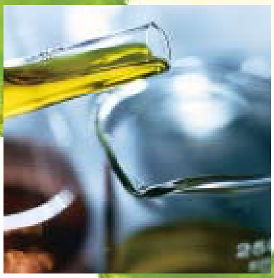
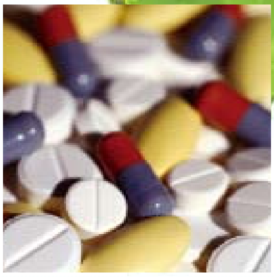
JIWA BIO-PHARM HOLDINGS LIMITED

積華生物醫藥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)





2009
Annual Report

*for identification only

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. Chiu Wai Piu *(appointed on 1 September 2008)*
Mr. Choy Ping Sheung
Mr. Fung Tze Wa
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*

Company Secretary

Mr. Chu Kim Ho (FCCA, FCPA)

AUTHORISED REPRESENTATIVES

Mr. Lau Yau Bor
Mr. Lau Kin Tung

AUDIT COMMITTEE

Mr. Fung Tze Wa *(Chairman)*
Mr. Chiu Wai Piu *(appointed on 1 September 2008)*
Mr. Choy Ping Sheung
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*

REMUNERATION COMMITTEE

Mr. Choy Ping Sheung *(Chairman)*
Mr. Chiu Wai Piu *(appointed on 1 September 2008)*
Mr. Fung Tze Wa
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*

NOMINATION COMMITTEE

Mr. Chiu Wai Piu *(Chairman) (appointed on 1 September 2008)*
Mr. Choy Ping Sheung
Mr. Fung Tze Wa
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*

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

INVESTOR RELATIONS

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Telephone: +852 2810 8991
Fax: +852 2115 9832
Email: kelvin-finc-hk@jiwa.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Jiwa Bio-Pharm Holdings Limited ("Jiwa" or the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009 (the "Year" or the "Period").

INDUSTRY OVERVIEW

Pharmaceutical Industry In China Gained Favour Amidst Global Financial Tsunami

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

RESULTS

Captured Opportunities With Sales Increased by 48.7%

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

DIVIDENDS

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

PROSPECT

Establishment of Unique Sales Network Through Resources Integration

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

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

Innovations to Lead the Group into the International Markets

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

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

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

Acknowledgements

On behalf of the Board, I would like to take this opportunity to express my deepest gratitude to all shareholders, clients, business partners, management team and staff for their strong support to the Group.

Lau Yau Bor
Chairman
Hong Kong, 22 June 2009

BUSINESS REVIEW

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

Finished Drugs

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

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

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

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

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

As shown in the 2007 Annual Report of the Ministry of Health of the PRC, the incidence rate of cerebrovascular disease is 6.6%, with an estimated patient population in China of over 8 million people. Cerebrovascular disease mainly occurs in middle-ages and the elderly, and the incidence rate increases gradually from age 50. Under the aging of population in the PRC, elderly people are accounting for a higher proportion in the population, and the incidence rate of cerebrovascular disease will be increasing. According to the statistics of IMS, the sales of neuroprotection drugs in the PRC amounted to RMB1.95 billion in 2007. And it was expected that the sales would be over RMB2.5 billion in 2008. Among all neuroprotection drugs, ganglioside has the largest market share of 44% after 13 years of sales and promotion, while Edaravone has climbed to number two with a market share of 19% after only 4 years of marketing in the PRC market. In view of government policies, Edaravone is included in the regional insurance medicine list of 22 provinces and cities in the PRC. The management is highly optimistic about the market prospect of Edaravone and expects that this new drug will become a new profit growth engine for the Group.

Trading Pharmaceutical Products and Health Care Products

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

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

Distribution Business

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

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

Pharmaceutical Bulk Materials

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

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

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

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

1. The strengthening in product development ability;

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

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

As at 31 March 2009, the Group had aggregate banking facilities of approximately HK$224.4 million (2008: approximately HK$189.6 million) of which approximately HK$175.7 million was utilized (2008: approximately HK$119.5 million) as to approximately HK$115.5 million in long term bank loans, as to approximately HK$36.3 million in short term bank loans, as to the balance of approximately HK$23.9 million in letter of credit issued by the relevant banks to independent third parties. The increase in long term bank loan is mainly for the investment in key R&D projects, the set up of the bulk material factory in Jiangsu and acquisition of the PRC distribution business. The Group's aggregate banking facilities of approximately HK$224.4 million include approximately HK$13.8 million equivalents in RMB denominated banking facilities. The utilized banking facilities of approximately HK$175.7 million includes approximately HK$13.8 million equivalent in RMB denominated bank borrowings.

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

Capital Commitments

Capital commitments outstanding at 31 March 2009 not provided for in the financial statements were as follows:

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

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

	2009	2008
	HK$'000	*HK$'000*
Contracted for	**—**	5,000

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

The Company had no capital commitment as at 31 March 2009 (2008: Nil).

Charge on Group assets

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

Contingent Liabilities

As at 31 March 2009, the Group has not provided any form of guarantees for any company outside the Group and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

DIRECTORS' REPORT

The directors are pleased in presenting their annual report together with the audited financial statements for the year ended 31 March 2009.

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 2009 and the state of the Group's affairs as at that date are set out in the financial statements on pages 27 to 94.

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.

RESERVES

Profits attributable to shareholders of the Company, before dividends, of approximately HK$51.5 million (2008: approximately HK$48.3 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 2009 are set out in note 16 to the financial statements.

EMPLOYMENT REMUNERATION POLICY

As at 31 March 2009, the Group had approximately 842 employees. The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes. The Company may also grant options to eligible employees under its share option scheme.

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. Chiu Wai Piu *(appointed on 1 September 2008)*
Mr. Choy Ping Sheung
Mr. Fung Tze Wa
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*

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, Mr. Lau Kin Tung and Mr. Choy Ping Sheung will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Pursuant to the Bye-law 86(2) of the Company, the Director shall have power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board, any director so appointed by the Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Chiu Wai Piu will retire and, being eligible, offer himself 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. Chiu Wai Piu, 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 2008, 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. Mr. Seet Lip Chai ceased to hold office with effect from 1 September 2008.

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 2009 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 *(Note 1)*	119,370,000 *(Note 2)*	840,000,000 *(Note 4)*	1,057,248,000	65.87%
Lau Kin Tung	28,650,000 *(Note 1)*	—	105,000,000 *(Note 5)*	133,650,000	8.33%
Chan Hing Ming	44,370,000 *(Note 1)*	937,878,000 *(Note 3)*	75,000,000 *(Note 6)*	1,057,248,000	65.87%

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, 44,370,000 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 option is the highest of the nominal value of the ordinary share of HK$0.01 each in the share capital of the Company ("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 is 160,500,000, which represented 10% of the issued share capital of the Company as at 26 August 2008, the date of approval of the refreshment of the maximum number of the 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 2009 were as follows:

	Date of grant	Exercisable period	Balance at 01/04/08	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31/03/09	Exercise price	Exercise date
			Number of options	*Number of options*	*Number of options*	*Number of options*	*Number of options*	*HK$*	
Executive director									
Lau Kin Tung	14/04/08	14/04/08 to 13/04/13	—	15,000,000	—	—	15,000,000	0.18	—
Consultant/Employee									
In aggregate	01/11/07	01/11/08 to 31/10/13	5,000,000	—	—	—	5,000,000	0.30	—
			5,000,000	15,000,000	—	—	20,000,000		

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 2009, the Company had been notified by the following person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at 31 March 2009 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.

Interests in issued Shares

Name of substantial shareholders	Capacity	Total Interests	Percentage of total issued shares
LAUs Holdings Co. Ltd.	Beneficial owner	840,000,000	52.34
MINGS Development Holdings Limited	Beneficial owner	75,000,000	4.67
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.54

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 complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

(1) Tenancy Agreements

Jiwa International Limited ("Jiwa International"), a wholly-owned subsidiary of the Company, entered into the Albany Tenancy Agreement and the Lippo Tenancy Agreement with Jiwa Investment Limited ("Jiwa Investment"). 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 September 2008
Landlord	:	Jiwa Investment
Tenant	:	Jiwa International
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 2008 to 31 August 2010 (both days inclusive)
Annual rental	:	HK$1,176,000 (HK$98,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month by cash

(ii) The Robinson Tenancy Agreement

Date of agreement	:	1 September 2008
Landlord	:	Mr. Lau
Tenant	:	Jiwa International
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 2008 to 31 August 2010 (both days inclusive)
Annual rental	:	HK$696,000 (HK$58,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month by cash

(iii) The Lippo Tenancy Agreement

Date of agreement	:	1 September 2008
Landlord	:	Jiwa Investment
Tenant	:	Jiwa International
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 2008 to 31 August 2010 (both days inclusive)
Annual rental	:	HK$780,000 (HK$65,000 per month)
Payment method	:	Payable monthly in advance on the first day of each calendar month by cash

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

(a) HK$2,534,000 for the year ending 31 March 2009;

(b) HK$2,652,000 for the year ending 31 March 2010; and

(c) HK$1,105,000 for the year ending 31 March 2011.

(2) Sale and Purchase Agreement

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 Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceutical", a substantial shareholder of Kunming Jida). The waivers was expired on 31 March 2006. As the transactions are to be carried out in the usual and ordinary course of business of the Group, the Group had entered into new agreement with Yunnan Pharamceutical on 1 November 2006.

Yunnan Pharmaceuitcal has its own distribution throughout the PRC market. 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 Pharmaceutical to penetrate the PRC market without incurring material capital investment.

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) Purchase of Jiwa Pharm & Chemicals Limited

On 28 October 2008, Jiwa Development Co. Ltd. ("JDL"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Lau Yau Bor and Mr. Lau Kin Tung (the "vendors"), directors of the Company pursuant to which the vendors agreed to sell and JDL agreed to purchase 1,000 ordinary shares of Jiwa Pharm & Chemicals Limited ("Jiwa P&C"), representing the entire issued shares of Jiwa P&C at a consideration of HK$9,659,000.

The Vendors are directors of the Company, the transaction therefore constitutes connected transaction of the Company under the Listing Rule.

(2) Subscription of shares in Vital Element

On 23 March 2009, JDL, a wholly owned subsidiary of the Company subscribed for 200 ordinary shares of Vital Element Investments Limited ("Vital Element") for a cash consideration of HK$2,000,000. Vital Element was owned as to 78.9% by GeneHarbor (Hong Kong) Technologies Limited ("GeneHarbor") and 21.1% by JDL. Upon Completion of the share transfer, JDL and GeneHarbor will be interested in 25% and 75% of the registered capital of Vital Element respectively.

GeneHarbor owned 40% issued share capital of Base Affirm International Limited (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 JDL are connected transactions under the Listing Rule.

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$29.1 million and machineries, furniture, fixtures and equipment for approximately HK$5.6 million for the Group's factories. 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 2009 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	19.4%	
Five largest customers in aggregate	54.4%	
The largest supplier		18.2%
Five largest suppliers in aggregate		41.9%

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.

FIVE YEARS 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.

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 2009 Annual General Meeting of the Company will be held at 3:00 p.m. on 28 August 2009 (Friday) at 20th Floor, Central Tower, 28 Queen's Road Central, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 August 2009 (Tuesday) to 28 August 2009 (Friday), both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 August 2009 (Monday).

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

Hong Kong, 22 June 2009

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 2009, 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 2009, 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 judgment.

During the Period, the Board consists of three executive directors and three independent non-executive directors with a variety of experience in management, accounting and finance; their brief biographical particulars and their relationship among the Board are set out on pages 22 to 23 respectively of this annual report.

Four regular board meetings were held for the year ended 31 March 2009 and the attendance was as follows:

Board of Directors	**Attendance**
Executive Directors	
Mr. Lau Yau Bor *(the Chairman)*	3/4
Mr. Lau Kin Tung *(the Vice Chairman and Chief Executive Officer)*	3/4
Madam Chan Hing Ming	4/4
Non-Executive Directors	
Mr. Chiu Wai Piu *(appointed on 1 September 2008)*	3/3
Mr. Choy Ping Sheung	4/4
Mr. Fung Tze Wa	4/4
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*	1/1

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. Chiu Wai Piu (appointed on 1 September 2008), Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai (ceased to hold office with effect from 1 September 2008), 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	1/1
Mr. Chiu Wai Piu *(appointed on 1 September 2008)*	1/1
Mr. Fung Tze Wa	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. Chiu Wai Piu (appointed on 1 September 2008), Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai (ceased to hold office with effect from 1 September 2008), all Independent Non-executive Directors. Mr. Chiu Wai Piu is the chairman of the nomination 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. Chiu Wai Piu *(appointed on 1 September 2008)*	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	650

AUDIT COMMITTEE

The Audit Committee members comprise of Mr. Chiu Wai Piu (appointed on 1 September 2008), Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai (ceased to hold office with effect from 1 September 2008), 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	2/2
Mr. Chiu Wai Piu *(appointed on 1 September 2008)*	1/1
Mr. Choy Ping Sheung	2/2
Mr. Seet Lip Chai *(ceased to hold office with effect from 1 September 2008)*	1/1

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 Independent Auditors' Report on page 25 to 26 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 71, is the Chairman, Executive Director and one of the founders of the Group. Mr. Lau is responsible for the business development direction and corporate strategy of the Group. Mr. Lau has over 27 years of experience in corporate management.

Mr. Lau is also the Standing Board Member of Association of Chinese Expatriates and Entrepreneurs, a Council Member of China Enterprise Directors Association, the Vice Chairman of Yunnan Chamber of Commerce 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, Council Member of Yunnan Overseas Association, Council Member of Association of Overseas Exchange of Yunnan 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.

Mr. Lau Kin Tung, aged 39, 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 1993, Mr. Lau was involved in the establishment and management of Kunming Jida, Jiangsu Jiwa Rintech Pharmaceutical Company Limited ("JJRP"), Yunnan Jiwa Biotech Limited ("YJB") and YJPL. He has been responsible for the international cooperation, trading, research and development, sales and marketing 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, the Chairman of the Group and Madam Chan Hing Ming.

Madam Chan Hing Ming, aged 68, is the Executive Director and one of the founders of the Group. Madam Chan assisted in founding the Group and has been responsible for the international trading, marketing and financial management of the Group. Madam Chan has over 25 years of experience in corporate management. Madam Chan is the wife of Mr. Lau Yau Bor, the Chairman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai Piu, aged 62, is the Independent Non-executive Director of the Group. Mr. Chiu is an experienced journalist with over 40 years' experience in journalism. He has been a reporter, editor, main news assignment editor, local news assignment editor, assistant editor-in-chief and editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Currently, Mr. Chiu is the assistant editor-in-chief of "Wen Wei Po" in Hong Kong. Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2008, he was elected as the vice secretary-general and treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists". He is also an independent non-executive director of Lo's Enviro-Pro Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong.

Mr. Choy Ping Sheung, aged 61, is the Independent Non-executive Director of the Group. Mr. Choy had held senior management positions in Nanyang Commercial Bank and the China & South Sea Bank (Hong Kong Branch). Mr. Choy obtained a Higher Certificate in Business Studies (Banking) from the Hong Kong Polytechnic in 1986.

Mr. Fung Tze Wa, aged 52, is the 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 24 years of 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 as the independent non-executive director of China Haidian Holdings Limited and New Capital International Investment Limited, the shares of which are listed on the Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Mr. Chu Kim Ho, aged 46, is the Financial Controllor and Company Secretary of the Group. 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 22 years of experience in auditing, treasury, financial accounting and corporate finance advisory. 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 in Economics and Business Administration from the University of Hong Kong.

Ms. Feng Pu Chun, aged 36, is the Director of the R&D Department of Kunming Jida. She joined the Group in September 2001, and is in charge of the R&D of new products and governmental issues of the Group. Ms. Feng holds a Master Degree in Business Administration from Beijing University of Posts and Telecommunications in 2004 and a Bachelor Degree in Medicine from Hebei Medical University in 1996. She has over 13 years of experience in the R&D of new medicine and has engaged in management for 8 years. Ms. Feng is also a member of China Price Association.

Ms. Huang Jing, aged 36, is the Senior Manager of the Finance Department of Kunming Jida. She joined the Group in 2007. Ms. Huang holds a double qualification in chemical engineering and computer-based accounting, and obtained a Bachelor Degree in Engineering in 1993. Ms. Huang has 16 years of working experience. She had worked in large-scale international enterprises, and received outstanding management awards for several times. Ms. Huang has the professional titles of Assistant Engineer and Accountant, and holds the Certified Senior Accountant Certificate. She is a member of the Chinese Institute of Certified Public Accountants and the Institute of Internal Auditors.

Mr. Li Hong Xiang, aged 56, 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 24 years of experience in the pharmaceutical industry. Mr. Li completed the professional programme in chemical engineering at Yunnan Radio & TV University in 1983 and the advanced programme in business administration at the Business Administration Studies Centre of the Renmin University of China in 2001.

Dr. Kenneth J.T. Li, aged 63, is the Senior Vice President (Corporate Development) of the Group. Dr. Li has accumulated over 20 years of experience in the market development of pharmaceutical and health products, biotechnology and clinical development of protein therapeutics. He was formerly employed by Boehringer Mannheim of Canada, a large subsidiary of a German pharmaceutical group in Canada, and Abbott Laboratories of USA as marketing manager. Dr. Li was the assistant director of the School of Chinese Medicine of the University of Hong Kong, CSO/CEO and COO of several local biopharmaceutical firms in Hong Kong before joining the Jiwa Group in 2007. He holds a Doctoral Specialty Degree from the University of Lyon in France and a PhD Degree in Biochemistry from McGill University in Montreal, Canada.

Mr. Lin Yun Sheng, aged 37, is the Marketing Director of Yunnan Jiwa Pharm Logistics Company Limited. He joined the Group in 2000. Mr. Lin has over 15 years of experience in marketing and management. Mr. Lin holds an Executive Master Degree in Business Administration from South China University of Technology.

Ms. Liu Chun Xia, aged 47, is the Quality Director of Kunming Jida. Ms. Liu joined the Group in March 1997 and is currently in charge of the Quality Assurance Department of the Group. She has 12 years of experience in pharmaceutical inspection and 11 years of experience in quality control of pharmaceutical enterprises. Ms. Liu worked for the National Institute for the Control of Pharmaceutical and Biological Products of the People's Republic of China. Ms. Liu is a Licensed Pharmacist and a Senior Licensed Manager and has received several awards from government authorities in the PRC, including the State Scientific Advancement Award Grade II and the Second Prize in Technological Advancement in Public Health and Pharmaceutical by the Ministry of Health of the PRC. Ms. Liu obtained a Bachelor of Science Degree from Yunnan University in 1983.

Ms. Luo Dong Mei, aged 40, is the Executive Assistant to Chairman and Chief Operating Director of Kunming Jida. Ms. Luo joined Kunming Jida in 1994. She holds a Bachelor of Science Degree in Engineering and a Master Degree in Business Administration. She has 18 years of experience in pharmaceutical enterprises, and is responsible for the production, quality control, sales, purchase and administration of pharmaceutical enterprises.

Mr. Ma Ze Wen, aged 40, is the Deputy General Manager of YJPL. Mr. Ma joined the Group in 2001. He practiced medicine for 6 years and has over 12 years of working experience in the pharmaceutical industry. Mr. Ma holds a Bachelor Degree in Clinical Medicine from Shanghai Jiao Tong University and a Master Degree in Business Administration from Donghua University in Shanghai.

Mr. Shek Man Fai, aged 34, is the Accounting Manager of the Group. Mr. Shek joined the Group in November 2006, and is currently responsible for the accounting matters of the Group. Mr. Shek has over 15 years of experience in financial accounting. He is a member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Shek holds a Bachelor Degree in Accountancy from the University of Lincoln and a Master Degree in Accountancy from the National University of Ireland.

Mr. Wang Chang Wen, aged 41, is the Deputy General Manager of JJRP. Mr. Wang joined the Group in July 2004. He was the Senior Manager of the Engineering Department of Kunming Jida. He graduated from East China Institute of Chemical Technology in 1989, with a Bachelor Degree in Engineering and the title of Medical Engineer. Mr. Wang has over 19 years' experience in the instrument and engineering management of pharmaceutical enterprises.

Ms. Xu Xin Fang, aged 48, is the Senior Manager of the Production Department of Kunming Jida. She has over 22 years of experience in the pharmaceutical industry. Ms. Xu joined the Group in March 1994 and is currently in charge of the production division of the Group. Ms. Xu holds a Bachelor of Science Degree from Shenyang Pharmaceutical University.

Mr. Yu Qi, aged 43, is the Marketing Director of Kunming Jida. He joined the Group in 2001, and has nearly 16 years of experience in the pharmaceutical industry. Mr. Yu holds a Bachelor Degree and a Master Degree in Medicine from the Second Military Medical University. He also holds a Master Degree in Business Administration from Shanghai Jiao Tong University.

Grant Thornton
均富

Member of Grant Thornton International Ltd

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") set out on pages 27 to 94, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 2009 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

22 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**472,089**	317,429
Cost of sales		**(263,885)**	(171,425)
Gross profit		**208,204**	146,004
Other income	7	**7,854**	21,878
Selling expenses		**(78,079)**	(39,492)
Administrative expenses		**(59,720)**	(51,605)
Other operating expenses		**(4,552)**	(2,585)
Operating profit		**73,707**	74,200
Finance costs	8	**(4,545)**	(4,605)
Share of results of associates	20	**(143)**	(18)
Profit before income tax	9	**69,019**	69,577
Income tax expense	10	**(5,682)**	(11,472)
Profit for the year		**63,337**	58,105
Attributable to:			
Equity holders of the Company	11	**51,522**	48,255
Minority interests		**11,815**	9,850
Profit for the year		**63,337**	58,105
Final dividend proposed after the balance sheet date	12	**16,050**	16,050
Earnings per share for profit attributable to the equity holders of the Company during the year			
Basic	13	**3.21 cents**	3.07 cents
Diluted	13	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	241,629	168,875
Land use rights	17	29,059	22,830
Construction in progress	18	9,950	42,810
Interests in associates	20	19,839	12,982
Available-for-sale financial assets	21	—	26,874
Goodwill	22	9,066	978
Intangible assets	23	5,231	593
Other receivables	26	15,291	—
Deferred tax assets	31	3,930	3,469
		333,995	279,411
Current assets			
Inventories	24	71,662	57,962
Accounts and bills receivable	25	135,766	101,473
Land use rights	17	935	631
Deposits, prepayments and other receivables	26	46,781	23,388
Amounts due from related companies	36	13,544	19,651
Amount due from an investee company	36	—	2,878
Tax recoverable		—	54
Pledged bank deposits	27	6,400	—
Cash and cash equivalents	27	42,420	20,774
		317,508	226,811
Current liabilities			
Bank loans	28	36,343	49,706
Accounts and bills payable	29	76,379	55,005
Accrued expenses and other payables	30	17,610	15,812
Tax payable		3,764	3,284
		134,096	123,807
Net current assets		183,412	103,004
Total assets less current liabilities		517,407	382,415
Non-current liabilities			
Bank loans	28	115,528	41,826
Deferred tax liabilities	31	6,421	—
		121,949	41,826
Net assets		395,458	340,589

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	32	**16,050**	16,050
Reserves	33	**320,431**	278,891
		336,481	294,941
Minority interests		**58,977**	45,648
Total equity		**395,458**	340,589

Lau Yau Bor
Director

Lau Kin Tung
Director

BALANCE SHEET
As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries	*19*	**82,380**	82,380
Current assets			
Amounts due from subsidiaries	*19*	**86,650**	62,171
Dividend receivable		**—**	26,000
Pledged bank deposits		**6,400**	—
Cash and cash equivalents		**70**	102
		93,120	88,273
Current liabilities			
Amount due to a subsidiary	*19*	**2,077**	—
Accrued expenses and other payables		**3**	3
Tax payable		**—**	58
		2,080	61
Net current assets		**91,040**	88,212
Net assets/Total assets less current liabilities		**173,420**	170,592
EQUITY			
Share capital	*32*	**16,050**	16,050
Reserves	*33*	**157,370**	154,542
Total equity		**173,420**	170,592

Lau Yau Bor
Director

Lau Kin Tung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
Cash flows from operating activities			
Profit before income tax		**69,019**	69,577
Adjustments for:			
Interest income		**(259)**	(290)
Interest expense		**4,545**	4,605
Depreciation of property, plant and equipment		**13,010**	11,937
Share-based employee compensation		**1,285**	1,353
Amortisation of land use rights		**760**	773
Amortisation of intangible assets		**1,199**	1,998
Loss/(Gain) on disposal of land use rights and property, plant and equipment		**54**	(7,802)
Gain on disposal of available-for-sale financial assets		**(2,641)**	—
Provision for impairment of obsolete inventories		**705**	—
Impairment of other receivables		**—**	906
Share of result of associates		**143**	18
Operating profit before changes in working capital		**87,820**	83,075
Decrease/(Increase) in inventories		**4,527**	(18,921)
Increase in accounts and bills receivable		**(635)**	(31,758)
Increase in deposits, prepayments and other receivables		**(13,891)**	(1,468)
Decrease/(Increase) in amounts due from related companies		**6,107**	(5,938)
Increase in amount due from an investee company		**—**	(2,878)
(Decrease)/Increase in accounts and bills payable		**(31,153)**	23,132
Decrease in amount due to a director		**—**	(96)
(Decrease)/Increase in accrued expense and other payables		**(18,237)**	6,326
Net cash inflow from operations		**34,538**	51,474
Hong Kong profits tax paid		**(4,765)**	(1,316)
Taxation outside Hong Kong paid		**(4,396)**	(5,701)
Taxation outside Hong Kong refunded		**3,448**	—
Net cash generated from operating activities		**28,825**	44,457
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(4,872)**	(8,791)
Proceeds from disposal of land use rights and property, plant and equipment		**—**	1,111
Payment of expenses for the disposal of land use rights and property, plant and equipment		**—**	(436)
Proceeds from disposal of available-for-sale financial assets	*39*	**6,194**	—
Payment for construction in progress		**(11,526)**	(37,011)
Payment for acquisition of available-for-sale financial assets		**—**	(25,156)
Payment for acquisition of intangible assets		**(5,817)**	—
Payment for investment in associates		**(7,000)**	(13,000)
Acquisition of subsidiaries	*38*	**(7,349)**	—
Increase in pledged bank deposits		**(6,400)**	—
Interest received		**259**	290
Net cash used in investing activities		**(36,511)**	(82,993)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Proceeds from bank loans		**109,854**	102,709
Repayment of bank loans		**(61,464)**	(71,767)
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		**(4,545)**	(4,605)
Dividends paid		**(16,050)**	(6,420)
Net cash generated from financing activities		**27,795**	30,576
Net increase/(decrease) in cash and cash equivalents		**20,109**	(7,960)
Translation differences		**1,537**	1,542
Cash and cash equivalents at the beginning of the year		**20,774**	27,192
Cash and cash equivalents at the end of the year		**42,420**	20,774

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Equity attributable to equity holders of the Company													
	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	Minority interests	Total equity
	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 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 expense for the year	–	–	–	–	–	12,997	–	–	–	–	48,255	61,252	13,802	75,054
Issue of ordinary shares upon exercise of share options *(notes 32 and 34)*	350	12,282	–	–	–	–	–	–	(1,922)	–	–	10,710	–	10,710
Issue of ordinary shares upon bonus issue	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
At 1 April 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
Translation difference/Net income recognised directly in equity	–	–	–	–	–	6,100	–	–	–	–	–	6,100	1,514	7,614
Profit for the year	–	–	–	–	–	–	–	–	–	–	51,522	51,522	11,815	63,337
Total recognised income and expense for the year	–	–	–	–	–	6,100	–	–	–	–	51,522	57,622	13,329	70,951
Employee share-based compensation *(notes 14 and 34)*	–	–	–	–	–	–	–	–	1,285	–	–	1,285	–	1,285
Share of post-acquisition losses from an associate which became a subsidiary during the year	–	–	–	–	–	–	–	–	–	–	(1,317)	(1,317)	–	(1,317)
Dividend paid in respect of the previous year *(note 12)*	–	–	–	–	–	–	–	–	–	(16,050)	–	(16,050)	–	(16,050)
Proposed final dividend *(note 12)*	–	–	–	–	–	–	–	–	–	16,050	(16,050)	–	–	–
Transfer to reserve	–	–	–	3,103	–	–	–	–	–	–	(3,103)	–	–	–
At 31 March 2009	16,050	54,132	2,000	7,885	57	26,872	(320)	2,830	1,800	16,050	209,125	336,481	58,977	395,458

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 PRC.

The financial statements on pages 27 to 94 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 March 2009 were approved for issue by the board of directors on 22 June 2009.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination [2]

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

HKFRS 7 (Amendments)	Financial instruments: Disclosures — Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) — Interpretation 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement — Embedded Derivatives [5]
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes [3]
HK(IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) — Interpretation 18	Transfer of Assets from Customers [6]
Various — Annual Improvements to HKFRS 2008 [7]	
Various — Annual Improvements to HKFRS 2009 [8]	

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

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

Among these new standards and interpretations, HKAS 1 (Revised) — Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. This amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

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

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

3. 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 (together referred to as the "Group") 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 combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of 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, separately 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 income statement 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.

In the Company's balance sheet, investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(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 discount. 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.

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 assumed, 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 recognised immediately in income statement.

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. 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

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase of projects (relating to the design and testing of new or improved products) are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets

All other development costs are expensed as incurred.

(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, at the following rates per annum:

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

The assets' residue values, depreciation methods 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 non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment and interest 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 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 losses 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 including impairment losses recognised in an interim period. 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.

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.

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

(k) Leases *(Continued)*

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. 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.

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 receivables, amounts due from related companies, amounts due from subsidiaries, cash and cash equivalents and available-for-sale financial assets.

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 expire 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.

(i) 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.

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

(l) Financial assets *(Continued)*

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale 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 excluding any dividend and interest income is recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to income statement. Interest calculated using the effective interest rate method is recognised in 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

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

(l) Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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 asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement 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 income statement of the period in which the reversal occurs.

(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 income statement 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 income statement.

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 income statement.

(iii) Financial assets carried at costs

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.

Impairment losses recognised in an interim period in respect of available for sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

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

(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. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

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.

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

(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 plan

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.

The employers of the Group's subsidiaries which operate in 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.

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

(s) Share-based employee compensation *(Continued)*

All share-based compensation is recognised as an expense in 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.

(t) Financial liabilities

The Group's financial liabilities include bank loans, accounts, bills and other payables and accrued expenses.

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.

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.

Accounts, bills and other payables and accrued expenses

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

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

(u) Provisions and 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 uncertain events not wholly within the control of the Group 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 amortisaton, if appropriate.

(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 when incurred.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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 include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. 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, land use rights, 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

Grant 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 use of estimates. If the actual growth rate had been higher or the pre-tax discounted rate lower than the managements' estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(ii) Impairment of interests in associates and 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 inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowance may be required.

(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.

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

(v) Fair value of share-based employee compensation

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense.

Critical judgements in applying the accounting policies

(i) Research and development activities

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new products are continuously monitored by the Group's management.

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 and health care products — Trading of pharmaceutical and health care products.

(iii) Distributions — Distributions of pharmaceutical products.

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

In prior years, the directors determined that "Health care products — Manufacturing and sale of health care products" (the "Health care segment") was an individual business segment and presented separately. In current year, upon the acquisition of subsidiaries during the year (note 38), a new business segment "Distribution — Distributions of pharmaceutical products" is now presented and the directors consider that it is more appropriate to present the Health care segment as part of the Trading pharmaceutical and health care products segment starting from this year.

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

	Pharmaceutical products		Trading pharmaceutical and health care products		Distributions		Pharmaceutical bulk materials		Inter-segment elimination		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Revenue from external customers	285,705	220,674	82,288	96,165	102,131	—	1,965	590	—	—	472,089	317,429
Inter-segment revenue	42,727	11,392	75,971	38,561	—	—	—	—	(118,698)	(49,953)	—	—
	328,432	232,066	158,259	134,726	102,131	—	1,965	590	(118,698)	(49,953)	472,089	317,429
Segment results	47,414	46,043	29,948	33,131	5,610	—	(9,929)	(3,948)	(423)	(859)	72,620	74,367
Unallocated operating income and expenses											1,087	(167)
Operating profit											73,707	74,200
Finance costs											(4,545)	(4,605)
Share of results of associates											(143)	(18)
Income tax expense											(5,682)	(11,472)
Profit for the year											63,337	58,105
Depreciation of property, plant and equipment	9,675	10,221	495	687	995	—	1,845	1,029	—	—	13,010	11,937
Amortisation of intangible assets	1,199	1,998	—	—	—	—	—	—	—	—	1,199	1,998
Amortisation of land use rights	354	485	35	35	108	—	263	253	—	—	760	773
(Gain)/Loss on disposal of land use rights and property, plant and equipment	10	(8,270)	—	1	—	—	44	467	—	—	54	(7,802)
Provision for impairment of obsolete inventories	—	—	126	—	—	—	579	—	—	—	705	—
Impairment of other receivables	—	906	—	—	—	—	—	—	—	—	—	906
Segment assets	297,044	224,600	174,797	162,184	40,416	—	32,058	36,938	(1,650)	(1,225)	542,665	422,497
Unallocated assets											108,838	83,725
Total assets											651,503	506,222
Segment liabilities	29,009	27,209	27,473	41,463	31,188	—	6,245	1,658	—	—	93,915	70,330
Unallocated liabilities											162,130	95,303
Total liabilities											256,045	165,633
Capital expenditure incurred during the year	11,886	7,637	38	113	36,446	—	10,218	38,052	—	—	58,588	45,802

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

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

7. OTHER INCOME

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

Note:

(i) The Group was entitled to receive grants from a provincial government in the PRC for developing high technology products and being one of the famous brand names in the PRC.

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest charges on bank loans wholly repayable within five years	**5,722**	5,236
Less: interest capitalised included in construction in progress *(note 18)*	**(1,177)**	(631)
	4,545	4,605

9. PROFIT BEFORE INCOME TAX

	2009 HK$'000	2008 HK$'000
Profit before income tax is arrived at after charging:		
Costs of inventories recognised as expense *(i)*	**263,476**	170,566
Auditors' remuneration	**650**	600
Depreciation of property, plant and equipment	**13,010**	11,937
Loss on disposal of property, plant and equipment	**54**	—
Amortisation of intangible assets	**1,199**	1,998
Amortisation on land use rights	**760**	773
Operating lease charges in respect of premises	**3,007**	2,574
Provision for impairment of inventories	**705**	—
Research and development costs *(ii)*	**2,478**	803
Impairment of other receivables	**—**	906

Notes:

(i) Cost of inventories includes HK$10,413,000 (2008: HK$9,073,000) 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 2009 and 2008 do not include any staff cost.

10. INCOME TAX EXPENSE

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

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

A subsidiary which is located in Kunming, Yunnan, PRC is entitled to preferential PRC EIT rate of 15% (2008: 15%) in accordance to the continuous implementation of the Western Development tax preferential policies pursuant to the New PRC Income Tax Law which was approved on 16 March 2007.

10. INCOME TAX EXPENSE *(Continued)*

	2009 *HK$'000*	2008 *HK$'000*
Current tax		
— Hong Kong		
Tax for the year	**2,667**	4,347
Over provision in respect of prior years	**—**	(42)
	2,667	4,305
— Outside Hong Kong		
Provision for PRC income tax	**7,028**	4,295
Tax refunded	**(3,448)**	—
	3,580	4,295
Deferred tax (assets)/liabilities		
Current year *(note 31)*	**(565)**	2,872
Total income tax expense	**5,682**	11,472

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

	2009 *HK$'000*	2008 *HK$'000*
Profit before income tax	**69,019**	69,577
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**7,790**	8,440
Tax effect of non-deductible expenses	**770**	1,230
Tax effect of non-taxable revenue	**(390)**	(868)
Tax losses not recognised as deferred tax assets	**2,644**	1,595
Tax effect of temporary differences not recognised	**(765)**	1,117
Tax effect of tax losses utilised in current year	**(128)**	—
Tax refund	**(3,448)**	—
Others	**(791)**	—
Over provision in prior years	**—**	(42)
Income tax expense	**5,682**	11,472

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$51,522,000 (2008: HK$48,255,000), a profit of HK$17,593,000 (2008: a profit of HK$17,256,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

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

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of the retained profits for the year ended 31 March 2009.

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

	2009 *HK$'000*	2008 *HK$'000*
Final dividend in respect of the previous financial year of HK$0.01 per share (2008: HK$0.004 per share)	16,050	6,420

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

(b) Diluted earnings per share

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

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	*HK$'000*
Salaries and wages, other allowances and benefits in kind	**28,837**	24,752
Consultancy fee	**840**	469
Rentals for staff and directors	**1,804**	1,536
Employee share-based compensation *(note 34)*	**1,285**	1,353
Contribution to defined contribution plans	**3,477**	1,573
	36,243	29,683

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	Share-based employee compensation *(note (iii))*	Contribution to retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Executive directors					
Mr. Lau Yau Bor	**—**	**2,143**	**—**	**—**	**2,143**
Mr. Lau Kin Tung	**—**	**1,412**	**1,285**	**12**	**2,709**
Madam Chan Hing Ming	**—**	**331**	**—**	**—**	**331**
Independent non-executive directors					
Mr. Choy Ping Sheung	**80**	**—**	**—**	**—**	**80**
Mr. Fung Tze Wa	**100**	**—**	**—**	**—**	**100**
Mr. Seet Lip Chai (ceased to hold office with effect from 1 September 2008)	**42**	**—**	**—**	**—**	**42**
Mr. Chiu Wai Piu (appointed on 1 September 2008)	**58**	**—**	**—**	**—**	**58**
	280	**3,886**	**1,285**	**12**	**5,463**
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 (ceased to hold office with effect from September 2008)	100	—	—	—	100
	280	3,400	838	12	4,530

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 2009 (2008: 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 (2008: Nil).

(iii) During the year, 15,000,000 (2008: 10,000,000) share options with a fair value of approximately HK$1,285,000 (2008: HK$838,000) were granted to a director of the Company to subscribe for ordinary shares of the Company (note 34).

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 two (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: two) individuals during the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Salaries, housing, other allowances and benefits in kind	1,140	665
Consultancy fee	840	469
Discretionary bonus	178	80
Employee share-based compensation	—	515
Contribution to defined contribution plans	24	12
	2,182	1,741

The emoluments of the three (2008: two) individuals fell within the following bands:

	Number of individuals 2009	2008
Nil — HK$1,000,000	3	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 (2008: 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 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 carrying amount	99,029	791	54,139	5,332	159,291
Year ended 31 March 2008					
Opening net carrying 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 carrying 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 carrying amount	101,151	902	60,977	5,845	168,875
Year ended 31 March 2009					
Opening net carrying amount	**101,151**	**902**	**60,977**	**5,845**	**168,875**
Additions	**267**	**1**	**3,139**	**1,465**	**4,872**
Acquisition of subsidiaries	**28,793**	**—**	**—**	**947**	**29,740**
Disposals	**—**	**—**	**(54)**	**—**	**(54)**
Depreciation	**(6,677)**	**(318)**	**(4,165)**	**(1,850)**	**(13,010)**
Transfer from construction in progress	**19,062**	**—**	**23,076**	**3,391**	**45,529**
Translation differences	**3,596**	**32**	**1,844**	**205**	**5,677**
Closing net carrying amount	**146,192**	**617**	**84,817**	**10,003**	**241,629**
At 31 March 2009					
Cost	**170,339**	**3,469**	**108,077**	**19,786**	**301,671**
Accumulated depreciation	**(24,147)**	**(2,852)**	**(23,260)**	**(9,783)**	**(60,042)**
Net carrying amount	**146,192**	**617**	**84,817**	**10,003**	**241,629**

Buildings with carrying amount of HK$110,901,000 (2008: HK$90,128,000) 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 carrying amount are analysed as follows:

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong held on:		
— Leases of over 50 years	**4,322**	4,356
Outside Hong Kong, held on:		
— Leases of between 10 to 50 years	**25,672**	19,105
	29,994	23,461
Less: Current portion included in current assets	**(935)**	(631)
	29,059	22,830

Land use rights with carrying amount of HK$29,994,000 (2008: HK$23,461,000) were pledged to secure bank loans (note 28).

	2009 *HK$'000*	2008 *HK$'000*
Opening net carrying amount	**23,461**	27,613
Acquisition of subsidiaries	**6,633**	—
Disposal	**—**	(5,700)
Amortisation of prepaid operating lease payment	**(760)**	(773)
Translation differences	**660**	2,321
Closing net carrying amount	**29,994**	23,461

18. CONSTRUCTION IN PROGRESS — GROUP

	2009 *HK$'000*	2008 *HK$'000*
At beginning of the year	**42,810**	8,912
Additions	**11,526**	37,011
Transferred to property, plant and equipment	**(45,529)**	(4,004)
Translation differences	**1,143**	891
At end of the year	**9,950**	42,810

Construction in progress at 31 March 2009 primarily represents costs incurred in connection with the Group's new GMP production facility in Kunming and Jiangsu, PRC.

Included in additions to construction in progress for the year ended 31 March 2009 is net interest capitalised of HK$1,177,000 (2008: HK$631,000). The interest capitalised are incurred for the borrowings which are specifically used for the construction in progress.

19. INVESTMENT IN SUBSIDIARIES — COMPANY

(a) Investment cost

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	82,380	82,380

Particulars of the Company's subsidiaries as at 31 March 2009 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Percentage of interest effectively 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
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") 132,334,000	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

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 interest effectively held by the Company	Principal activities and place of operation
Jiwa Pharm & Chemicals Limited ("Jiwa P&C")	Hong Kong, limited liability company	1,000 ordinary shares of HK$1,000 each	100%	Investment holding, Hong Kong
Yunnan Jiwa Pharm Logistics Company Limited ("YJPL")	PRC, limited liability company	USD2,100,000	100%	Trading of pharmaceutical products, PRC
Yunnan Jiwa Biotech Limited ("YJB")	PRC, limited liability company	USD300,000	60%	Manufacturing and trading of pharmaceutical products, PRC
Rise Hill Development Limited ("Rise Hill")	BVI, limited liability company	1,000 ordinary shares of USD1 each	60%	Not yet commenced business
Base Affirm International Limited ("Base Affirm")	BVI, limited liability company	1,000 ordinary shares of USD1 each	60%	Investment holding, Hong Kong

* Issued capital held directly by the Company

(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

	2009 *HK$'000*	2008 *HK$'000*
At beginning of the year	12,982	—
Acquisition of additional interests in associates	7,000	13,000
Share of results of associates	(143)	(18)
At end of the year	19,839	12,982

20. INTERESTS IN ASSOCIATES — GROUP *(Continued)*

Particulars of the associates at 31 March 2009 are as follows:

Name	Particulars of issued shares held	Country of incorporation	% of interest held
Leader Forever Limited ("Leader Forever")	1,000 (2008: 500) ordinary shares of USD1 each	BVI	40%
Vital Element Investments Limited ("Vital Element")	1,000 (2008: 800) shares of USD1 each	BVI	25%

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

	2009 HK$'000	2008 HK$'000
Assets	66,001	57,929
Liabilities	1,482	—
Revenue	—	—
Loss for the year/period	410	71

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

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

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

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

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

22. GOODWILL — GROUP

	2009 *HK$'000*	2008 *HK$'000*
At beginning of the year		
Gross carrying amount	978	942
Accumulated impairment	—	—
Net carrying amount	978	942
Year ended 31 March		
Opening net carrying amount	978	942
Acquisition of subsidiaries *(note 38)*	8,054	—
Translation differences	34	36
Closing net carrying amount	9,066	978
At end of the year		
Gross carrying amount	9,066	978
Accumulated impairment	—	—
Net carrying amount	9,066	978

The carrying amount of goodwill is allocated to the two cash generating units: (i) manufacturing and sale of pharmaceutical products and (ii) distributions of pharmaceutical products. The recoverable amounts for the cash generating units given above were 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 13%. The growth rates reflect the long-term average growth rates for the pharmaceutical products and operations of the cash generating units, as determined by the Company's directors.

The Group management's key assumptions have been determined based on past performance and its expectations for the 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 2008	
Opening net carrying amount	2,356
Translation differences	235
Amortisation charge	(1,998)
Closing net carrying amount	593
At 31 March and 1 April 2008	
Cost	3,833
Accumulated amortisation	(3,240)
Net carrying amount	593
Year ended 31 March 2009	
Opening net carrying amount	**593**
Addition	**5,817**
Translation differences	**20**
Amortisation charge	**(1,199)**
Closing net carrying amount	**5,231**
At 31 March 2009	
Cost	**9,783**
Accumulated amortisation	**(4,552)**
Net carrying amount	**5,231**

The directors consider the useful lives of the above technical know-how are 21 months to 60 months.

24. INVENTORIES — GROUP

	2009 HK$'000	2008 HK$'000
Raw materials	**29,140**	25,760
Work in progress	**8,825**	9,064
Finished goods	**33,697**	23,138
	71,662	57,962

At 31 March 2009, all the inventories are stated at cost. None of the inventories are stated at net realisable value (2008: Nil).

25. ACCOUNTS AND BILLS RECEIVABLE — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Accounts receivable	**129,037**	101,372
Bills receivable	**6,729**	101
	135,766	101,473

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

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

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

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

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

	2009 *HK$'000*	2008 *HK$'000*
Neither past due nor impaired	**114,795**	66,086
Past due and not impaired		
Not more than one month past due	**10,126**	29,082
Over one month past due	**10,845**	6,305
	20,971	35,387
	135,766	101,473

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.

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Deposits	**2,591**	2,042
Other receivables	**54,239**	12,614
Prepayments	**5,242**	8,732
	62,072	23,388
Less: Non-current other receivables included in non-current assets	**(15,291)**	—
	46,781	23,388

Other receivables amounted to HK$15,291,000 (2008: Nil) is unsecured, interest-free and repayable by quarterly instalments commencing in 2010 and will mature in 2011.

Base on past experiences, the management believes that no impairment provision is necessary in respect of the deposits and other receivables 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. The carrying amount of deposits and other receivables is considered a reasonable approximation of fair value.

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Cash and bank balances	**48,820**	20,774
Less: Pledged bank deposits	**(6,400)**	—
Cash and cash equivalents	**42,420**	20,774

Pledged bank deposits represent the Group's bank deposits pledged to secure bank loans (note 28).

Included in cash and bank balances of the Group is HK$32,657,000 (2008: HK$16,879,000) of bank balances denominated in RMB placed with banks in PRC. RMB is not a freely convertible currency.

28. BANK LOANS — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Secured	**146,028**	85,682
Unsecured	**5,843**	5,850
	151,871	91,532

Bank loans amounted to HK$146,028,000 (2008: HK$85,682,000) are secured by the pledged bank deposits, buildings and land use rights of the Group with carrying amount of HK$6,400,000 (2008: Nil), HK$110,901,000 (2008: HK$90,128,000) and HK$29,994,000 (2008: HK$23,461,000) respectively.

Bank loans amounted to HK$138,078,000 (2008: HK$52,676,000) are guaranteed by the Company.

	2009 *HK$'000*	2008 *HK$'000*
Due within 1 year or on demand	**36,343**	49,706
After 1 year but within 2 years	**32,224**	7,600
After 2 years but within 5 years	**83,304**	34,226
	151,871	91,532
Less: Portion due with 1 year included in current liabilities	**(36,343)**	(49,706)
Non-current portion included under non-current liabilities	**115,528**	41,826

28. BANK LOANS — GROUP *(Continued)*

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

	Interest rates 2009	2008
Bank loans in HK$ — Floating rate, to be matured in 2011	**HK$ Prime rate (2009: 5%) less 2%**	HK$ Prime rate (2008: 5.5%) less 2%
Bank loans in HK$ — Floating rate, to be matured in 2012	**Prime rate**	—
Bank loans in HK$ — Floating rate, to be matured in 2009 to 2014	**1.75% above one-month HIBOR (2009: 0.32%)**	—
Bank loans in RMB — Fixed rates, to be matured in 2009	**4.425%**	6.39% to 7.29%
Bank loans in US$ — Floating rate, to be matured in 2012	**US$ Prime rate (2009: 5%) less 0.75%**	US$ Prime rate (2008: 5.25%) less 0.75%
Bank loans in US$ — Floating rate, to be matured in 2010 to 2013	**US$ Prime rate (2009: 5%)**	—

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:

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

29. ACCOUNTS AND BILLS PAYABLE — GROUP *(Continued)*

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 2009 and 2008 approximate to their corresponding carrying amounts due to their short-term maturities.

30. ACCRUED EXPENSES AND OTHER PAYABLE — GROUP

	2009 *HK$'000*	2008 *HK$'000*
Other payables	13,971	13,913
Accruals	3,639	1,899
	17,610	15,812

31. DEFERRED TAX ASSETS/(LIABILITIES) — GROUP

Group

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

	Revaluation of land and building *HK$'000*	Accelerated tax depreciation *HK$'000*	Internally generated intangible assets *HK$'000*	Others *HK$'000*	Total *HK$'000*
Deferred tax assets/(liabilities) arising from:					
At 1 April 2007	—	2,308	3,228	—	5,536
Charged to consolidated income statement	—	(2,766)	(106)	—	(2,872)
Translation differences	—	458	347	—	805
At 31 March and 1 April 2008	—	—	3,469	—	3,469
Acquisition of subsidiaries	(6,620)	—	—	—	(6,620)
(Charged)/Credited to consolidated income statement	199	—	(109)	475	565
Translation differences	—	—	95	—	95
At 31 March 2009	**(6,421)**	**—**	**3,455**	**475**	**(2,491)**

31. DEFERRED TAX ASSETS/(LIABILITIES) — GROUP *(Continued)*

Group *(Continued)*

	2009 *HK$'000*	2008 *HK$'000*
Represented by:		
Deferred tax assets	**3,930**	3,469
Deferred tax liabilities	**(6,421)**	—
	(2,491)	3,469

The Group has not recognised deferred tax assets in respect of unused tax losses of HK$16,785,000 (2008: HK$6,577,000) because of the unpredictability of future profit streams. The amount of tax loss that has no expiry date is approximately HK$468,000 (2008: HK$921,000) and the remaining tax loss of approximately of HK$16,317,000 (2008: HK$5,656,000) is subject to expiry period of five years.

Company

A1 31 March 2009, the Company did not have any material temporary differences (2008: Nil).

32. SHARE CAPITAL

	2009 Number of shares	2009 Amount *HK$'000*	2008 Number of shares	2008 Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**10,000,000,000**	**100,000**	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**	10,000,000,000	100,000

32. SHARE CAPITAL *(Continued)*

	2009		2008	
	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	**1,605,000,000**	**16,050**	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**	1,605,000,000	16,050

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 33.

(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.

33. RESERVES *(Continued)*

Group *(Continued)*

(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.

Company

	Share premium *HK$'000*	**Contributed surplus** *HK$'000*	**Share option reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 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)
Share-based employee compensation *(note 34)*	—	—	1,353	—	1,353
Profit for the year	—	—	—	17,256	17,256
At 31 March and 1 April 2008	54,132	82,180	515	17,715	154,542
Dividend paid in respect of the previous year *(note 12(b))*	—	—	—	(16,050)	(16,050)
Share-based employee compensation *(note 34)*	—	—	1,285	—	1,285
Profit for the year	—	—	—	17,593	17,593
At 31 March 2009	**54,132**	**82,180**	**1,800**	**19,258**	**157,370**

	2009 *HK$'000*	2008 *HK$'000*
Retained profits represent:		
Final proposed dividend *(note 12(a))*	**16,050**	16,050
Others	**3,208**	1,665
	19,258	17,715

34. SHARE-BASED EMPLOYEE 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. For the options granted to vest, persons eligible to participate in this program have to remain employed during the vesting period. 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. The options vested are exercisable within a period of five years from 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.

The total number of securities available for issue under the Share Option Scheme is 160,500,000, which represented 10% of the issued share capital of the Company as at 26 August 2008, the date of approval of the refreshment of the maximum number of the 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.

All share-based employee compensation will be settled in equity.

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

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 March 2009 and 2008 were as follows:

2009

	Date of grant	Exercisable period	Balance at 01/04/2008	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31/03/2009	Exercise price	Exercise date
			Number of options	*Number of options*	*Number of options*	*Number of options*	*Number of options*	*HK$*	
Executive directors									
Mr. Lau Kin Tung	14/04/2008	14/04/2008 to 13/04/2013	–	15,000,000	–	–	15,000,000	0.180	N/A
Consultant/Employee									
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 2009			5,000,000	15,000,000	–	–	20,000,000		

2008

	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
Consultant/Employee									
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. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

Share options and weighted average exercise prices for the year ended 31 March 2009 and 2008 are presented as follows:

	2009 Number of share options	**2009** Weighted average exercise price *HK$*	2008 Number of share options	2008 Weighted average exercise price *HK$*
Outstanding at 1 April	**5,000,000**	**0.300**	25,000,000	0.302
Granted	**15,000,000**	**0.180**	15,000,000	0.310
Exercised	**—**	**—**	(35,000,000)	0.306
Outstanding at 31 March	**20,000,000**	**0.210**	5,000,000	0.300

Shares options granted on 14 April 2008 are vested immediately.

The fair values of options granted under the Scheme on 14 April 2008, measured at the date of grant, were approximately HK$1,285,000. 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 14 April 2008
Share price	HK$0.179
Exercise price	HK$0.180
Expected volatility	57%
Expected option life (year)	5
Weighted average annual risk free interest rate	1.989%
Expected dividend yield	4.36%
Suboptimal exercise factor	3.2

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 for the year ended 31 March 2008 was HK$0.911.

The share options outstanding as at 31 March 2009 had weighted average exercise prices of HK$0.210 (2008: HK$0.300) and a weighted average remaining contractual life of 4.18 years (2008: 5.6 years).

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

The total consideration received during the year from the grantees for taking up the options is HK$1 (2008: HK$3). In total, employee compensation expense of HK$1,285,000 (2008: HK$1,353,000) (note 14) has been included in the consolidated income statement for the year.

35. COMMITMENTS

(a) Operating lease commitments

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Group

	2009 *HK$'000*	2008 *HK$'000*
Within 1 year	2,867	877
After 1 year but within 5 years	1,118	67
	3,985	944

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

Company

The Company had no operating lease commitment as at 31 March 2009 (2008: Nil).

(b) Capital commitments

At 31 March 2009, outstanding capital commitments not provided for in the financial statements were as follows:

Group

	2009 *HK$'000*	2008 *HK$'000*
Contracted for		
— acquisition of technical know-how	2,972	2,907
— acquisition of property, plant and equipment	7,192	3,023
	10,164	5,930

35. COMMITMENTS *(Continued)*

(b) Capital commitments *(Continued)*

Group *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Contracted for	—	5,000

Company

The Company had no capital commitment as at 31 March 2009 (2008: 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 party transactions:

	Note	2009 HK$'000	2008 HK$'000
Recurring:			
Sales of goods:			
— Yunnan Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceuticals")	*(i)*	9,320	9,457
— YJPL	*(ii)*	—	9,329
Rentals paid:			
— Mr. Lau Yau Bor	*(iii)*	646	576
— Jiwa Investment Limited	*(iv)*	1,888	1,620
Non-recurring:			
— Sale of land use rights and property, plant and buildings to Yunnan Pharmaceutical	*(v)*	—	20,552
— License fee income from Wu Tai	*(vi)*	—	1,667
— Acquisition of technical know-how from GeneHarbor (Hong Kong) Technologies Limited ("GeneHarbor")	*(vii)*	—	5,000
— Acquisition of Jiwa P&C from the directors of the Company, Mr. Lau Yau Bor and Mr. Lau Kin Tung	*(viii)*	9,659	—

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

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

Notes:

(i) Yunnan Pharmaceutical is the minority shareholder 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 YJPL.

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

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

(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 (equivalent to HK$20,552,000).

(vi) During last year, the Group assigned the management and operations of Longchang to WuTai 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 shareholder of Longchang holds 50% equity interest in Wu Tai.

(vii) On 22 February 2008, JDL entered into a sale and purchase agreement with GeneHarbor Technologies (Hong Kong) Limited ("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 allotted 500 ordinary shares to JDL and 3,000 ordinary shares to GeneHarbor.

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

(viii) During the year, JDL entered into a sale and purchase agreement with Mr. Lau Yau Bor and Mr. Lau Kin Tung, directors of the Company, to acquired 100% interest of Jiwa P&C at consideration of HK$9,659,000 (note 38).

(b) Amounts due from related companies

	2009 HK$'000	2008 HK$'000
YJPL	—	5,232
Yunnan Pharmaceutical	13,544	14,419
	13,544	19,651

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

Amount of HK$1,310,000 (2008: HK$6,648,000) included in amounts due from related companies were trade receivables from the related companies. Related companies are generally with credit terms ranging from 30 days to 180 days and no interest is charged.

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

(b) Amounts due from related companies *(Continued)*

The following is an ageing analysis of the trade receivables from related companies based on invoice dates at the balance sheet date:

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

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

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

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

(d) Compensation of key management personnel

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

	2009 HK$'000	2008 HK$'000
Salaries, other allowances and benefits in kind	2,891	2,529
Consultancy fee	840	469
Discretionary bonus	178	80
Rentals for directors	1,804	1,536
Share-based employee compensation	1,285	1,353
Contribution to defined contribution plans	36	24
	7,034	5,991

37. GUARANTEE — COMPANY

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

	2009 *HK$'000*	2008 *HK$'000*
Guarantees in respect of:		
Credit facilities granted by banks to certain subsidiaries	**149,352**	80,662

38. ACQUISITION OF SUBSIDIARIES

On 28 October 2008, the Group acquired Jiwa P&C, which holds 93% interest of YJPL, at a consideration of HK$9,659,000. Jiwa P&C and YJPL (collectively "Jiwa P&C Group") are principally engaged in the trading of pharmaceutical products in the PRC.

Jiwa P&C Group contributed revenue of HK$102,131,000 and profit for the year of HK$3,728,000 to the Group for the period from 2 October 2008 to 31 March 2009.

Had the combination taken place on 1 April 2008, the revenue and profit for the year would have been HK$564,968,000 and HK$64,897,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor are they intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Consideration paid	9,659
Fair value of net assets acquired	(1,605)
Goodwill *(note 22)*	8,054

The goodwill is attributable to Jiwa P&C Group's established distribution network of pharmaceutical products in the PRC and the significant synergies expected to arise after the acquisition.

The assets and liabilities from the acquisition are as follows:

	Carrying amount on the acquisition date *HK$'000*	**Fair value on the acquisition date** ***HK$'000***
Property, plant and equipment	8,316	**29,740**
Land use rights	1,576	**6,633**
Inventories	18,932	**18,932**
Account and bill receivable	33,658	**33,658**
Deposits, prepayments and other receivables	306	**306**
Cash and cash equivalents	2,310	**2,310**
Borrowings	(10,345)	**(10,345)**
Accounts and bill payable	(52,527)	**(52,527)**
Accrued expenses and other payables	(20,400)	**(20,400)**
Deferred tax liabilities	—	**(6,620)**
Minority interest	—	**(82)**
Total net assets acquired		**1,605**
Net cash outflow on acquisition:		
Total consideration		**9,659**
Less: Cash and cash equivalents balances acquired		**(2,310)**
		7,349

Note:

The Acquirees' land and buildings were revalued at the acquisition date on the basis of open market value by 北京百成首信房地產評估有限公司雲南分公司, an independent firm of professional valuer in the PRC. Open market value was estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings where applicable.

39. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

During the year, the Group disposed of its available-for-sale financial assets at a consideration of RMB27,000,000 (equivalent to HK$30,681,000). The consideration is receivable by instalments start from 31 December 2008, the Group received cash amounted to HK$6,194,000 up to 31 March 2009, after deducting the amount due from Longchang amounted to HK$2,884,000, and the transfer of the investment costs payable amounted to HK$365,000 in accordance with the agreement between the Group and the purchaser. The remaining consideration receivable amounted to HK$24,487,000 was included in deposits, prepayments and other receivables in the Group's balance sheet.

40. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk ad interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Accounting Department works under the policies approved by the board of directors. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Summary of financial assets and liabilities by category

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
Accounts and bills receivable	**135,766**	101,473	**—**	—
Deposits and other receivables	**56,830**	14,656	**—**	—
Amounts due from related companies	**13,544**	19,651	**—**	—
Amount due from an investee company	**—**	2,878	**—**	—
Amounts due from subsidiaries	**—**	—	**86,650**	62,171
Dividend receivable	**—**	—	**—**	26,000
Available-for-sale financial assets	**—**	26,874	**—**	—
Pledged bank deposits	**6,400**	—	**6,400**	—
Cash and cash equivalents	**42,420**	20,774	**70**	102
	254,960	186,306	**93,120**	88,273
Financial liabilities				
Financial liabilities measured at amortised costs:				
Bank loans	**151,871**	91,532	**—**	—
Accounts and bills payable	**76,379**	55,005	**—**	—
Amount due to a subsidiary	**—**	—	**2,077**	—
Accrued expenses and other payables	**17,610**	15,812	**3**	3
	245,860	162,349	**2,080**	3

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk

(i) Transactions in foreign currencies and the Group's risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in Renminbi ("RMB"), Euro ("EUR") and United Stated Dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate. As HK$ is pegged to US$, accordingly, the Group does not have any significant exposure to risk resulting from changes in US$ exchange rates. The Group reviews its foreign currency exposure regularly and will consider hedging significant foreign currency exposure should the need arise.

The polices to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(ii) Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2009			2008		
	RMB HK$'000	*US$ HK$'000*	*EUR HK$'000*	*RMB HK$'000*	*US$ HK$'000*	*EUR HK$'000*
Accounts and bills receivables	—	461	51,587	—	16,765	56,921
Other receivables	24,487	—	3,297	1,666	—	—
Cash and cash equivalents	—	2,555	4,528	—	1,632	34
Bank loans	—	(110,137)	—	—	(38,856)	—
Accounts and bills payables	—	(5,758)	(16,547)	—	(3,840)	(29,200)
Other payables	—	—	—	(389)	—	—
Gross exposure arising from recognised financial assets/ (liabilities)	24,487	(112,879)	42,865	1,277	(24,299)	27,755

The Company did not have any exposures to foreign currencies at the balance sheet date (2008: Nil).

(iii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 3% and 2% (2008: 3% and 2%) appreciation in the group entities' functional currencies against RMB and EUR respectively. These percentages are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk *(Continued)*

(iii) Sensitivity analysis *(Continued)*

The sensitivity analysis of the Group's exposure to foreign currency risk at the balance sheet date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2009		2008	
	RMB HK$'000	*EUR HK$'000*	*RMB HK$'000*	*EUR HK$'000*
Profit for the year and retained earnings	**613**	**703**	31	458

An 3% and 2% depreciation in the group entities' functional currencies against RMB and EUR respectively would have the same magnitude on the Group's profit for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 March 2008.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

(c) Interest rate risk

(i) Exposures to interest rate risk and the Group's risk management policies

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group will review whether bank loans bearing floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank and other borrowings and cash and bank balances of the Group are disclosed in note 28 and 27 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises. The policies to management interest rate risk have been followed by the Group since prior year and are considered to be effective.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates of +/-1% (2008: +/-1%), with effect from the beginning of the year. The calculations are based on the Group's financial assets and liabilities held at the balance sheet date. All other variables are held constant.

	2009			2008		
	Change in interest rate	Increase/ (Decrease) profit for the year *HK$'000*	Increase/ (Decrease) retained profits *HK$'000*	Change in interest rate	Increase/ (Decrease) profit for the year *HK$'000*	Increase/ (Decrease) retained profits *HK$'000*
Borrowings in HK$	+1%	(233)	(233)	+1%	(155)	(155)
	-1%	233	233	-1%	155	155
Borrowings in US$	+1%	(905)	(905)	+1%	(280)	(280)
	-1%	905	905	-1%	280	280

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual balance sheet date.

The sensitivity analysis included in the financial statements of the year ended 31 March 2008 has been prepared on the same basis.

(d) Credit risk

(i) Summary of exposure

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

(i) Summary of exposure *(Continued)*

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the balance sheet date as summarised below:

	Group		Company	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Financial assets — carrying amounts				
Loans and receivables:				
Accounts and bills receivable	135,766	101,473	—	—
Deposits and other receivables	56,830	14,656	—	—
Amounts due from related companies	13,544	19,651	—	—
Amount due from an investee company	—	2,878	—	—
Amounts due from subsidiaries	—	—	86,650	62,171
Dividend receivable	—	—	—	26,000
Available-for-sale financial assets	—	26,874	—	—
Pledged bank deposits	6,400	—	6,400	—
Cash and cash equivalents	42,420	20,774	70	102
	254,960	186,306	93,120	88,273

(ii) Risk management objective and policies

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 deposits 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 2009, these major customers have accounts receivable of approximately HK$77,180,000 (2008: HK$90,772,000) out of the total accounts and bills receivable of HK$135,766,000 (2008: 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 bill receivable are attributable to number of counterparties and customers and therefore, the Group has no significant concentration of credit risk on these remaining amounts.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 90-day and 180-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative financial liabilities as at 31 March 2009. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The analysis is based on the undiscounted cash flows of the financial liabilities.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Liquidity risk *(Continued)*

At 31 March 2009:

	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	—	43,173	97,177	33,426	173,776
Accounts and bills payable	—	76,379	—	—	76,379
Accrued expenses and other payables	17,610	—	—	—	17,610
	17,610	119,552	97,177	33,426	267,765

	On demand	Less than1 year	Between 1 and 2 years	Between 2and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company					
Amount due to a subsidiary	2,077	—	—	—	2,077
Accrued expenses and other payables	3	—	—	—	3
	2,080	—	—	—	2,080

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Liquidity risk *(Continued)*

At 31 March 2008:

	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	—	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 *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					
Accrued expenses and other payables	3	—	—	—	3
	3	—	—	—	3

(f) 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.

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 2009 and 2008.

The Group monitors capital using gearing ratio, which is net debt divided by total equity. 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.

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES *(Continued)*

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

	2009 *HK$'000*	2008 *HK$'000*
Current liabilities		
Bank loans	**36,343**	49,706
Non-current liabilities		
Bank loans	**115,528**	41,826
Total debt	**151,871**	91,532
Less: Cash and cash equivalents	**(42,420)**	(20,774)
Net debt	**109,451**	70,758
Total equity	**395,458**	340,589
Gearing ratio	**28%**	21%

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	179,226	170,285	206,572	317,429	**472,089**
Operating profit	43,532	28,362	35,158	74,200	**73,707**
Finance cost	(3,652)	(3,757)	(2,317)	(4,605)	**(4,545)**
Share of results of associates	—	—	—	(18)	**(143)**
Profit before income tax	39,880	24,605	32,841	69,577	**69,019**
Income tax expense	(5,673)	(1,594)	(5,786)	(11,472)	**(5,682)**
Profit for the year	34,207	23,011	27,055	58,105	**63,337**
Profit attributable to equity holders of the Company	29,568	19,459	21,060	48,255	**51,522**
Minority interests	4,639	3,552	5,995	9,850	**11,815**
Profit for the year	34,207	23,011	27,055	58,105	**63,337**
Earnings per share for profit attributable to the equity holders of the Company during the year					
Basic (cents)	1.97	1.30	1.40	3.07	**3,21**
Diluted (cents)	1.97	N/A	1.40	N/A	**N/A**
Total assets	343,438	339,174	366,733	506,222	**651,503**
Total liabilities	(120,131)	(98,510)	(98,795)	(165,633)	**(256,045)**
Net assets	223,307	240,664	267,938	340,589	**395,458**
Share capital	5,000	5,000	5,000	16,050	**16,050**
Reserves	182,030	200,735	223,105	278,891	**320,431**
Minority interests	36,277	34,929	39,833	45,648	**58,977**
	223,307	240,664	267,938	340,589	**395,458**