

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the first annual results of Jiwa Bio-Pharm Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") since its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 14 October 2003.



The successful listing of the Group marked an important chapter in its development. The listing provides an alternative funding platform for its development projects or new areas of growth. The enhanced corporate image would also help us in attracting talents, the very basis upon which the Group's strategies can be realized. The board of directors would always hold good corporate governance policies dear in their hearts, remembering always to act in the best interests of all shareholders.

I am confident of the development and prospects of the Group following the listing, and believe that it will continue to track its success in the past and scale new heights in the future.

RESULTS

The Group achieved significant growth in turnover and profit for the financial year ended 31 March 2004 (the "Period"). The Group's turnover increased by 7.5% over the corresponding period to approximately HK\$203.0 million, and operating profit likewise increased 30.0% to approximately HK\$58.9 million. Profit attributable to shareholders of the Group increased by 33.1% to HK\$41.0 million over the corresponding period and earnings per share increased by 11.4% to approximately HK 9.8 cents.

FINAL DIVIDEND

The board of directors proposed a final dividend of HK 1.3 cents per share of the Company ("Share") to shareholders whose names appear on the register of members on 23 September 2004 (Thursday). The dividend will be payable on 30 September 2004 (Thursday).

THE GROUP

The Group was established in Hong Kong in 1987. Through the years, we have developed our business in three key areas, namely self manufactured products (pharmaceutical products segment), acting as exclusive agents in the PRC market for European product brands (trading segment), and the distribution of health care products in Hong Kong (health care products segment).



To facilitate the Group's strategy of introducing world-class new drugs to the PRC market, the Group has set up a vertically integrated structure incorporating its research and development, manufacturing and pharmaceutical distribution network. The Group established its first manufacturing plant in Kunming, the PRC, in 1993 for the manufacture and sale of pharmaceutical products in the PRC. Presently the

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plant has 5 product lines that have obtained Good Manufacturing Practice ("GMP") Certificates, issued by the State Food and Drug Administration of the PRC ("SFDA"), including powder for injection (Cephalosporins), powder for injection (non-betalactamase), small volume parenteral solution (including hormone), tablets, granules (penicillins) and capsules (penicillins, cephalosporins). As from the year 2002, the production plant was accredited as one of the "Ten Supporting Pharmaceutical Manufacturing Enterprise of Yunnan Provincial People's Government" for consecutive years.



As at 31 March 2004, the Group had research and development staff numbering more than 20, and this team had extensive experience in scientific development and regulatory controls of pharmaceutical-related products in the PRC. The Group also forms strong alliances with research institutes in the PRC both to complement our expertise and to shorten the lead time for the development of new products. The Group has successfully developed and manufactured 28 pharmaceutical and health care products in the PRC.



As for the trading segment, the Group acts as exclusive agent in the PRC market for 3 pharmaceutical products from European pharmaceutical companies. The Group also developed and manufactured 7 health-care products in the PRC that were distributed in Hong Kong.



One of the Group's competitive strength has always been its marketing capability. Currently, the Group has appointed over 130 exclusive marketing agents, covering 27 provinces and autonomous regions across the PRC. In Hong Kong, a marketing team of 6 staff and more than 5,300 independent distributors are distributing its health care products.

The Group's focus on maintaining a broad product base would allow it to survive as a whole despite adverse market conditions of individual products, and at the same time opportunity to

improve margins via change of product mix towards higher margin items. This advantage was clearly demonstrated in the current financial year.

BUSINESS REVIEW

I would refer you to the section on "Management Discussion and Analysis" for a detailed business review of the year. In particular, achievements of the current financial year is not only limited to financial results, but more importantly the groundwork is being laid for the expansion of the Group's production capability and its development of new products, all of which I believe will bear fruit in the coming future.

PROSPECT

2005 would be a year of solid growth for the Group.

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A series of new products being launched would provide the impetus for growth. In the pharmaceutical products segment, the production license for Loratadine tablet was obtained in May 2004 and the production license for Somatostatin for injection is expected to be obtained in December 2004. In the trading segment, two important new products, namely Synthetic Salmon Calcitonin for treating osteoporosis (already launched in June 2004) and Artrodar (worldwide patented osteoarthritis drug) with expected launch in December 2004, are anticipated to enhance operating results.



The Group expects to obtain new GMP certificates and to commence operations on 6 production lines in 2005. To improve market penetration in the PRC, the Group has planned to set up two new marketing divisions, one for over-the-counter promotion, and the other to distribute in the rural areas.

The economic recovery from Severe Acute Respiratory Syndrome ("SARS") epidemic last year, coupled with an aging population in Hong Kong, leads to a robust growth of the Traditional Chinese Medicine ("TCM") market in Hong Kong. TCM registrations in Hong Kong had been implemented since 19 December 2003, which would result in a much more disciplined market and consumer confidence in TCMs would grow in the foreseeable future. In view of these favourable factors, the Group had submitted registration for more than 20 new TCMs with differing therapeutic actions in Hong Kong on or before 30 June 2004. This is an area where the Group would increase its commitments over previous years, and which the Group would also expect promising return.

Besides enhancing business operations in production capabilities, research and development, quality control and distribution network, the Group would also endeavour to seek suitable acquisition targets which would include biotechnology companies and TCM plants.

CORPORATE GOVERNANCE

On 1 January 2004, the Group appointed Mr. Lau Kin Tung as CEO to lead the management team. The separation of the roles of Chairman and Chief Executive represents a first step towards the Group's desire on good corporate governance. The Group would also increase its number of independent non-executive directors to three shortly and to work on detailed corporate governance policies.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our customers, suppliers and shareholders of the Company. I would also like to express my deep appreciation to all members of our staff, in particular to the board of directors and the senior management, who have devoted their efforts on the Group's development during the year and the successful listing of the Group on the Main Board of the Stock Exchange of Hong Kong. The Group would continue to enhance its competitiveness and endeavor to increase shareholders' value.

Lau Yau Bor
Chairman

Hong Kong, 6 July 2004