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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)

CONTINUING CONNECTED TRANSACTIONS

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

As the applicable percentage ratios for each of the Continuing Connected Transactions on an annual basis are more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

A) Yunnan Pharmaceutical Master Agreement

Date

1 November 2006

Parties

Seller: Kunming Jida

Buyer: Yunnan Pharmaceutical

Major terms and conditions

1. The term of the Yunnan Pharmaceutical Master Agreement will be 29 months from 1 November, 2006 to 31 March 2009;
2. The unit price of pharmaceuticals will be agreed by seller and buyer at each transaction contemplated under the Yunnan Pharmaceutical Master Agreement;
3. The quality of the pharmaceuticals supplied by Kunming Jida shall conform to the state regulated standards;
4. In case of any claim on received pharmaceuticals, buyer shall promptly inform seller in written form within 15 days after the arrival of pharmaceuticals;
5. If the buyer cannot pay on time, the buyer should pay 0.05% day fine on the total value of goods, to the seller from the payment date stipulated in the contract. The contract is governed by and should be construed in accordance with the law of PRC;
6. The payment for the purchase of pharmaceuticals shall be settled within 45 days after delivery.

B) Yunnan Jiwa Master Agreement

Date

1 February 2007

Parties

Seller: Kunming Jida

Buyer: Yunnan Jiwa

Major terms and conditions

1. The term of the Yunnan Jiwa Master Agreement will be 26 months from 1 February, 2007 to 31 March 2009;
2. The unit price of pharmaceuticals will be agreed by seller and buyer at each transaction contemplated under the Yunnan Jiwa Master Agreement;

3. The quality of the pharmaceuticals supplied by Kunming Jida shall conform to the state regulated standards;
4. In case of any claim on received pharmaceuticals, buyer shall promptly inform seller in written form within 15 days after the arrival of pharmaceuticals;
5. If the buyer cannot pay on time, the buyer should pay 0.05% day fine on the total value of goods, to the seller from the payment date stipulated in the contract. The contract is governed by and should be construed in accordance with the law of PRC;
6. The payment for the purchase of pharmaceuticals shall be settled within 45 days after delivery.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The price for each transaction contemplated under the Yunnan Pharmaceutical Master Agreement and Yunnan Jiwa Master Agreement shall be determined with reference to the price charged by Kunming Jida to other independent customers. The terms and conditions on which the pharmaceuticals are to be sold to Yunnan Pharmaceutical and Yunnan Jiwa should be no less favorable to the Group than those sold to independent third parties. The Group retain the right to choose to sell to an independent third party where the terms offered by such independent third party may be more favorable than those sold to Yunnan Pharmaceutical and Yunnan Jiwa.

The Group did not enter into any transaction with Yunna Jiwa since 1 April 2005 but it is expected that the Group will have transaction with Yunnan Jiwa again in 2007-2009 as the management considered that Yunnan Jiwa has its strength in distributing the new products, including gastro-intestinal, musculo-skeletal, cerebral-cardiovascular pharmaceuticals of Kunming Jida launched in 2007-2009.

On the other hand, the Group continuously sells pharmaceuticals of various therapeutics categories to Yunnan Pharmaceutical as it is one of the renowned pharmaceuticals distributors in Yunnan Province, the PRC.

The Directors, including the independent non-executive Directors, consider that the Continuing Connected Transactions were entered into, and will continue to be entered into, in the usual and ordinary course of business of the Group. The terms of the respective agreements have been negotiated and conducted on an arms's length basis and on normal commercial terms. The Directors, including the independent non-executive Directors are of the view that that it is beneficial to the Group to enter into the Continuing Connected Transactions as the Group can leverage on the distribution network of Yunnan Jiwa and Yunnan Pharmaceutical to penetrate the PRC market without incurring material capital investment, they also considered that the Continuing Connected Transactions and the terms thereof are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

HISTORICAL FIGURES FOR EACH OF THE CONTINUING CONNECTED TRANSACTIONS

The actual transaction amounts between Kunming Jida and Yunnan Jiwa together with the comparison of the cap amounts for each of the two years ended 31 March 2004 and 31 March 2005, and the actual transaction amounts between Kunming Jida and Yunnan Pharmaceutical together with the comparison of the cap amount for each of the three years ended 31 March 2004, 31 March 2005 and 31 March 2006 are set out below:

Transactions

between Kunming Jida and:	Cap Amount for each of the years ended HK\$' million			Actual Amount incurred for HK\$' million (Audited)		
	31 March 2004	31 March 2005	31 March 2006	31 March 2004	31 March 2005	31 March 2006
Yunnan						
Pharmaceutical	30.0	35.0	40.0	24.4	24.4	8.8
Yunnan Jiwa	30.0	15.0	—	16.9	2.6	—

The actual transacted amounts differ from the cap amounts for each of the year ended 31 March 2004, 31 March 2005 and 31 March 2006 is due to the Group's marketing strategy of selling through more other distributors.

The Group has sold pharmaceuticals to Yunnan Pharmaceutical amounting RMB7.5 million (equivalent to approximately HK\$7.5 million) from 1 April 2006 to 31 January 2007. The Group did not enter into any transaction with Yunnan Jiwa from 1 April 2005 to the date of this announcement.

NEW CAP AMOUNTS

Transactions between Kunming Jida and Yunnan Pharmaceutical

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

Transactions between Kunming Jida and Yunnan Jiwa

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

The New Cap Amounts are determined by reference to the previous transactions and the projected sales mix of Kunming Jida for the next three years. As the applicable percentage ratios for each of the Continuing Connected Transactions on an annual basis are more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the Independent Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm in the Company's annual report for the year in question that the Continuing Connected Transactions have been entered into:

1. in the usual and ordinary course of business of the Group;
2. either 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
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The auditors of the Company shall review annually the Continuing Connected Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) in respect of each relevant financial year, that the Continuing Connected Transactions:

1. have received the approval of the Directors (including the independent non-executive Directors);
2. are in accordance with the pricing policies as stated in the relevant agreements;
3. have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
4. each of the Continuing Connected Transactions has not exceeded the New Cap Amount.

GENERAL

The Group and Kunming Jida are principally engaged in the research, development, manufacture and sale of pharmaceutical products. Yunnan Jiwa has its own distribution network throughout the PRC market and Yunnan Pharmaceutical is currently one of the renowned distributors of pharmaceutical products in Yunnan Province, the PRC.

LISTING RULE IMPLICATIONS

Kunming Jida is a Sino-foreign equity joint venture, owned as to 70% by the Group and as to the remaining 30% by Yunnan Pharmaceutical. Yunnan Pharmaceutical is therefore a substantial shareholder of Kunming Jida, and a connected person of the Company as defined under Rule 14A of the Listing Rules. Yunnan Pharmaceutical and its associates (on one hand) have no relationship with Yunnan Jiwa and its associates (on the other hand).

Yunnan Jiwa is a 93% owned subsidiary of Jiwa Pharm & Chemicals, which is beneficially owned as to 60% by Lau Yau Bor and as to 40% by Lau Kin Tung, Directors of the Company, Yunnan Jiwa is therefore a connected person of the Company as defined under Rule 14A of the Listing Rules.

Lau Yau Bor is also interested in 67.53% of the issued share capital of the Company; Lau Kin Tung is interested in 7.45% of the issued share capital of the Company.

As such, sale and purchase of pharmaceuticals between Kunming Jida and Yunnan Pharmaceutical, and between Kunming Jida and Yunnan Jiwa would constitute continuing connected transactions as defined under Rule 14A of the Listing Rules.

As the applicable percentage ratios for each of the Continuing Connected Transactions on an annual basis are more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, the Continuing Connected Transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors;
“Company”	Jiwa Bio-Pharm Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Connected Person”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the transactions contemplated under the Yunnan Jiwa Master Agreement and the Yunnan Pharmaceutical Master Agreement;
“Directors”	the directors of the Company;
“Group”	the Company together with its subsidiaries;

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Jiwa Pharm & Chemicals”	Jiwa Pharm & Chemicals Limited, a company incorporated in Hong Kong in 1987, owned as to 60% by Lau Yau Bor and as to 40% by Lau Kin Tung, Directors of the Company.
“Kunming Jida”	Kunming Jida Pharmaceutical Co. Ltd. (昆明積大製藥有限公司), a Sino-foreign equity joint venture established in the PRC in 1993, owned as to 70% by the Group and as to the remaining 30% owned by Yunnan Pharmaceutical;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“New Agreements”	the Yunnan Jiwa Master Agreement and the Yunnan Pharmaceutical Master Agreement;
“The New Cap Amounts”	the new cap amount for each of the Continuing Connected Transactions as set out in the paragraph entitled “New Cap Amounts” in this announcement;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan);
“Shareholders”	holders of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Yunnan Jiwa”	Yunnan Jiwa Pharm Logistics Co. Ltd.* (雲南積華醫藥物流有限公司), a PRC equity joint venture established in 2002 and is beneficially owned as to 93% by Lau Yau Bor and Lau Kin Tung, directors of the Company; and as to 7% by Kunming Jida.
“Yunnan Jiwa Master Agreement”	the master sale and purchase agreement entered into between Kunming Jida and Yunnan Jiwa on 1 February 2007;
“Yunnan Pharmaceutical”	Yunnan Pharmaceutical and Industrial Corporation Limited* (雲南醫藥工業股份有限公司), a domestic enterprise established in the PRC, which holds 30% of the equity interest of Kunming Jida;

“Yunnan Pharmaceutical
Master Agreement”

the master sale and purchase agreement entered into between Kunming
Jida and Yunnan Pharmaceutical on 1 November 2006;

%

per cent.

By Order of the Board of
Jiwa Bio-Pharm Holdings Limited
Lau Kin Tung
Vice Chairman and Chief Executive Officer

Hong Kong, 2 March 2007

As at the date of this announcement, the Board of the Company consists of Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming as executive directors, and Mr. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Seet Lip Chai as independent non-executive directors.

** for identification purpose only*

Please also refer to the published version of this announcement in the China Daily.