts due is minimal. The remaining amount of accounts and bills receivable are attributable to a number of counterparties and customers and therefore, the Group has no significant cencentration of credit risk on these remaining amounts.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk

The Group and the Company monitors and maintains sufficient cash and cash equivalents as well as availability of funds through adequate amounts of committed credit facilities. The policy is to regularly monitor its liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short-term and long-term.

The tables below analyse the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date of the Group and the Company may be required to pay:

At 31 March 2008:

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
Bank loans	—	49,706	7,600	34,226	91,532
Accounts and bills payable	—	55,005	—	—	55,005
Accrued expenses and other payables	15,812	—	—	—	15,812
	15,812	104,711	7,600	34,226	162,349

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company					
Accrued expenses and other payables	3	—	—	—	3
	3	—	—	—	3

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

At 31 March 2007:

	On Demand *HK$'000*	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
Group					
Bank loans	—	44,234	11,911	—	56,145
Accounts and bills payable	—	31,873	—	—	31,873
Amount due to a director	96	—	—	—	96
Accrued expenses and other payables	9,264	—	—	—	9,264
	9,360	76,107	11,911	—	97,378

	On demand *HK$'000*	Less than 1 year or *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
Company					
Amounts due to subsidiaries	434	—	—	—	434
Accrued expenses and other payables	3	—	—	—	3
	437	—	—	—	437

(e) Fair values

The fair value of the Group's and the Company's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of the non-current financial assets and liabilities are not disclosed because their carrying values are not materially different from their fair values.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows. See notes 3(l) and 3(t) for explanations about how the classification of financial instruments affects their subsequent measurement.

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables:				
Accounts and bills receivable	101,473	69,715	—	—
Deposits and other receivables	14,656	7,356	—	—
Amounts due from related companies	19,651	2,080	—	—
Amount due from an investee company	2,878	—	—	—
Amounts due from subsidiaries	—	—	62,171	58,805
Dividend receivable	—	—	26,000	7,000
Available-for-sale financial assets	26,874	1,229	—	—
Cash and cash equivalents	20,774	27,192	102	62
	186,306	107,572	88,273	65,867

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities				
Financial liabilities measured at amortised costs:				
Bank loans	91,532	56,145	—	—
Accounts and bills payable	55,005	31,873	—	—
Amount due to subsidiaries	—	—	—	434
Amount due to a director	—	96	—	—
Accrued expenses and other payables	15,812	9,264	3	3
	162,349	97,378	3	437

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, raise new debt financing or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors its capital using gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as bank loans less cash and cash equivalents as shown in the consolidated balance sheet. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at the balance sheet date were as follows:

	2008 *HK$'000*	2007 *HK$'000*
Current liabilities		
Bank loans	49,706	44,234
Non-current liabilities		
Bank loans	41,826	11,911
Total debt	91,532	56,145
Less: Cash and cash equivalents	(20,774)	(27,192)
Net debt	70,758	28,953
Total equity	340,589	267,938
Total equity and net debt	411,347	296,891
Gearing ratio	17%	10%

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	202,950	179,226	170,285	206,572	**317,429**
Operating profit	58,912	43,532	28,362	35,158	**74,200**
Finance cost	(1,273)	(3,652)	(3,757)	(2,317)	**(4,605)**
Share of results of associates	—	—	—	—	**(18)**
Profit before income tax	57,639	39,880	24,605	32,841	**69,577**
Income tax expense	(5,054)	(5,673)	(1,594)	(5,786)	**(11,472)**
Profit for the year	52,585	34,207	23,011	27,055	**58,105**
Profit attributable to equity holders of the Company	41,076	29,568	19,459	21,060	**48,255**
Minority interests	11,509	4,639	3,552	5,995	**9,850**
Profit for the year	52,585	34,207	23,011	27,055	**58,105**
Earnings per share for profit attributable to the equity holders of the Company during the year					
Basic (cents)	3.26*	1.97*	1.30*	1.40*	**3.07**
Diluted (cents)	3.26*	1.97*	N/A	1.40*	**N/A**

	As at 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	327,548	343,438	339,174	366,733	**506,222**
Total liabilities	(126,144)	(120,131)	(98,510)	(98,795)	**(165,633)**
Net assets	201,404	223,307	240,664	267,938	**340,589**
Share capital	5,000	5,000	5,000	5,000	**16,050**
Reserves	159,282	182,030	200,735	223,105	**278,891**
Minority interests	37,122	36,277	34,929	39,833	**45,648**
	201,404	223,307	240,664	267,938	**340,589**

* *Adjusted for the proportionate change in bonus issue.*