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)

2011 ANNUAL REPORT

* for identification only

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lau Yau Bor *(Chairman)*
Lau Kin Tung *(Vice Chairman)*
Chan Hing Ming

Independent Non-Executive Directors

Chiu Wai Piu
Choy Ping Sheung
Fung Tze Wa

AUTHORISED REPRESENTATIVES

Lau Yau Bor
Lau Kin Tung

COMPANY SECRETARY

Yue Pui Kwan

AUDIT COMMITTEE

Fung Tze Wa *(Chairman)*
Chiu Wai Piu
Choy Ping Sheung

REMUNERATION COMMITTEE

Choy Ping Sheung *(Chairman)*
Chiu Wai Piu
Fung Tze Wa

NOMINATION COMMITTEE

Chiu Wai Piu *(Chairman)*
Choy Ping Sheung
Fung Tze Wa

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

BDO Limited

Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Nanyang Commercial Bank Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (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

FINANCIAL HIGHLIGHT

For the year ended 31 March 2011

	2011	2010	Change
	HK$'000	*HK$'000*	
		(Restated)	
Continuing Operations			
Revenue	175,309	163,494	+7.2%
Gross Profit	48,214	44,865	+7.5%
Net profit before share based payment expenses	23,768	23,876	-0.5%
Share based payment expenses	4,551	—	
Net profit	19,217	23,876	-19.5%
Discontinued Operations			
Profit for the year from discontinued operations			
— Operating profit	61,786	57,710	+7.1%
— Gain on deemed disposal of subsidiaries	209,150	—	
— Capital gain tax	(15,285)	—	
Profit for the year from discontinued operations	255,651	57,710	+343.0%
Non-controlling interests	19,205	17,004	+12.9%
Profit for the year attributable to owners of the Company	255,663	64,582	+295.9%
Earnings per share attributable to the owners of the Company			
Basic	15.88 cents	4.02 cents	+295.0%
Diluted	15.78 cents	4.00 cents	+294.5%
Dividend per share	6.00 cents	1.30 cents	+361.5%

RESULTS

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

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

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

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

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

DIVIDENDS

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

INFLECTION POWERED BY POLICIES AND MARKET FORCES

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

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

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

PURSUIT FOR HIGH-POTENTIAL INVESTMENT PROJECTS

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

PROSPECTS

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

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

Lau Yau Bor
Chairman

Hong Kong, 24 June 2011

BUSINESS REVIEW

Segment Results

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

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

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

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

Prominent Sales of New Key Products

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

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

KJP Successfully Passed the GMP Re-certification Inspection

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

JJRP Successfully Passing GMP Certification for Risperidone and Citalopram

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

REORGANIZATION OF PHARMACEUTICAL PLATFORM

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

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

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

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

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

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

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

5. Explore the international market. During the recent years, the Group has proactively explore the international market, and the export sales of cephalosporin antibiotics products and reduced glutathione for injection to the ASEAN market continued to grow. A breakthrough was also achieved for the South American market, where we have obtained the registration and secured the first order for triamcinolone acetonide injection, somatostatin for injection and ceftriaxone sodium for injection. At the same time, another key product edaravone injection has also started to enter the South Asia market, symbolizing a milestone of KJP key products in respect of international sales. Another gynaecological Chinese medicine of KJP, Penyanjing granule, has successfully obtained registration in Thailand, recording both continuous increases in the sales volume and vertical penetration in regions where it is available. Furthermore, the Group has also started to work on registration of the pharmaceutical bulk product, namely Citalopram, in India, Taiwan, Brazil and Turkey.

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

FINANCIAL REVIEW

Liquidity

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

As at 31 March 2011, the Group had aggregate banking facilities of approximately HK$363,350,000 (2010: approximately HK$287,316,000) of which approximately HK$155,037,000 was utilized (2010: approximately HK$153,806,000) as to approximately HK$135,505,000 in short term bank loans, as to the balance of approximately HK$19,532,000 in letter of credit issued by the relevant banks to independent third parties. The increase in total bank borrowings is mainly due to the increase in the bank borrowings against pledged banks deposits.

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

Capital Commitments

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

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

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

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

Charge on Group assets

As at 31 March 2011, bank loans amounted to approximately HK$20,250,000 (2010: HK$100,316,000) were secured by certain assets of the Group having a net book value approximately HK$6,719,000 (2010: HK$128,838,000). In additions, bank loans amounted to HK$77,755,000 (2010: Nil) were secured by the Group's pledged bank deposits amounted HK$76,455,000 (2010: Nil).

Contingent Liabilities

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

DIRECTORS' REPORT

The directors are pleased in presenting their annual report together with the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 20 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 2011 and the state of the Group's affairs as at that date are set out in the financial statements on pages 28 to 97.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements.

RESERVES

Profits attributable to shareholders of the Company, before dividends, of approximately HK$255,663,000 (2010: approximately HK$64,582,000) 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 34 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 2011 are set out in note 17 to the financial statements.

EMPLOYMENT REMUNERATION POLICY

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Lau Yau Bor *(the Chairman)*
Lau Kin Tung *(the Vice Chairman)*
Chan Hing Ming

Non-Executive Directors

Chiu Wai Piu
Choy Ping Sheung
Fung Tze Wa

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 Yau Bor and Mr. Chiu Wai Piu will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTOR'S SERVICE CONTRACTS

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

Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa have been appointed as an independent non-executive director since 1 September 2008, 1 September 2003 and 1 September 2004, respectively, their service contracts had been renewed for successive terms of one year since their appointment.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

The directors and chief executive of the Company who held office as at 31 March 2011 had the following interests in the shares of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities Futures Ordinance ("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	94,398,000 *(Note 1)*	116,712,000 *(Note 2)*	840,000,000 *(Note 4)*	1,051,110,000	65.29%
Lau Kin Tung	—	—	105,000,000 *(Note 5)*	105,000,000	6.52%
Chan Hing Ming	41,712,000 *(Note 1)*	934,398,000 *(Note 3)*	75,000,000 *(Note 6)*	1,051,110,000	65.29%

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, 41,712,000 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, 94,398,000 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 executives 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 executives 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 other wise 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 2011 were as follows:

	Date of grant	Exercisable period	Balance at 01/04/10	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31/03/11	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	—
	19/10/10	19/10/10 to 18/10/15		15,000,000	—	—	15,000,000	0.58	—
Employee									
In aggregate	17/02/11	17/02/11 to 16/02/16	—	3,000,000	—	—	3,000,000	0.52	—
			15,000,000	18,000,000	—	—	33,000,000		

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 2011 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 2011 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	52.17
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.52

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 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 2010
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 September 2010 to 31 August 2012 (both days inclusive)
Annual rental	:	HK$1,200,000 (HK$100,000 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 2010
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 2010 to 31 August 2012 (both days inclusive)
Annual rental	:	HK$720,000 (HK$60,000 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 2010
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 2010 to 31 August 2012 (both days inclusive)
Annual rental	:	HK$840,000 (HK$70,000 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$2,715,000 for the year ending 31 March 2011;

(b) HK$2,760,000 for the year ending 31 March 2012; and

(c) HK$1,150,000 for the year ending 31 March 2013.

(2) *Sale and Purchase Agreement*

On 1 April 2009, Kunming Jida Pharmaceutical Company Limited ("KJP", a 70% owned subsidiary of the Company) and Yunnan Pharmaceutical and Industrial Corporation Limited ("Yunnan Pharmaceutical", a substantial shareholder of KJP) had entered into a master sale and purchase agreement.

Yunnan Pharmaceutical is currently one of the major distributor principally engaged in the distribution of pharmaceutical products in Yunnan Province, the PRC. KJP has sold to Yunnan Pharmaceutical certain pharmaceutical products in accordance with the master sale and purchase agreement dated 1 November 2006, the agreement was renewed on 1 April 2009. 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 KJP and Yunnan Pharmaceutical in respect for each of the years ended 31 March 2011 and 31 March 2012 will not be more than HK$25 million and HK$30 million respectively.

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; or, if there is no available comparison, on terms that are no less favorable than terms available to or from independent third parties; 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.

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 machineries, furniture, fixtures and equipment for approximately HK107,000, and the Group did not acquire properties . Details of these acquisitions and other movements in fixed assets are set out in note 17 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 2011 are set out in note 29 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%	
Five largest customers in aggregate	46%	
The largest supplier		31%
Five largest suppliers in aggregate		49%

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 98 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 2.22 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 accounts in respect of the previous six financial years were audited by Grant Thornton (now known as JBPB & Co). Pursuant to the merger of the practice of Grant Thornton with that of BDO Limited, Grant Thornton resigned with effect from 29 March 2011 and BDO Limited was appointed auditor of the Company. The accounts for the financial year ended 31 March 2011 were audited by BDO Limited.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held at 2:00 p.m. on 11 August 2011 (Thursday) at Room 3, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 August 2011 (Thursday) to 23 August 2011 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 August 2011 (Wednesday).

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

Hong Kong, 24 June 2011

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the Code Provisions in accordance with the "Code on Corporate Governance Practices" (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 is of the opinion that during the financial year ended 31 March 2011, the Company had applied the CG Code as set out in the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

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

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

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 23 to 24 respectively of this annual report.

Four regular board meetings were held for the year ended 31 March 2011 and the attendance was as follows:

Board of Directors	**Attendance**
Executive Directors	
Lau Yau Bor *(Chairman)*	3/4
Lau Kin Tung *(Vice Chairman)*	4/4
Chan Hing Ming	4/4
Non-Executive Directors	
Chiu Wai Piu	4/4
Choy Ping Sheung	4/4
Fung Tze Wa	4/4

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

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

The Operation of the Board of Directors

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

REMUNERATION OF DIRECTORS

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

During the year under review, the members of Remuneration Committee are Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, 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
Choy Ping Sheung	1/1
Chiu Wai Piu	1/1
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 16 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, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, 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
Chiu Wai Piu	1/1
Choy Ping Sheung	1/1
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, BDO Limited the following remuneration:

Nature of services	*HK$'000*
Audit services	770
Non-audit services	250

AUDIT COMMITTEE

The Audit Committee members comprise of Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, 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
Fung Tze Wa	2/2
Chiu Wai Piu	2/2
Choy Ping Sheung	2/2

RESPONSIBILITY ON FINANCIAL REPORTING

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

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

The reporting responsibilities of BDO Limited, the Company's auditors, are stated in the Independent Auditor's Report on pages 26 to 27 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.

EXECUTIVE DIRECTORS

Lau Yau Bor, aged 73, is the founder, Chairman and Executive Director of the Group. Mr. Lau is responsible for the business development direction and corporate strategy of the Group. Mr. Lau has over 30 years of experience in corporate management. Mr. Lau is an Honorary Doctor of Management of Lincoln University and a Fellow of the Canadian Chartered Institute of Business Administration.

Mr. Lau is also the Standing Board Member of China Federation of Chinese Entrepreneurs, a Council Member of China Enterprise Directors Association, the Vice Chairman of Yunnan Overseas Chinese Chamber of Commerce and Entrepreneurs, Founding Member of China Overseas Chinese Entrepreneurs Association, Deputy Chairman of Yunnan Association of Enterprises with Foreign Investment, Consultant of Yunnan Federation of Returned Overseas Chinese, Consultant of Yunnan Association for Promotion of Overseas Economic Cooperation, Council Member of Yunnan Overseas Friendship Association, Council Member of Overseas Exchange Association of Yunnan, Honorary Professor of Kunming Medical University and Council Member of Kunming Overseas Friendship Association.

Lau Kin Tung, aged 41, 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 KJP. Since 1993, Mr. Lau was involved in the establishment and management of KJP, JJRP, Yunnan Jiwa Biotech Limited and YJPL. He has been responsible for the international 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, a Director. Mr. Lau resigned as Chief Executive Officer on 24 June 2011.

Chan Hing Ming, aged 70, 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 30 years of experience in corporate management. Madam Chan is the wife of Dr. Lau Yau Bor, the Chairman of the Group. Madam Chan was appointed as Chief Executive Officer on 24 June 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Wai Piu, aged 64, is the Independent Non-executive Director of the Company. 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.

Choy Ping Sheung, aged 63, is the Independent Non-executive Director of the Company. 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.

Fung Tze Wa, aged 54, is the Independent Non-executive Director of the Company. Mr. Fung is a certified public accountant and a director of an accounting firm in Hong Kong. Mr. Fung has more than 26 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

Chu Kim Ho, aged 48, is the Financial Controllor. Mr. Chu joined the Group in September 2006 and is currently in charge of the financial and accounting functions of the KJP Group. Mr. Chu has over 24 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.

Feng Pu Chun, aged 38, is the Director of the R&D Department of KJP. 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 Bachelor Degree in Medicine from Hebei Medical University and a Master Degree in Business Administration from Beijing University of Posts and Telecommunications. Ms. Feng has 14 years of experience in the R&D of new medicine and has engaged in management for 10 years. Ms. Feng is also a member of China Price Association.

Huang Jing, aged 38, is the Senior Manager of the Finance Department of KJP. 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 18 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, an international association.

Li Hong Xiang, aged 58, is the Deputy Managing Director of KJP. Mr. Li joined the Group in January 1994 and is currently responsible for the production and GMP management functions of the Group. Mr. Li is a Senior Engineer. He has 26 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.

Lin Yun Sheng, aged 39, is the Marketing Director of YJPL. He joined the Group in 2000. Mr. Lin has about 17 years of experience in marketing and management in the pharmaceutical industry. Mr. Lin holds an Executive Master Degree in Business Administration from South China University of Technology.

Liu Chun Xia, aged 49, is the Quality Director of KJP. Ms. Liu joined the Group in March 1997 and is currently in charge of the Quality Assurance Department of KJP. She has 14 years of experience in pharmaceutical inspection and 13 years of experience in quality control of pharmaceutical enterprises. Ms. Liu had 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 Medicine by the Ministry of Health of the PRC. Ms. Liu held a Bachelor of Science Degree from Yunnan University in 1983.

Luo Dong Mei, aged 42, is the Executive Assistant to Chairman and Chief Operating Director of KJP. Ms. Luo joined KJP in 1994. She holds a Bachelor of Science Degree in Engineering and a Master Degree in Business Administration. She has 20 years of experience in pharmaceutical enterprises, and is responsible for the production, quality control, sales, procurement and administration of pharmaceutical enterprises.

Ma Ze Wen, aged 42, is the General Manager of YJPL. Mr. Ma joined the Group in 2001 and served as the head of Marketing Department and was promoted as Deputy General Manager in 2007. He practiced medicine for 6 years and has over 14 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.

Shek Man Fai, aged 36, is the Senior Finance 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 17 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.

Wang Chang Wen, aged 43, is the Deputy General Manager of JJRP. Mr. Wang joined the Group in July 2004 and served as the Senior Manager of the Production Department of KJP and was repositioned as Deputy General Manager of JJRP in 2008. He was the Senior Manager of the Engineering Department of KJP. He graduated from East China Institute of Chemical Technology, Shanghai in 1989, with a Bachelor Degree in Engineering and the title of Medical Engineer. Mr. Wang has over 20 years' experience in the instrument and engineering management of pharmaceutical enterprises.

Ms. Xu Xin Fang, aged 50, is the Senior Manager of the Production Department of KJP. She has over 24 years of experience in the pharmaceutical industry. Ms. Xu joined the Group in 1994 and is currently in charge of the production system of KJP. Ms. Xu holds a Bachelor of Science Degree from Shenyang Pharmaceutical University.

Yu Qi, aged 45, is the Deputy General Manager of the marketing system of KJP. He joined the Group in 2001, and has over 18 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 and also a Master Degree in Business Administration from Shanghai Jiao Tong University.

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To the shareholders 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 28 to 97, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011 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.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung, Ringo
Practising Certificate Number: P04434

Hong Kong, 24 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Revenue	5	175,309	163,494
Cost of sales		(127,095)	(118,629)
Gross profit		48,214	44,865
Other income	7	1,730	153
Selling expenses		(1,369)	(2,241)
Administrative expenses		(23,701)	(15,019)
Other operating expenses		(2,649)	(604)
Operating profit		22,225	27,154
Finance costs	8	(1,075)	(693)
Share of results of associates	21	(94)	(101)
Profit before income tax	9	21,056	26,360
Income tax expense	10	(1,839)	(2,484)
Profit for the year from continuing operations		19,217	23,876
Discontinued operations			
Profit for the year from discontinued operations	11	255,651	57,710
Profit for the year		274,868	81,586
Other comprehensive (loss)/income, including reclassification adjustment			
Release of translation reserve upon disposal of subsidiaries		(32,228)	—
Exchange gain on translation of financial statements of foreign operations		7,242	6
Other comprehensive (loss)/income for the year, including reclassification adjustments and net of tax		(24,986)	6
Total comprehensive income for the year		249,882	81,592
Profit for the year attributable to:			
Owners of the Company	12	255,663	64,582
Non-controlling interests		19,205	17,004
		274,868	81,586
Total comprehensive income attributable to:			
Owners of the Company		237,790	64,588
Non-controlling interests		12,092	17,004
		249,882	81,592

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
Earnings per share from continuing operations attributable to owners of the Company during the year	*14*		
Basic (cents)		**1.27**	1.55
Diluted (cents)		**1.26**	1.54
Earnings per share from discontinued operations attributable to owners of the Company during the year	*14*		
Basic (cents)		**14.61**	2.47
Diluted (cents)		**14.52**	2.46
Earnings per share attributable to owners of the Company during the year	*14*		
Basic (cents)		**15.88**	4.02
Diluted (cents)		**15.78**	4.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	17	**8,349**	242,034	245,951
Land use rights	18	**—**	29,366	24,772
Construction in progress	19	**—**	25,149	9,950
Interests in associates	21	**400,999**	19,738	19,839
Goodwill	22	**—**	9,066	9,066
Intangible assets	23	**11,765**	5,720	5,231
Other receivables	26	**—**	7,955	15,291
Deferred tax assets	32	**—**	3,737	3,930
		421,113	342,765	334,030
Current assets				
Inventories	24	**13,980**	107,871	71,662
Accounts and bills receivable	25	**71,431**	157,359	135,766
Land use rights	18	**—**	1,022	900
Deposits, prepayments and other receivables	26	**155,458**	76,765	46,781
Amounts due from associates	21	**146,172**	—	—
Amounts due from a related company	37	**—**	16,983	13,544
Tax recoverable		**—**	218	—
Derivative financial assets	27	**1,291**	—	—
Pledged bank deposits	28	**76,455**	—	6,400
Cash and cash equivalents	28	**9,506**	34,803	42,420
		474,293	395,021	317,473
Non-current assets held for sales	21	**9,692**	—	—
Total current assets		**483,985**	395,021	317,473
Current liabilities				
Bank loans	29	**135,505**	130,899	151,871
Accounts and bills payable	30	**20,256**	119,344	76,379
Amounts due to an associate	21	**3,000**	—	—
Accrued expenses and other payables		**15,257**	13,744	17,610
Tax payable		**16,892**	5,277	3,764
Derivative financial liabilities	31	**106,838**	—	—
		297,748	269,264	249,624
Net current assets		**186,237**	125,757	67,849
Total assets less current liabilities		**607,350**	468,522	401,879

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
Non-current liabilities				
Deferred tax liabilities	32	—	6,022	6,421
Net assets		607,350	462,500	395,458
EQUITY				
Share capital	33	16,100	16,100	16,050
Reserves	34	591,254	370,419	320,431
Equity attributable to owners of the Company		607,354	386,519	336,481
Non-controlling interests		(4)	75,981	58,977
Total equity		607,350	462,500	395,458

Lau Yau Bor	**Lau Kin Tung**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries	20	**82,380**	82,380
Current assets			
Amounts due from subsidiaries	20	**176,580**	97,540
Prepayment		**4**	—
Cash and cash equivalents		**135**	166
		176,719	97,706
Current liabilities			
Accrued expenses and other payables		**3**	3
Net current assets		**176,716**	97,703
Net assets/Total assets less current liabilities		**259,096**	180,083
EQUITY			
Share capital	33	**16,100**	16,100
Reserves	34	**242,996**	163,983
Total equity		**259,096**	180,083

Lau Yau Bor
Director

Lau Kin Tung
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from operating activities			
Profit before income tax			
Continuing operations		21,056	26,360
Discontinued operations		283,113	66,574
		304,169	92,934
Adjustments for:			
Interest income		(388)	(289)
Interest expense		5,048	4,618
Depreciation of property, plant and equipment		15,886	14,594
Share-based employee compensation		4,551	—
Amortisation of land use rights		80	934
Amortisation of intangible assets		612	598
Gain on disposal of property, plant and equipment		—	(2,293)
Loss on disposal of property, plant and equipment		12	233
Gain on disposal of land use rights		—	(5,650)
Gain on disposal of subsidiaries	39	(209,150)	—
Fair value gain on derivative financial instruments		(1,291)	—
Provision for impairment of obsolete inventories		—	1,877
Reversal of inventory written off		—	(705)
Share of results of associates		94	101
Operating profit before changes in working capital		119,623	106,952
Decrease/(Increase) in inventories		18,730	(37,381)
Increase in accounts and bills receivable		(25,040)	(21,593)
Increase in deposits, prepayments and other receivables		(128,580)	(22,648)
Decrease/(Increase) in amounts due from a related company		78,336	(3,439)
(Decrease)/Increase in accounts and bills payable		(37,565)	42,965
Increase/(Decrease) in accrued expenses and other payables		286,878	(3,866)
Net cash generated from operations		312,382	60,990
Hong Kong profits tax paid		(1,265)	(3,278)
Taxation outside Hong Kong paid		(17,708)	(8,965)
Taxation outside Hong Kong refunded		1,705	1,984
Net cash generated from operating activities		295,114	50,731

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(6,559)	(12,638)
Proceeds from disposal of property, plant and equipment		—	9,091
Payment for construction in progress		(29,476)	(20,269)
Payment for acquisition of intangible assets		(12,141)	(1,087)
Net cash outflow from disposal of subsidiaries	39	(299,260)	—
Increase in amounts due from associates		38,024	—
(Increase)/Decrease in pledged bank deposits		(76,455)	6,400
Interest received		388	289
Net cash used in investing activities		(385,479)	(18,214)
Cash flows from financing activities			
Proceeds from bank loans		173,305	36,622
Repayment of bank loans		(73,615)	(57,440)
Proceeds from issue of shares upon exercise of share options		—	1,500
Interest paid		(5,048)	(4,618)
Dividends paid to owners of the Company		(20,930)	(16,050)
Dividends paid to non-controlling shareholders		(5,294)	—
Net cash generated from/(used in) financing activities		68,418	(39,986)
Net decrease in cash and cash equivalents		(21,947)	(7,469)
Translation differences		(3,350)	(148)
Cash and cash equivalents at the beginning of the year		34,803	42,420
Cash and cash equivalents at the end of the year	28	9,506	34,803

	Equity attributable to owners of the Company												Non-controlling Interests	Total equity
	Share capital	Share premium *(note 34(v))*	Contributed surplus *(note 34(i))*	General reserve fund *(note 34(ii))*	Enterprise expansion fund *(note 34(ii))*	Translation reserve	Revaluation adjustment *(note 34(iii))*	Capital reserve *(note 34(iv))*	Share option reserve	Proposed final dividend	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 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
Dividend paid in respect of the previous year *(note 13)*	–	–	–	–	–	–	–	–	–	(16,050)	–	(16,050)	–	(16,050)
Issue of shares upon exercise of share option *(note 35)*	50	1,965	–	–	–	–	–	–	(515)	–	–	1,500	–	1,500
Transaction with owners	50	1,965	–	–	–	–	–	–	(515)	(16,050)	–	(14,550)	–	(14,550)
Profit for the year	–	–	–	–	–	–	–	–	–	–	64,582	64,582	17,004	81,586
Other comprehensive income														
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	6	–	–	–	–	–	6	–	6
Total comprehensive income for the year	–	–	–	–	–	6	–	–	–	–	64,582	64,588	17,004	81,592
Proposed final dividend *(note 13)*	–	–	–	–	–	–	–	–	–	20,930	(20,930)	–	–	–
Transfer to reserve	–	–	–	4,837	–	–	–	–	–	–	(4,837)	–	–	–
At 31 March 2010 and 1 April 2010	16,100	56,097	2,000	12,722	57	26,878	(320)	2,830	1,285	20,930	247,940	386,519	75,981	462,500
Dividend paid in respect of the previous year *(note 13)*	–	–	–	–	–	–	–	–	–	(20,930)	–	(20,930)	–	(20,930)
Change in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(576)	(576)	576	–
Dividend relating to 2009	–	–	–	–	–	–	–	–	–	–	–	–	(5,294)	(5,294)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(83,359)	(83,359)
Release of NCI's portion of translation reserve	–	–	–	–	–	–	–	–	–	–	8,865	8,865	(8,865)	–
Grant of share options	–	–	–	–	–	–	–	–	4,551	–	–	4,551	–	4,551
Transaction with owners	–	–	–	–	–	–	–	–	4,551	(20,930)	8,289	(8,090)	(96,942)	(105,032)
Profit for the year	–	–	–	–	–	–	–	–	–	–	255,663	255,663	19,205	274,868
Other comprehensive income														
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	5,490	–	–	–	–	–	5,490	1,752	7,242
Release of translation reserve upon disposal of subsidiaries	–	–	–	–	–	(32,228)	–	–	–	–	–	(32,228)	–	(32,228)
Total comprehensive income for the year	–	–	–	–	–	(26,738)	–	–	–	–	255,663	228,925	20,957	249,882
Proposed final dividend *(note 13)*	–	–	–	–	–	–	–	–	–	96,600	(96,600)	–	–	–
Disposal of subsidiaries	–	–	–	(17,331)	(57)	–	320	(2,830)	–	–	19,898	–	–	–
Transfer to reserve	–	–	–	4,609	–	–	–	–	–	–	(4,609)	–	–	–
At 31 March 2011	**16,100**	**56,097**	**2,000**	**–**	**–**	**140**	**–**	**–**	**5,836**	**96,600**	**430,581**	**607,354**	**(4)**	**607,350**

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 28 to 97 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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

2.2 Basis of consolidation

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

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

From 1 April 2010

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

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

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

Prior to 1 April 2010

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

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

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

2.2 Basis of consolidation *(Continued)*

Prior to 1 April 2010 *(Continued)*

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 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.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is 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 statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post–acquisition profits are recognised in the Company's profit or loss.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

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

2.4 Associates *(Continued)*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

2.5 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 the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ 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 recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

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

2.6 Property, plant and equipment *(Continued)*

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

— Leasehold land	Over lease term
— Buildings	20-50 years
— Motor vehicles	3 year
— Plant and machinery	5-15 years
— Furniture, fixtures and equipment	5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.7 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.8 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.21).

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

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.

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

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

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Technical know-how	1-5 years

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.21.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities 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 assets 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 included employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

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

2.10 Financial assets

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

Financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. 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 and sales 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 reporting 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) Financial assets at fair value through profit or loss

They include financial assets held for trading; and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

(ii) Loans and receivables

They 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 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.

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

2.10 Financial assets *(Continued)*

Impairment of financial assets

At each reporting 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.

Financial assets carried at amortised costs

If any such evidence exists, the impairment loss on loans and receivables, 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 profit or loss of the period in which the impairment occurs.

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

2.11 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.

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

2.12 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into subsequently remeasured at fair value. Derivatives that are not designed as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.23).

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

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Derivatives

Derivatives including separated embedded derivatives are measured at fair value (see note 2.12)

Bank loans

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

Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Accounts and bills payable and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

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

2.15 Financial guarantee

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 accounts and bill payable and 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 profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss 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.

2.16 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.

(i) 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.

(ii) 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 profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

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

2.16 Leases *(Continued)*

(iii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2.17 Provisions and contingent liabilities

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 of the amount of the obligation 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 reporting 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.

2.18 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.

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

2.19 Revenue recognition

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

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

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

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

2.20 Government grants

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

Government grants relating to income is presented in gross under "Other income" in the statement of comprehensive income.

2.21 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Intangible assets;
- Property, plant and equipment;
- Construction in progress;
- Land use rights;
- Interests in associates; and
- The Company's interests in subsidiaries

Goodwill and intangible assets with indefinite useful life or those not yet available for use 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.

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

2.21 Impairment of non-financial assets *(Continued)*

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. 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. 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.

Impairment losses reognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.22 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

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

2.22 Employee benefits *(Continued)*

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 reporting date.

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

Share-based employee compensation

All share-based payment arrangements granted 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 equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

2.23 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset 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.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

2.24 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 reporting 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 profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting 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, including existing taxable temporary differences, 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 reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.24 Accounting for income taxes *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.25 Segment reporting

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

The Group has identified the following reportable 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.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

Except the operation of the trading pharmaceutical products, all operations were discontinued in the current year as a result of disposal of the subsidiaries. The segment information reported on note 6 does not include any amounts for these discontinued operations, which are described in more detail on note 11.

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

- expenses related to share-based payments
- fair value gain on the derivative instruments
- share of profit or loss of associates accounted for using the equity method
- finance costs

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

2.25 Segment reporting *(Continued)*

- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

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

Segment assets include all assets but interests in associates and derivative financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter. These include deferred tax assets.

Segment liabilities exclude derivative financial liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities.

No asymmetrical allocations have been applied to reportable segments.

2.26 Related parties

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 venture;

(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. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2010:

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

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

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

The revised accounting policies are described in note 2.2 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results.

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

The revised HKAS 27 has affected the accounting for the Group's disposal of subsidiaries during the year. Had the previous HKAS 27 been applied, gain on disposal of subsidiaries of HK$243,128,000 would have been recognised in profit or loss, i.e. increased by HK$33,978,000. The basic and diluted earnings per share would be increased by HK$2.11 cents and HK$2.10 cents respectively.

HKAS 17 (Amendments) — Leases

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

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

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

HKAS 17 (Amendments) — Leases *(Continued)*

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

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

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

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of HK Interpretation 5 on the consolidated statement of financial position:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Increase/(decrease) in			
Current liabilities:			
Bank loans	**18,550**	83,813	115,528
Non-current liabilities:			
Bank loans	**(18,550)**	(83,813)	(115,528)

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

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause *(Continued)*

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

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

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

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

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

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

4. 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 interests in associates, property, plant and equipment and intangible assets

The Group assesses impairment at each reporting 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 reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) Net realisable value 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.

(iii) Impairment on accounts and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its trade and other receivable balances, customers' credit-worthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(iv) 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.

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

Critical accounting estimates and assumptions *(Continued)*

(v) Fair value of retained interest in an associate

The Group's retained interest in an associate was stated at fair value in accordance with the accounting policies stated in note 2.4 to the financial statements. The fair value of the retained interest in an associate is determined by independent firms of professional valuers, Roma Appraisals Limited ("Roma") and Beijing Guo You Da Zheng Appraisal Company Limited. The fair value of the retained interest is set out in note 21 to the financial statements. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

(vi) Fair value of profit guarantee

The Group's profit guarantee was stated at fair value in accordance with the accounting policies stated in note 2.12 and 2.14 to the financial statements. The fair value of the profit guarantee is determined based on management's best estimates and the fair value of the put options is set out in note 31 to the financial statements. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

(vii) Fair value of put option

The Group's put option was stated at fair value in accordance with the accounting policies stated in note 2.12 and 2.14 to the financial statements. The fair value of the put option is determined by an independent firm of professional valuers, Roma, and the fair value of the put option is set out in note 31 to the financial statements. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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 reporting date. In addition, all internal activities related to the research and development of new products or know how are continuously monitored by the Group's management.

5. REVENUE

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

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

6. SEGMENT INFORMATION

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

	Continuing operations	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Revenue		
From external customers	**175,309**	163,494
From other segment	**42,734**	41,538
Reportable segment revenue	**218,043**	205,032
Reportable segment profit	**28,831**	28,559
Reportable segment assets	**111,388**	107,321
Additions to non-current segment assets during the year	**7,658**	275
Reportable segment liabilities	**35,020**	61,575

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Reportable segment revenue	**218,043**	205,032
Elimination of inter segment revenues	**(42,734)**	(41,538)
Discontinued operations	**175,309**	163,494
Revenue from:		
(i) Pharmaceutical products	**347,619**	286,499
(ii) Distributions	**195,725**	183,882
(iii) Bulk products	**3,953**	2,607
Group revenue	**722,606**	636,482
Reportable segment profit	**28,701**	28,433
Fair value gain on the derivative instruments		
— transactions not qualifying as hedges, net	**1,291**	—
Finance costs	**(1,075)**	(693)
Unallocated corporate expenses	**(3,216)**	(1,279)
Share of results of associates	**(94)**	(101)
Share-based payment expenses	**(4,551)**	—
Profit before income tax and discontinued operations	**21,056**	26,360

6. SEGMENT INFORMATION *(Continued)*

The Group's revenue are predominantly derived from the PRC. The Group's non-current assets (other than deferred tax assets) are divided into the following geographical areas:

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

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

During the year ended 31 March 2011, two (2010: two) customers with whom transactions of each has exceeded 10% of the Group's revenue. The revenue of HK$139,625,000 (2010: HK$129,224,000) and HK$91,024,000 (2010: HK$69,691,000) from these two customers accounted for 19% (2010: 20%) and 13% (2010: 11%) respectively of the Group's revenue for the year. As at the reporting date, total trade receivables due from these two customers accounted for 98% (2010: 54%) of such balance. The sales to these two customers are included in the segment of pharmaceutical products, trading pharmaceutical and health care products and distribution.

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

7. OTHER INCOME

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

8. FINANCE COSTS

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

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 March 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,075,000 and HK$693,000 respectively.

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

9. PROFIT BEFORE INCOME TAX

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

10. INCOME TAX EXPENSE

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

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

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

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

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

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

11. DISCONTINUED OPERATIONS

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

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

	Period from 1 April 2010 to 30 March 2011	Year ended 31 March 2010
	HK$'000	*HK$'000*
Revenue	**547,297**	472,988
Cost of sales	**(260,201)**	(237,444)
Gross profit	**287,096**	235,544
Other income	**4,663**	11,179
Selling expenses	**(159,661)**	(126,204)
Administrative expenses	**(54,162)**	(50,260)
Other operating expenses	**—**	(567)
Finance costs	**(3,973)**	(3,118)
Profit before income tax	**73,963**	66,574
Income tax expense	**(12,177)**	(8,864)
Profit after income tax	**61,786**	57,710
Gain on disposal of subsidiaries *(note 39)*	**209,150**	—
Capital gain tax on disposal of subsidiaries	**(15,285)**	—
Profit from discontinued operations	**255,651**	57,710

The net cash flows incurred by the Discontinued Operations are presented below:

Operating activities	**340,673**	9,405
Investing activities	**(35,992)**	(23,973)
Net cash inflow/(outflow)	**304,681**	(14,568)

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$255,663,000 (2010: HK$64,582,000), a profit of HK$95,392,000 (2010: HK$21,213,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividends attributable to the year

	2011	2010
	HK$'000	*HK$'000*
Final dividend proposed after the reporting date of HK$0.060 per share (2010: HK$0.013 per share)	**96,600**	20,930

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

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

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

14. EARNINGS PER SHARE

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

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

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

From continuing operations

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

Earnings figures are calculated as follows:

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

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

From discontinued operations

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

15. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Salaries and wages, other allowances and benefits in kind	7,709	7,624
Consultancy fee	—	630
Rentals for staff and directors	1,900	1,872
Share-based employee compensation *(note 35)*	4,551	—
Contribution to defined contribution plans	251	236
	14,411	10,362

16. 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	Contribution to retirement plan	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Executive directors					
Mr. Lau Yau Bor	—	1,999	—	—	1,999
Mr. Lau Kin Tung	—	2,259	3,873	12	6,144
Madam Chan Hing Ming	—	448	—	—	448
Independent non-executive directors					
Mr. Choy Ping Sheung	80	—	—	—	80
Mr. Fung Tze Wa	100	—	—	—	100
Mr. Chiu Wai Piu	100	—	—	—	100
	280	4,706	3,873	12	8,871
2010					
Executive directors					
Mr. Lau Yau Bor	—	2,428	—	—	2,428
Mr. Lau Kin Tung	—	1,718	—	12	1,730
Madam Chan Hing Ming	—	428	—	—	428
Independent non-executive directors					
Mr. Choy Ping Sheung	80	—	—	—	80
Mr. Fung Tze Wa	100	—	—	—	100
Mr. Chiu Wai Piu	100	—	—	—	100
	280	4,574	—	12	4,866

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

(a) Directors' emoluments *(Continued)*

Executive directors and independent non-executive directors *(Continued)*

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 2011 (2010: 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 (2010: Nil).

(iii) During the year, 18,000,000 (2010: Nil) share options with a fair value of approximately HK$4,551,000 (2010: Nil) were granted to a director of the Company and an employee to subscribe for ordinary shares of the Company (note 35).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries, housing, other allowances and benefits in kind	**1,701**	1,601
Discretionary bonus	**150**	103
Share-based employee compensation	**678**	—
Contribution to defined contribution plans	**36**	36
	2,565	1,740

The emoluments of the three (2010: three) individuals fell within the following bands:

	Number of individuals	
	2011	2010
Nil — HK$1,000,000	**2**	3
HK$1,500,001 — HK$2,000,000	**1**	—

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 (2010: Nil).

17. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Leasehold land	Buildings	Motor vehicles	Plant and machinery	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2010						
Opening net carrying amount						
— as previously reported	—	146,192	617	84,817	10,003	241,629
— effect of changes in accounting policies *(note 3)*	4,322	—	—	—	—	4,322
— as restated	4,322	146,192	617	84,817	10,003	245,951
Additions	—	8,289	1,474	2,003	872	12,638
Disposals	—	(6,681)	(154)	(164)	(32)	(7,031)
Depreciation	(35)	(8,028)	(193)	(4,555)	(1,783)	(14,594)
Transfer from construction in progress	—	—	—	4,849	221	5,070
Closing net carrying amount	4,287	139,772	1,744	86,950	9,281	242,034
At 31 March 2010						
Cost	4,566	171,376	4,194	114,019	20,561	314,716
Accumulated depreciation	(279)	(31,604)	(2,450)	(27,069)	(11,280)	(72,682)
Net carrying amount	4,287	139,772	1,744	86,950	9,281	242,034
Year ended 31 March 2011						
Opening net carrying amount						
— as previously reported	**—**	**139,772**	**1,744**	**86,950**	**9,281**	**237,747**
— effect of changes in accounting policies *(note 3)*	**4,287**	**—**	**—**	**—**	**—**	**4,287**
— as restated	**4,287**	**139,772**	**1,744**	**86,950**	**9,281**	**242,034**
Additions	**—**	**141**	**—**	**5,069**	**1,349**	**6,559**
Disposals	**—**	**—**	**—**	**(2)**	**(10)**	**(12)**
Depreciation	**(35)**	**(8,533)**	**(387)**	**(5,311)**	**(1,620)**	**(15,886)**
Transfer from construction in progress	**—**	**3,513**	**—**	**4,359**	**1,059**	**8,931**
Disposal of subsidiaries *(note 39)*	**—**	**(135,791)**	**(1,400)**	**(92,934)**	**(8,686)**	**(238,811)**
Translation differences	**—**	**3,365**	**43**	**1,869**	**257**	**5,534**
Closing net carrying amount	**4,252**	**2,467**	**—**	**—**	**1,630**	**8,349**
At 31 March 2011						
Cost	**4,566**	**3,009**	**—**	**—**	**4,940**	**12,515**
Accumulated depreciation	**(314)**	**(542)**	**—**	**—**	**(3,310)**	**(4,166)**
Net carrying amount	**4,252**	**2,467**	**—**	**—**	**1,630**	**8,349**

17. PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

Leasehold land and buildings with carrying amount of HK$6,719,000 (2010: HK$104,219,000 as restated) were pledged to secure bank loans (note 29).

Analysis of the net book amount of leasehold land according to lease periods are as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
In Hong Kong		
— over 50 years	**4,252**	4,287

18. 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:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Outside Hong Kong, held on:		
— Leases of between 10 to 50 years	**—**	30,388
Less: Current portion included under current assets	**—**	(1,022)
Non-current portion included under non-current assets	**—**	29,366

18. LAND USE RIGHTS — GROUP *(Continued)*

As at 31 March 2010, land use rights with carrying amount HK$24,619,000 (as restated) were pledged to secure bank loans (note 29).

	2011 HK$'000	2010 HK$'000 (Restated)
Opening net carrying amount as previously stated	34,675	29,994
Effect of changes in accounting policies *(note 3)*	(4,287)	(4,322)
Opening net carrying amount as restated	30,388	25,672
Acquisition	—	11,330
Disposal	—	(5,680)
Amortisation of prepaid operating lease payment	(80)	(934)
Disposal of subsidiaries *(note 39)*	(31,022)	—
Translation difference	714	—
Closing net carrying amount	—	30,388

19. CONSTRUCTION IN PROGRESS — GROUP

	2011 HK$'000	2010 HK$'000
At beginning of the year	25,149	9,950
Additions	29,476	20,269
Transferred to property, plant and equipment *(note 17)*	(8,931)	(5,070)
Disposal of subsidiaries *(note 39)*	(46,263)	—
Translation difference	569	—
At end of the year	—	25,149

Construction in progress at 31 March 2010 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 2011 is net interest capitalised of HK$483,000 (2010: HK$807,000). The interest capitalised are incurred for the borrowings which are specifically used for the construction in progress.

20. INVESTMENT IN SUBSIDIARIES — COMPANY

(a) Investment cost

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	82,380	82,380

Particulars of the Company's subsidiaries as at 31 March 2011 are as follows:

Name of company	Place of incorporation and kind of legal entity	Particulars of issued and paid up capital	Percentage of issued capital effectively held by the Company	Principal activities and place of operation
Jiwa Development Co. Ltd.	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
Jiwa Rintech Holdings Limited	BVI, limited liability company	10 ordinary shares of US$1 each	100%	Investment holding, Hong Kong
Sino-Tech International (Macao Commercial Offshore) Limited	Macau, limited liability company	MOP100,000	100%	Trading of pharmaceutical products, Macau
Jiwa Pharm & Chemicals Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1,000 each	100%	Investment holding, Hong Kong
Yunnan Jiwa Biotech Limited	PRC, limited liability company	US$530,000	100% (2010: 60%)	Research and development of pharmaceutical products, PRC
Rise Hill Development Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	60%	Not yet commence business
Base Affirm International Limited	BVI, limited liability company	1,000 ordinary shares of US$1 each	100% (2010: 60%)	Investment holding, Hong Kong

* Issued capital held directly by the Company

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

(b) Amounts due from subsidiaries

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

The carrying amounts of amounts due from subsidiaries approximate their fair value.

21. INTERESTS IN ASSOCIATES — GROUP

	2011	2010
	HK$'000	*HK$'000*
Non-current portion		
At beginning of the year	**19,738**	19,839
Fair value of retained equity interest in former subsidiaries *(note 39)*	**391,047**	—
Share of results of associates	**(94)**	(101)
Transfer to non-current assets held for sale	**(9,692)**	—
At end of the year	**400,999**	19,738
Non-current assets held for sales	**9,692**	—

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

Name of company	**Place of incorporation and kind of legal entity**	**Particulars of issued and paid up capital**	**% of issued capital held**	**Principal activities and place of operation**
Leader Forever Limited	BVI, limited liability company	2,500 ordinary shares of US$1 each	40%	Research and development of pharmaceutical products
Vital Element Investments Limited	BVI, limited liability company	4,000 ordinary shares of US$1 each	25%	Research and development of pharmaceutical products
KJP	PRC, limited liability company	Reminbi ("RMB") 189,048,600	49% (2010: 70%)	Manufacturing and trading of pharmaceutical products, PRC

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

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

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

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

The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.

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

* Loss for the period in which the associates were equity accounted for amounted to HK$316,000. Profit of KJP up to 30 March 2011 has been consolidated under Group's Discontinued Operations for the year.

22. GOODWILL — GROUP

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year		
Gross carrying amount	**9,066**	9,066
Accumulated impairment	**—**	—
Net carrying amount	**9,066**	9,066
Year ended 31 March		
Opening net carrying amount	**9,066**	9,066
Disposal of subsidiaries *(note 39)*	**(9,066)**	—
Closing net carrying amount	**—**	9,066
At end of the year		
Gross carrying amount	**—**	9,066
Accumulated impairment	**—**	—
Net carrying amount	**—**	9,066

22. GOODWILL — GROUP *(Continued)*

For fiscal year 2010, 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 2010	
Opening net carrying amount	5,231
Additions	1,087
Amortisation charge	(598)
Closing net carrying amount	**5,720**
At 31 March 2010	
Cost	10,870
Accumulated amortisation	(5,150)
Net carrying amount	**5,720**
Year ended 31 March 2011	
Opening net carrying amount	5,720
Additions	12,141
Amortisation charge	(612)
Disposal of subsidiaries *(note 39)*	(5,619)
Translation difference	135
Closing net carrying amount	**11,765**
At 31 March 2011	
Cost	11,765
Accumulated amortisation	—
Net carrying amount	**11,765**

24. INVENTORIES — GROUP

	2011 HK$'000	2010 HK$'000
Raw materials	**497**	40,268
Work in progress	**—**	6,148
Finished goods	**13,483**	61,455
	13,980	107,871

25. ACCOUNTS AND BILLS RECEIVABLE — GROUP

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

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

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

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

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

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

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

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

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

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

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

26. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES — GROUP

	2011 HK$'000	2010 HK$'000
Deposits	530	556
Other receivables	149,628	70,082
Prepayments	5,300	14,082
	155,458	84,720
Less: Non-current other receivables included under non-current assets	—	(7,955)
Portion due within one year included under current assets	155,458	76,765

As at 31 March 2011, included in other receivables was a remaining consideration receivable from Longchang Industrial Co. Ltd.（山西繁峙縣龍昌實業有限責任公司）of HK$22,013,000 (2010: HK$24,487,000). The receivable was secured by 10% equity interest of a PRC base entity.

In addition, as at 31 March 2011, there was a consideration receivable of HK$117,765,000 arising from the disposal of the subsidiaries as detailed in note 39.

Based 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 carrying amount of deposits and other receivables is considered a reasonable approximation of fair value.

As at 31 March 2011, the carrying amount of other receivables whose terms have been renegotiated, that would otherwise be past due or impaired is HK$22,013,000 (2010: HK$24,487,000).

27. DERIVATIVE FINANCIAL ASSETS

The Group entered into several interest rate swap and foreign currency forwards contracts to mitigate exchange rate exposure of RMB against HK$ or United Stated dollars ("US$") and interest rate exposure arising from certain bank loans of HK$77,755,000 (2010: Nil) (note 29) which are interest bearing at floating rate.

These derivative financial instruments are stated at fair value. The fair value of these instruments has been measured as described in note 40. The net fair value gain or loss are credited or charged to the profit or loss under other income or other operating expenses.

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

	2011	2010
	HK$'000	*HK$'000*
Cash and bank balances	**85,961**	34,803
Less: Pledged bank deposits	**(76,455)**	—
Cash and cash equivalents	**9,506**	34,803

Pledged bank deposits represent the Group's bank deposits pledged to secure bank loans (note 29).

The directors of the Company considered that the fair value of short-term deposits is not materially different from its carrying amount because of the short maturity periods at its inception.

Included in cash and bank balances of the Group is HK$77,566,000 (2010: HK$20,735,000) of bank balances denominated in RMB. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. BANK LOANS — GROUP

	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Portion of term loans from banks due for repayment within one year	**116,955**	47,086	36,343
Portion of term loans from banks due for repayment after one year which contain a repayment demand clause	**18,550**	83,813	115,528
	135,505	130,899	151,871

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

29. BANK LOANS — GROUP *(Continued)*

	2011 HK$'000	2010 HK$'000
Secured	**98,005**	100,316
Unsecured	**37,500**	30,583
	135,505	130,899

Bank loans amounted to HK$98,005,000 (2010: HK$100,316,000) are secured by the leasehold land, buildings and land use rights of the Group with net book value of HK$4,252,000 (2010: HK$4,287,000 as restated), HK$2,467,000 (2010: HK$99,932,000 as restated) and Nil (2010: HK$24,619,000 as restated) respectively. As at 31 March 2011, a bank deposit amounted to HK$76,455,000 was also pledged to secure the bank loans as at 31 March 2011 (2010: Nil).

Bank loans amounted to HK$135,505,000 (2010: HK$130,899,000) are guaranteed by the Company.

At 31 March 2011, total current and non-current bank loan were scheduled to repay as follows:

	2011 HK$'000	2010 HK$'000
Due within 1 year or on demand	**116,955**	47,086
After 1 year but within 2 years	**6,200**	37,372
After 2 years but within 5 years	**12,350**	46,441
	135,505	130,899

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clauses.

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

	Interest rates 2011	Interest rates 2010
Bank loans in HK$ — Floating rate, to be matured between 2010 and 2015	**0.5% to 2.75% above one-month, three-months and six months HIBOR**	1.75% to 2.00% above one-month and three-months HIBOR, and HK$ Prime rate less 2%
Bank loans in RMB — Fixed rate, to be matured between 2010 and 2011	**—**	5.103%
Bank loans in US$ — Floating rate, to be matured between 2010 and 2013	**1% to 1.25% above one-month LIBOR**	US$ Prime rate and US$ Prime rate less 0.75%

In the opinion of the directors, the carrying amounts of the Group's current and non-current bank loans approximate their fair values.

30. ACCOUNTS AND BILLS PAYABLE — GROUP

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

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

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

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

31. DERIVATIVE FINANCIAL LIABILITIES

	2011 HK$'000	2010 HK$'000
Fair value of profit guarantee	28,882	—
Fair value of put options	77,956	—
	106,838	—

Pursuant to the terms of the capital injection (the "Capital Injection") arising from the disposal of the subsidiaries as detailed in notes 11 and 39, the Group would compensate the independent subscribers for any shortfall if there was non-compliance of the profit guarantee. Accordingly, the management of the Company applied discounted cash flow for fair value calculation of the possible compensation by reference with the agreed mechanism at HK$28,882,000 on initial recognition and as at 31 March 2011.

In connection with the Capital Injection, the Group and the subscribers entered into agreements, pursuant to which put options were granted to the subscribers. The Group had obligations to purchase the equity interests from the subscribers' upon exercise of the options by subscribers at the occurrence of specific condition. The derivatives were valued by an independent valuer using Black-Scholes Option Pricing Model at HK$77,956,000 on initial recognition and as at 31 March 2011.

32. DEFERRED TAX ASSETS/(LIABILITIES) — GROUP

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

	Revaluation of land and building HK$'000	Internally generated intangible assets HK$'000	Others HK$'000	Total HK$'000
Deferred tax assets/(liabilities) arising from:				
At 1 April 2009	(6,421)	3,455	475	(2,491)
(Charged)/Credited to consolidated statement of comprehensive income	399	(109)	(84)	206
At 31 March and 1 April 2010	(6,022)	3,346	391	(2,285)
Credited to consolidated statement of comprehensive income	407	1,987	—	2,394
Disposal of subsidiaries *(note 39)*	5,758	(5,423)	(408)	(73)
Translation difference	(143)	90	17	(36)
At 31 March 2011	—	—	—	—

	2011 HK$'000	2010 HK$'000
Represented by:		
Deferred tax assets	—	3,737
Deferred tax liabilities	—	(6,022)
	—	(2,285)

The Group has not recognised deferred tax assets in respect of unused tax losses of HK$417,000 (2010: HK$20,692,000) because of the unpredictability of future profit streams. The amount of tax loss that has no expiry date is approximately HK$417,000 (2010: HK$417,000) and the remaining tax loss of approximately of Nil (2010: HK$20,275,000) is subject to expiry period of five years.

Company

At 31 March 2011, the Company did not have any material temporary differences (2010: nil).

33. SHARE CAPITAL

	2011 Number of shares	2011 Amount HK$'000	2010 Number of shares	2010 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At end of the year	**10,000,000,000**	**100,000**	10,000,000,000	100,000

	2011 Number of shares	2011 Amount HK$'000	2010 Number of shares	2010 Amount HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**1,610,000,000**	**16,100**	1,605,000,000	16,050
Employee share option scheme — proceeds from shares issued	**—**	**—**	5,000,000	50
At end of the year	**1,610,000,000**	**16,100**	1,610,000,000	16,100

On 23 December 2009, the Company issued share capital of HK$50,000 upon the exercise of 5,000,000 share option by a consultant at an exercise price of HK$0.3. Total proceeds received were HK$1,500,000. Details regarding the exercise of share options are summarised in note 35.

34. RESERVES

Group

Please refer to the Consolidated Statement of Changes in Equity for reserves of the Group on page 35.

(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.

34. 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.

(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 statement of financial position.

(v) Share premium

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

COMPANY

	Share premium	Contributed surplus	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	54,132	82,180	1,800	19,258	157,370
Dividend paid in respect of the previous year *(note 13(b))*	—	—	—	(16,050)	(16,050)
Exercise of share option *(note 35)*	1,965	—	(515)	—	1,450
Profit for the year	—	—	—	21,213	21,213
At 31 March and 1 April 2010	56,097	82,180	1,285	24,421	163,983
Dividend paid in respect of the previous year *(note 13(b))*	—	—	—	(20,930)	(20,930)
Grant of share option *(note 35)*	—	—	4,551	—	4,551
Profit for the year	—	—	—	95,392	95,392
At 31 March 2011	**56,097**	**82,180**	**5,836**	**98,883**	**242,996**

	2011	2010
	HK$'000	*HK$'000*
Retained profits represent:		
Final proposed dividend *(note 13(a))*	**96,600**	20,930
Others	**2,283**	3,491
	98,883	24,421

35. 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 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 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 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.

The share options outstanding as at 31 March 2011 had weighted average exercise prices of HK$0.43 (2010: HK$0.18) and a weighted average remaining contractual life of 3.83 years (2010: 3.04 years).

The total consideration received during the year from the grantees for taking up the options is HK$2 (2010: Nil). In total, employee compensation expense of HK$4,551,000 (2010: Nil) (note 15) has been included in the consolidated statement of comprehensive income for the years.

At 31 March 2011, total number of shares available for issue under the Scheme was 15,000,000 shares (2010: 15,000,000), representing approximately 0.93% (2010: 0.93%) of the issued share capital of the Company at that date.

35. 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 2011 and 2010 were as follows:

2011

	Date of grant	Exercisable period	Balance at 01/04/2010	Granted during the year	Exercised during the year	Balance at 31/03/2011	Weighted average exercise price	Exercise date
			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	0.18	N/A
	19/10/2010	19/10/2010 to 18/10/2015	–	15,000,000	–	15,000,000	0.58	N/A
Employee								
In aggregate	17/02/2011	17/02/2011 to 16/02/2016	–	3,000,000	–	3,000,000	0.52	N/A
At 31 March 2011			15,000,000	18,000,000	–	33,000,000	0.39	

2010

	Date of grant	Exercisable period	Balance at 01/04/2009	Granted during the year	Exercised during the year	Balance at 31/03/2010	Weighted average exercise price	Exercise date
Executive directors								
Mr. Lau Kin Tung	14/04/2008	14/04/2008 to 13/04/2013	15,000,000	–	–	15,000,000	0.18	N/A
Consultant/Employee								
In aggregate	01/11/2007	01/11/2008 to 31/10/2013	5,000,000	–	(5,000,000)	–	0.30	14 December 2009
At 31 March 2010			20,000,000		(5,000,000)	15,000,000	0.18	

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

All share-based employee compensation will be settled in equity. The share options outstanding as at 31 March 2011 had weighted average exercise prices of HK$0.39 (2010: HK$0.18) and a weighted average remaining contractual life of 3.44 years (2010: 3.04 years).

In total, employee compensation expense of HK$4,551,000 has been recognised in the consolidated statement of comprehensive income for the year (2010: Nil), and the corresponding amount has been settled share option reserve.

The share price at the date of exercise for share options exercised for the year ended 31 March 2010 was HK$0.365.

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	19 October 2010	17 February 2011
Share price	HK$0.58	HK$0.51
Exercise price	HK$0.58	HK$0.52
Expected volatility	71%	71%
Expected option life (year)	5	5
Weighted average annual risk free interest rate	1.23%	2.01%
Expected dividend yield	4.12%	4.12%
Suboptimal exercise factor	2.20	2.20

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.

36. COMMITMENTS

(a) Operating lease commitments

At the reporting date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Group

	2011 HK$'000	2010 HK$'000
Within 1 year	**2,881**	1,421
After 1 year but within 5 years	**1,160**	81
	4,041	1,502

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.

36. COMMITMENTS *(Continued)*

(a) Operating lease commitments *(Continued)*

Company

The Company had no operating lease commitment as at 31 March 2011 and 2010.

(b) Capital commitments

At the reporting date, outstanding capital commitments not provided for in the financial statements were as follows:

Group

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

Company

The Company had no capital commitment as at 31 March 2011 and 2010.

37. 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

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

Notes:

(i) Yunnan Pharmaceutical is the non-controlling shareholder of KJP, a former subsidiary of the Group. KJP became an associate company of the Group since 30 March 2011.

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

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

37. RELATED PARTY TRANSACTIONS — GROUP

(b) Amounts due from a related company

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

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

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

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

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

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

(c) Compensation of key management personnel

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

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

38. GUARANTEE

At reporting date, the Group had issued the following significant guarantees:

Group	2011 HK$'000	2010 HK$'000
Guarantees in respect of:		
Credit facilities granted by banks to certain associates	**38,630**	—

At reporting date, the Company had issued the following significant guarantees:

Company	2011 HK$'000	2010 HK$'000
Guarantees in respect of:		
Credit facilities granted by banks to certain subsidiaries and associates	**185,211**	153,804

39. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, on 30 March 2011, the Group disposed of its subsidiaries, KJP, JJRP and YJPL, which are engaged in the manufacturing, trading and distributions of pharmaceutical products. The net assets of these three subsidiaries at the disposal date were as follows:

	2011
	HK$'000
Property, plant and equipment *(note 17)*	238,811
Land use rights *(note 18)*	31,022
Construction in progress *(note 19)*	46,263
Deferred tax assets *(note 32)*	5,831
Goodwill *(note 22)*	9,066
Intangible assets *(note 23)*	5,619
Inventories	75,161
Trade and other receivables	168,810
Cash and cash equivalents	299,260
Bank loans	(93,507)
Trade and other payables	(346,888)
Amount due from/(to) related companies	(61,353)
Tax payable	(495)
Deferred tax liabilities *(note 32)*	(5,758)
Net assets disposed of	371,842
Non-controlling interest	(83,359)
Release of translation reserve upon disposal of subsidiaries	(32,228)
Distribution of profits before disposal of subsidiaries	(64,811)
Fair value of profit guarantee *(note 31)*	28,882
Fair value of put option *(note 31)*	77,956
	298,282
Expenses directly attributable to disposal of subsidiaries	1,380
Gain on disposal of subsidiaries *(note 11)*	209,150
Total consideration	508,812
Satisfied by:	
Cash consideration	117,765
Fair value of the retained interest in former subsidiaries *(note 21)*	391,047
Net cash outflow arising on disposal	
Cash consideration	—
Cash and bank balances disposed of	(299,260)
Net outflow of cash and cash equivalents	(299,260)

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

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 and 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.

(a) Categories of financial assets and liabilities by category

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

	Group		Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables:				
Accounts and bills receivable	71,431	157,359	—	—
Deposits and other receivables	152,475	70,638	—	—
Amounts due from a related company	—	16,983	—	—
Amounts due from associates	146,172	—	—	—
Amounts due from subsidiaries	—	—	176,580	97,540
Pledged bank deposits	76,455	—	—	—
Cash and cash equivalents	9,506	34,803	135	166
Financial assets at fair value through profit or loss:				
Derivative financial instrument	1,291	—	—	—
	457,330	279,783	176,715	97,706
Financial liabilities				
Financial liabilities measured at amortised costs:				
Bank loans	135,505	130,899	—	—
Accounts and bills payable	20,256	119,344	—	—
Amounts due to an associate	3,000	—	—	—
Accrued expenses and other payables	15,257	13,744	3	3
Financial liabilities at fair value through profit or loss:				
Fair value of profit guarantee	28,882	—	—	—
Fair value of put option	77,956	—	—	—
	280,856	263,987	3	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 RMB, Euro ("EUR") and 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 policies 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 HK$ at the closing rates, are as follows:

	2011			2010		
	RMB	US$	EUR	RMB	US$	EUR
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts and bills receivable	69,885	312	1,065	5,501	9,866	58,517
Deposits and other receivables	140,687	—	245	24,487	—	5,727
Amounts due from associates	146,172	—	—	—	—	—
Pledged bank deposits	76,455	—	—	—	—	—
Cash and cash equivalents	764	1,342	944	1,840	1,863	11,588
Bank loans	—	(26,998)	—	—	(81,994)	—
Derivative financial liabilities	(106,838)	—	—	—	—	—
Accounts and bills payable	—	(3,528)	(12,892)	—	(3,082)	(25,111)
Other payables	(972)	(758)	—	—	(318)	—
Net exposure arising from recognised financial assets/ (liabilities)	326,153	(29,630)	(10,638)	31,828	(73,665)	50,721

The Company did not have any exposures to foreign currencies at the reporting date (2010: 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% (2010: 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 reporting 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.

	2011		2010	
	RMB	***EUR***	*RMB*	*EUR*
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Profit for the year and retained earnings	**(8,330)**	**174**	(797)	(858)

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 2010.

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 29 and 28 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% (2010: +/-1%), with effect from the beginning of the year. The calculations are based on the Group's financial assets and liabilities held at the reporting date. All other variables are held constant.

	2011 Change in interest rate	2011 Increase/ (Decrease) profit for the year HK$'000	2011 Increase/ (Decrease) retained profits HK$'000	2010 Change in interest rate	2010 Increase/ (Decrease) profit for the year HK$'000	2010 Increase/ (Decrease) retained profits HK$'000
Borrowings in HK$	+1%	(1,085)	(1,085)	+1%	(236)	(236)
	-1%	1,085	1,085	-1%	236	236
Borrowings in US$	+1%	(270)	(270)	+1%	(680)	(680)
	-1%	270	270	-1%	680	680

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 reporting date.

The sensitivity analysis included in the financial statements of the year ended 31 March 2010 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.

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

	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Accounts and bills receivable	71,431	157,359	—	—
Deposits and other receivables	152,475	70,638	—	—
Amounts due from related company	—	16,983	—	—
Amounts due from associates	146,172	—	—	—
Amounts due from subsidiaries	—	—	176,580	97,540
Pledged bank deposits	76,455	—	—	—
Derivative financial instrument	1,291	—	—	—
Cash and cash equivalents	9,506	34,803	135	166
	457,330	279,783	176,715	97,706

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Credit risk *(Continued)*

(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 reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

As disclosed in note 6, a significant portion of Group's sales are made to several major customers. These customers made continuous settlements with the Group and therefore, the management believes that the credit risk on the amounts due is minimal. The remaining amount of accounts and bills receivable are attributable to number of counterparties and customers and therefore, the Group has no significant concentration of credit risk on these remaining amounts.

(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 accounts payable 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 faculties 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 2011. 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.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

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 2011

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group						
Bank loans	138,224	—	—	—	138,224	135,505
Accounts and bills payable	—	20,256	—	—	20,256	20,256
Accrued expenses and other payables	15,257	—	—	—	15,257	15,257
Amounts due to an associate	3,000	—	—	—	3,000	3,000
Derivative financial liabilities	—	33,457	—	474,644	508,101	106,838
	156,481	53,713	—	474,644	684,838	280,856
Financial guarantees issued						
Maximum amount guaranteed	39,704	—	—	—	39,704	38,630

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Company						
Accrued expenses and other payables	3	—	—	—	3	3
Financial guarantees issued						
Maximum amount guaranteed	189,005	—	—	—	189,005	185,211

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Liquidity risk *(Continued)*

At 31 March 2010

	On demand *HK$'000*	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Group						
Bank loans	139,475	—	—	—	139,475	130,899
Accounts and bills payable	—	119,344	—	—	119,344	119,344
Accrued expenses and other payables	13,744	—	—	—	13,744	13,744
	153,219	119,344	—	—	272,563	263,987

	On demand *HK$'000*	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Company						
Accrued expenses and other payables	3	—	—	—	3	3
Financial guarantees issued						
Maximum amount guaranteed	162,383	—	—	—	162,383	153,804

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Group				
	Total undiscounted cash flows *HK$'000*	**On demand** *HK$'000*	**Less than 1 year** *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*
31 March 2011	**138,224**	**33,121**	**85,095**	**6,699**	**13,309**
31 March 2010	139,475	—	50,328	40,251	48,896

The Company did not have any term loans subject to repayment on demand clause as at 31 March 2011 and 2010.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value measurements recognised in the statement of financial position — Group

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Input for the asset or liability that are not based on observable market data (unobservable input).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Derivatives *(note a)*	—	1,291	—	1,291
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives *(note b)*	—	—	(106,838)	(106,838)
	—	1,291	(106,838)	(105,547)

Notes:

(a) The derivative entered by the Group is not traded on active markets. The fair value of such contracts are estimated using a valuation technique that maximises the use of observable market inputs (i.e. market currency and interest rates (Level 2). Derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair value measurements recognised in the statement of financial position — Group *(Continued)*

Notes: (Continued)

(b) The Group's financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from opening to closing balances as follows:

	HK$'000
Derivatives financial liabilities	
Opening balance	—
Fair value loss recognised in comprehensive income, net	(106,838)
Closing balance	(106,838)

There have been no transfers into or out of Level 3 in the reporting period.

Fair value loss of the derivative financial liabilities of HK$106,838,000 (2010: Nil) was recognised in the statement of comprehensive income for the year included in disposal of subsidiaries.

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 2011 and 2010.

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 statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at the reporting date were as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Bank Loans	**135,505**	130,899
Less: Cash and cash equivalents	**(9,506)**	(34,803)
Less: Pledged bank deposit	**(76,455)**	—
Net debt	**49,544**	96,096
Total equity	**607,350**	462,500
Gearing ratio	**8%**	21%

42. EVENTS AFTER REPORTING DATE

On 25 May 2011, the Group exercised an option by entering into a Settlement Agreement with GeneHarbor (Hong Kong) Technologies Limited ("GeneHarbor"), requiring GeneHarbor to repurchase all shares of Leader Forever, an associate of the Group, at an estimated consideration of HK$10,000,000.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	*(Restated)*	*(Restated)*	*(Restated)*	
Revenue					
Continuing operations	69,215	101,217	88,146	163,494	**175,309**
Discontinued operations	137,357	216,212	383,943	472,988	**547,297**
	206,572	317,429	472,089	636,482	**722,606**
Profit/(loss) from operation					
Continuing operations	13,718	33,089	30,922	27,154	**22,225**
Discontinued operations	21,440	41,111	42,785	69,692	**77,936**
	35,158	74,200	73,707	96,846	**100,161**
Finance costs					
Continuing operations	(492)	(1,639)	(950)	(693)	**(1,075)**
Discontinued operations	(1,825)	(2,966)	(3,595)	(3,118)	**(3,973)**
	(2,317)	(4,605)	(4,545)	(3,811)	**(5,048)**
Share of results of associates					
Continuing operations	—	(18)	(143)	(101)	**(94)**
Discontinued operations	—	—	—	—	**—**
	—	(18)	(143)	(101)	**(94)**
Profit/(loss) before taxation					
Continuing operations	13,226	31,432	29,829	26,360	**21,056**
Discontinued operations	19,615	38,145	39,190	66,574	**73,963**
	32,841	69,577	69,019	92,934	**95,019**
Income tax expenses					
Continuing operations	(1,208)	(4,305)	(2,667)	(2,484)	**(1,839)**
Discontinued operations	(4,578)	(7,167)	(3,015)	(8,864)	**(12,177)**
	(5,786)	(11,472)	(5,682)	(11,348)	**(14,016)**
Profit/(loss) for the year					
Continuing operations	12,018	27,127	27,162	23,876	**19,217**
Discontinued operations	15,037	30,978	36,175	57,710	**61,786**
	27,055	58,105	63,337	81,586	**81,003**
Attributable to					
Equity holders	21,060	48,255	51,522	64,582	**255,663**
Non-controlling interest	5,995	9,850	11,815	17,004	**19,205**
	27,055	58,105	63,337	81,586	**274,868**
Assets and liabilities and non-controlling interest					
Total assets	366,733	506,222	651,503	737,786	**905,098**
Total liabilities	(98,795)	(165,633)	(256,045)	(275,286)	**(297,748)**
Non-controlling interest	(39,833)	(45,648)	(58,977)	(75,981)	**4**
	228,105	294,941	336,481	386,519	**607,354**