

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of the Company, I am pleased to present the annual results of the Group for the year ended 31 March 2006 (the "Period" or the "Year").

ANNUAL REVIEW

During the Period, the Group adopted a cautious development strategy. Despite the intense market competition, the Group achieved implementation goals of several development projects which are appended below. These projects were accomplished under the strong leadership of the senior management and were the fruits of our loyal, responsible and diligent workforce.

Increased production capability

In December 2005, the remaining four production lines in the Group's old plant were relocated from Wangjiaba to the new plant in Gaoxin (both in Kunming); ending the previous simultaneous operation of two plants. The relocation is conducive to centralised quality control and improves operational cost savings. The options for the vacated old plant are now much wider, ensuring an efficient utilisation of resources. Meanwhile, modification of the Group's pharmaceutical bulk materials plant located in Jiangsu had begun and advanced equipment and installation were made gradually, with a planned production in the first quarter of 2007.

Changing sales mix

The Group successfully launched four new specialised pharmaceutical products within the Period, and won numerous hospital tender contracts in many provincial cities. The GMP certification for the first phase of the new plant has been completed, facilitating the production of multi-dosage forms of new drugs. Research and development of the Group's new drugs is seeing good progress, with six new drugs reaching the production approval stage. These new drugs are expected to be launched sometime between 2006 and 2007.

RESULTS

During the Period, turnover of the Group amounted to approximately HK\$170.3 million, representing a decrease of approximately 5% compared to that of the previous year. Compared with the previous year, profit attributable to equity holders decreased by approximately 34.2%, to approximately HK\$19.5 million. The main reason for the decrease in profit was due to the PRC State imposed price cut on antibiotics, which suppressed the Group's overall gross profit, increase administrative and operating expenses in line with the Group's development projects also had an effect on the net profit, as well as a decline in sales of one of the Group's main product due to both external and internal factors. New drugs launched by the group in 2005 were at their promotion stage in the market and though their margins were higher, they could not offset the overall decrease in profit yet. The Jiangsu pharmaceutical bulk materials plant is still undergoing modifications and as a result, could not contribute to the Group's profit yet.

Despite the decrease in profit for the Period, the Board shall adhere to its dividend payout ratio of at least 25%. A final dividend of HK\$0.01 per share of the Company is proposed to be paid to the shareholders whose names appear on the register of members of the Company on 28 August 2006. The dividend will be payable on 15 September 2006.

PROSPECTS

Pharmaceutical market trends and strategic deployment of the Group

According to statistical data released at the end of March 2006 by IMS Health, the global pharmaceutical market in 2005 grew at a rate of 7%. Of this growth, non-patent drugs played a very important role. Over the next five years, it is envisaged that the major markets for non-patent drugs would grow by a double-digit percentage rate. This is consistent with the Group's product development strategy over the last two years.

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In 2005, China continued to be the focus of Asia Pacific's economic growth. The rapid growth of the PRC pharmaceutical market coupled with rising standards in diagnosis and recovery rates continued to attract global pharmaceutical firms in investing heavily in the PRC. In 2005, the growth rate of the PRC pharmaceutical market reached approximately 20.4%, the third time in three consecutive years exceeding 20%. IMS predicted that in 2009, China would become the 7th largest pharmaceutical market in the world. The Group's strategies and investments in product and market developments in the PRC are strongly aligned with this trend.

During the State's "Tenth Five-year Plan", the PRC pharmaceutical industry had achieved important reforms in raising the overall standards of pharmaceutical enterprises in the PRC. The goal of developing the middle-class society in the "16th NPC of the Communist Party" in China had created immense commercial opportunities for the pharmaceutical industry. The State's focus in raising the innovative and management capabilities of domestic enterprises, as well as development of the rural areas had created a sustainable growth pattern for the pharmaceutical industry.

In line with the trend in global pharmaceutical market and the PRC's "Eleventh Five-Year Plan", the Group shall persistently implement its development strategies. The Group's focus next year shall be on the intense promotion of new drugs, enhancing the marketing process, and concentrating our efforts on customer-end promotion. In addition, the Group shall ride on the market opportunities created by the State's focus on developing the middle-class society, coupled with the opportunities of many expiring patents on blockbuster drugs worldwide, to introduce such drugs into the PRC market as well as to produce pharmaceutical bulk materials in respect of such drugs in the PRC for export in overseas markets. The Group believes that it has a competitive advantage in doing so in terms of pricing as well as talent.

Promotion of corporate governance standards

The Company has been continually enhancing its corporate governance standards via internal reviews of its operational and management risk environment in order to increase shareholders' returns. During the Period,

the Company established a Remuneration Committee and a Nomination Committee that are comprised of only Independent Non-Executive Directors. The independence of such committees would enhance the accountability of the Company's management. The launch of "Jiwa's e-Newsletter" on its official website serves to update investors regularly on the latest developments of the Company, increasing as a result its transparency to the public.

Being a listed Company, we are obliged to protect and promote shareholders' value. As a pharmaceutical enterprise, we shall strive to improve the health of mankind via the production and distribution of safe and effective drugs. My belief in "Quality Come First" has now become the competitive strength of the Group, and would continue to be the factor for sustainable growth of the Company.

ACKNOWLEDGEMENTS

Over the past year, members of the Board and management have been working diligently for the development of the Company. All staff members exhibit the corporate spirit of "loyalty, responsibility and efficiency" in their performance of daily duties. These efforts were reflected in the achievement of the Group's development goals, as well as the official recognition by the PRC government via many awards, which included "Excellent Foreign Investment Enterprise", "Top 30 Famous Brands in Yunnan," and "Year 2005 High Integrity Enterprise within the Advanced Technology Development Zone in Kunming". The Group was also named as one of the "Ten Most Supported Pharmaceutical Enterprises" by the Yunnan Province government.

Finally, I would like to take this opportunity to express my gratitude to our hardworking and competent staff. On behalf of the Board, I would also like to sincerely thank the shareholders for their trust and support.

Lau Yau Bor
Chairman

Hong Kong, 12 July 2006