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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)**

### **DISCLOSEABLE TRANSACTION AND RESUMPTION OF TRADING**

On 17 June 2007, Jiwa Development, a wholly-owned subsidiary of the Company, has entered into (i) the Sale and Purchase Agreement; and (ii) the Co-operation Agreement, pursuant to which Jiwa Development and the Partner have agreed to purchase from the Vendors 70% and 30% of the equity capital in Longchang Company respectively for an aggregate consideration of RMB35,000,000. The consideration attributable to the Company's purchase of the 70% interest in the equity capital of Longchang Company is RMB24,500,000 (equivalent to approximately HK\$25,132,100).

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst others, details of the Acquisition will be despatched to the Shareholders as soon as practicable.

The Company noted the unusual increase in the trading price of the shares of the Company on 18 June 2007 and wishes to state that the Company is not aware of any reasons for such increases, save as disclosed in this announcement.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 3:02 p.m. on 18 June 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 June 2007.

\* *for identification only*

## **(I) THE SALE AND PURCHASE AGREEMENT**

**Date:** 17 June 2007

### **Parties to the Sale and Purchase Agreement:**

- (1) Vendors: Mr. Hou Mingqiang, holder of 60% equity interest in Longchang Company; and  
Mr. Yang Yongshan, holder of 40% equity interest in Longchang Company.
- (2) The Partner, as purchaser of 30% of the equity interest in Longchang Company.
- (3) Jiwa Development, a wholly owned subsidiary of the Company, as purchaser for 70% equity interest in Longchang Company.

To the best knowledge of the Directors, after having made reasonable enquiry, the Partner and the Vendors are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **The Acquisition**

Pursuant to the Sale and Purchase Agreement, the Vendors have agreed to sell 70% equity interest in Longchang Company to Jiwa Development and 30% equity interest in Longchang Company to the Partner. Mr. Hou Mingqiang and Mr. Yang Yongshan will transfer 60% and 10% equity interests in Longchang Company to Jiwa Development, respectively, and Mr. Yang Yongshan will transfer his remaining 30% equity interest in Longchang Company to the Partner. Pursuant to the Sale and Purchase Agreement, there is no restriction on the subsequent sale by the Company of its interest in Longchang Company.

### **Assets to be acquired**

The asset to be acquired is 70% equity interest in Longchang Company, a limited liability company incorporated in the PRC, which possesses the rights to the exploitation of iron ores in an area comprising approximately 3 square kilometres in Fanshi County of Shanxi Province, the PRC.

Longchang Company only completed its exploration of iron ore reserves in 2005, no financial statements have been prepared for the period ended before 31 December 2005. Based on the unaudited accounts for the year ended 31 December 2006 prepared in accordance with PRC accounting standards, the loss before and after tax of Longchang Company was RMB,412,405 (equivalent to approximately HK\$423,046). The net asset value of Longchang Company as at 31 December 2006 was approximately RMB1,037,594 (approximately HK\$1,064,364).

### **Consideration**

The aggregate consideration for the acquisition of the entire equity interest in Longchang Company by Jiwa Development and the Partner is RMB35,000,000 (approximately HK\$35,903,000). The consideration attributable to the Company for the Acquisition is RMB24,500,000 (approximately HK\$25,132,100).

## **Payment terms**

The consideration payable by the Company to the Vendors will be paid in the following manner:

- (1) a first payment of RMB1,400,000 (equivalent to approximately HK\$1,436,120) will be payable within 3 Business Days from the execution of the Sale and Purchase Agreement; and
- (2) a second payment of RMB21,000,000 (equivalent to approximately HK\$21,541,800) will be payable within 15 Business Days after the transfer of the 70% and 30% equity interests in Longchang Company to Jiwa Development or its nominee and the Partner respectively have been registered with the PRC authorities; and
- (3) the remaining balance of RMB2,100,000 (equivalent to approximately HK\$2,154,180) will be payable within 20 Business Days after completion of the transfer of the 70% and 30% equity interests in Longchang Company to Jiwa Development or its nominee and the Partner respectively and the confirmation by Jiwa Development and the Partner of the equipment of Longchang Company is capable of supporting the production and operation of the company.

The consideration was determined with reference to the estimated deposit of iron ores held by Longchang Company and the guarantee to be provided by the Partner, the details of which are set out in the paragraph headed “The Co-operation Agreement” below. With the assistance of mining professionals including the Partner, the Directors have since early 2007 been exploring investment opportunities in the mining area. Since that period, the Directors have visited several mines in Shanxi province and have collected market information and data on mining operations in the PRC. In addition, the Company has also conducted market studies and feasibility studies into investments in this area with the assistance of mining professionals. Through the information and knowledge gained during that period and the studies made, the Directors consider that the Acquisition has been made on normal commercial terms and after arm’s length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Company will pay the consideration by cash from its internal resources to an account designated by the Vendors.

Pursuant to the terms of the Sale and Purchase Agreement, all debts and liabilities incurred by Longchang Company prior to completion will be borne by the Vendors. Any outstanding debts incurred by Longchang Company prior to completion will be deducted from payment to the Vendors. Based on the unaudited management accounts of Longchang Company, the current debt of Longchang Company as at 30 May 2007 was approximately RMB3,500,000 (approximately HK\$3.59 million).

## **Condition of the Sale and Purchase Agreement**

Completion of the Acquisition is conditional upon the approval and registration of the transfer of the equity interest from the Vendors to Jiwa Development or its nominee by the Shanxi Administrative Bureau for Industry and Commerce.

## (II) THE CO-OPERATION AGREEMENT

**Date:** 17 June 2007

### **Parties to the Co-operation Agreement:**

- (1) The Partner;
- (2) Jiwa Development;
- (3) Shanxi Cheng'an Electric Co., Ltd. (as one of the joint guarantors for the Partner); and
- (4) Shanxi Wutai County Fudi Mining Co., Ltd. (as one of the joint guarantors for the Partner).

To the best knowledge of the Directors, after having made reasonable enquiry, each of the Partner, Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd. and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

The Partner is beneficial interested in 63% of Shanxi Cheng'an Electric Co., Ltd. and is beneficial interested in 50% of Shanxi Wutai County Fudi Mining Co., Ltd. Shanxi Cheng'an Electric Co., Ltd. is principally engaged in the operation of a power station in Shanxi and Shanxi Wutai County Fudi Mining Co., Ltd. is principally engaged in the sale of iron ores and mining equipments. Each of Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd., being companies that the Partner has an equity interest, has provided joint and several guarantees to Jiwa Development to assume the obligations of the Partner in the event of his failure to discharge his obligations under the Co-operation Agreement. These two companies were made parties to the Co-operation Agreement as guarantors of the Partner's obligations. Save for their role as guarantors, Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd. have no functional role in the Co-operation Agreement.

Pursuant to the Co-operation Agreement, the Partner has provided a guarantee to Jiwa Development that the deposit of iron ores held by Longchang Company will not be less than 10 million tons and that it will compensate Jiwa Development for any shortfall in the deposit of iron ores of Longchang Company at RMB1.4285 per ton. The deposit of iron ores held by Longchang Company will be verified by a technical expert independent of the Partner, the Vendors and the Company after the execution of the Cooperation Agreement and any shortfall would immediately become payable by the Partner under the guarantee. Notwithstanding that the Partner has no relationships with the Vendors, it was through the introduction by the Partner that the Company comes into contact with the Vendors. In this connection, the Company has secured the guarantee from the Partner to safeguard the Company's investment in Longchang Company, as the Company has no previous experience in this sector and had partly relied on the Partner's expertise on evaluating the investment.

Pursuant to the terms of the Co-operation Agreement, Jiwa Development may deduct any compensation payable by the Partner under the guarantee from the future dividend of Longchang Company. Given this ability to deduct the compensation payable under the guarantee from future dividend of Longchang Company and the Partner's interest in Shanxi Cheng'an Electric Co., Ltd.,

which owns a power station, and Shanxi Wutai County Fudi Mining Co., Ltd., which has an active business of selling iron ores and mining equipment, the Directors are of the view that the Partner has the financial resources to discharge his financial obligations under the Sale and Purchase Agreement and the Co-operation Agreement, including the payment of any amount under the guarantee as provided in the Co-operation Agreement, if it is called upon.

## **SCOPE OF THE CO-OPERATION**

Pursuant to the Co-operation Agreement, Jiwa Development and the Partner will co-operate and purchase the entire equity capital of Longchang Company. The Partner is experienced in the mining industry through his shareholding interest in Shanxi Wutai County Fudi Mining Co., Ltd., a company which is principally engaged in, among other things, the selling of iron ores. The Company has plans to diversify and invest into the rapidly developing mining industry. The Company and the Partner therefore decided to co-operate and jointly invest into Longchang Company. As the Directors are inexperienced in the mining industry, the Directors consider that it would be beneficial to the Company to co-operate with the Partner, who is experienced in the mining industry, to purchase the entire equity capital of Longchang Company. The Company plans to hire mining professionals in the near future to enhance its knowledge and expertise in the mining sector.

**As the Directors have no expertise or previous experience in the mining industry, Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.**

Jiwa Development and the Partner will acquire the equity capital of Longchang Company in accordance with the terms of the Sale and Purchase Agreement.

## **BOARD OF DIRECTORS OF LONGCHANG COMPANY**

After completion of the Acquisition, Jiwa Development and the Partner will establish a 5-member board to manage the operation of Longchang Company. Jiwa Development or its nominee will have the right to appoint 4 directors and the Partner will have the right to appoint 1 director.

## **INFORMATION ON LONGCHANG COMPANY**

Longchang Company is a limited liability company established in the PRC on 8 September 2003 and owns the exploitation rights to an area of approximately 3 square kilometres in Fanshi County of Shanxi Province for iron ores. Longchang Company completed its exploration of iron ore reserves in 2005 and obtained its license for the exploitation of iron ores from the Shanxi State Land and Resources Bureau in April 2006. The exploitation license granted by the Shanxi State Land and Resources Bureau has a term of two years and is renewable upon the expiry of its current term in April 2008.

Longchang Company commenced its current business operation of exploitation and refining of iron ores in May 2007. It is principally engaged in the exploitation of iron ores, refining and selling of refined magnetite products and is not engaged in any exploration work for natural resources.

At Completion, Longchang Company will be accounted for as a non-wholly owned subsidiary of the Group.

## **REASON FOR THE ACQUISITION**

The Group is principally engaged in the research development, manufacture and sale of pharmaceutical products.

The Directors have been exploring new investment opportunities for the Company and have since early 2007 been evaluating investment opportunities in the mining area. The Directors have visited several mines and have conducted market studies and feasibility studies into investments in this area. Given the increase in demand in mineral resources and that Longchang has just commenced its operation of exploitation and refining of iron ores, the Directors, through information and knowledge gained while evaluating investments in the mining sector and studies made in market prices and production costs, consider that the Acquisition will provide an opportunity for the Company to diversify into a new business sector that would provide positive contributions to the operation of the Group in the long run.

Having considered the reasons above, the Directors consider that the Acquisition has been made on normal commercial terms and after arm's length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The effect of the Acquisition on the assets, liabilities and earnings of the Company will be disclosed in the circular of the Company.

## **GENERAL**

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst others, details of the Acquisition, will be despatched to the Shareholders as soon as practicable.

## **UNUSUAL PRICE MOVEMENT IN THE SHARES OF THE COMPANY**

The Company noted the unusual increase in the trading price of the shares of the Company on 18 June 2007 and wishes to state that the Company is not aware of any reasons for such increases, save as disclosed in this announcement.

Save as disclosed above, the Company is not aware of any negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, nor is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

This announcement is made by the order of the Board, of which the directors individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 3:02 p.m. on 18 June 2007 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 June 2007.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of Longchang Company as contemplated by the Sale and Purchase Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturday or Sunday) where banks in the PRC are generally open for business
“Company”	Jiwa Bio-Pharm Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Co-operation Agreement”	the co-operation agreement dated 17 June 2007 by and between, among others, Jiwa Development and the Partner
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiwa Development”	Jiwa Development Co., Ltd., a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longchang Company”	山西繁峙縣龍昌實業有限責任公司 (Shanxi Fanshi County Longchang Industrial Co., Ltd.), a limited liability company incorporated in the PRC

“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, Hong Kong and Macau
“Partner”	Mr. Guo Dongyu, an independent third party
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 June 2007 entered into between the Vendors, Jiwa Development and the Partner in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Hou Mingqiang and Mr. Yang Yongshan, each of whom is an independent third party

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.0258 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.*

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

Hong Kong, 26 June 2007

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