

Jiwa Bio-Pharm Holdings Limited

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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)

CONNECTED TRANSACTION

On 22 December 2003, JPL, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, JPCL, in relation to the Acquisition for a cash consideration of US\$800,000 (representing approximately HK\$6.24 million). The Acquisition constitutes a connected transaction under Chapter 14 of the Listing Rules. As the consideration for the Acquisition represents an amount less than the higher of HK\$10 million and 3 per cent of the net tangible assets of the Company as at 31 March 2003, the Acquisition falls within the de minimis provisions under Rule 14.25(1) of the Listing Rules and no shareholders' approval is required for the Acquisition. Details of the Acquisition will be included in the next published annual report and accounts of the Company.

SUMMARY

On 22 December 2003, JPL, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, JPCL, in relation to the Acquisition for a cash consideration of US\$800,000 (representing approximately HK\$6.24 million) pursuant to the terms and subject to the conditions therein. The Acquisition constitutes a connected transaction under Rule 14.25(1) of the Listing Rules. Summary of the major terms of the Acquisition are set out below.

THE AGREEMENT

- Date: 22 December 2003
- Vendor: JPCL
- Purchaser: JPL
- Cash Consideration: US\$800,000 (representing approximately HK\$6.24 million), representing the entire paid-up registered capital of YJPT.
- Payment: The consideration is payable upon completion of the Agreement. Payment of the consideration would come from the Company's internally generated cashflows.
- Details of the asset acquired pursuant to the Acquisition: the entire registered capital of YJPT in the sum of US\$800,000 (equivalent to approximately HK\$6.24 million)
- Completion: (i) Completion of the Agreement is subject to the approval of Ministry of Commerce of the People's Republic of China (國家商務部); and
- (ii) the issue of a renewed business licence of YJPT by the State Administration For Industry & Commerce (國家工商行政管理局) reflecting the shareholding transfer.
- Completion of the Agreement is expected to take place on or before 1 March 2004 or such later date as may be agreed between the Vendor and the Purchaser.

REASON FOR THE ACQUISITION

YJPT was incorporated in Kunming, the PRC in August 2002 as a wholly owned foreign enterprise by JPCL. Its business licence permits YJPT to engage in activities including:

- a. the research and development and manufacturing of raw materials of biological, bio-engineered, biochemical and chemical medicine; and
- b. the transfer and exchange of technology resulted from the research and development of pharmaceutical products and technical consultancy.

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The registered capital of YJPT is US\$800,000 (representing approximately HK\$6.24 million) which has been fully paid-up by JPCL. The financial year end for YJPT is 31 December. Its unaudited management accounts as at 30 November 2003 indicated accumulated losses of approximately RMB194,391 (representing approximately HK\$183,388) which is attributable to its operating costs since incorporation. Total liabilities as at 30 November 2003 amounted to approximately HK\$23.6 million which comprised of unsecured bank borrowings from Bank of China, Yunnan Province, for the construction of a new research centre together with raw material production facilities in Kunming, the PRC. The net tangible assets as at 30 November 2003 amounted to approximately HK\$6.06 million. The Directors believed that the future development of YJPT is encouraging for the following reasons:

- a. The entering into of an agreement between YJPT as seller and an independent third party as purchaser on 26 August, 2003 for the export of raw materials for a period of three years commencing from 1 January 2004 and ending on 31 December 2006. The aggregate consideration of the raw materials over the three years term is approximately US\$71.7 million (representing approximately HK\$559.5 million); and
- b. The construction work of a new research centre together with raw material production facilities in Kunming, the PRC, is expected to be completed by January 2004 and operations are expected to commence by February 2004.

The Acquisition will bring to the Company a new area of strong growth in raw material exports; extending the Company's vertical integration to raw material research and manufacturing from its existing operations in finished pharmaceutical products. Upon completion of the Agreement, YJPT would become a wholly owned subsidiary of JPL (which is itself a wholly owned subsidiary of the Company). Upon completion of the Agreement, existing board members of YJPT would be replaced by new board members to be appointed by the Company.

The cost of the Acquisition is equivalent to the entire paid-up registered capital of YJPT. The Directors, including the independent non-executive Directors, consider that the Acquisition was made on normal commercial terms, that such terms are fair and reasonable, and that the Acquisition is in the best interest of the Company and its shareholders as a whole.

CONNECTED TRANSACTION

JPCL is beneficially owned as to 60% and 40% by Mr. Lau Yau Bor and by Mr. Lau Kin Tung respectively, both of whom are executive Directors and considered a connected person as defined under Chapter 14 of the Listing Rules. The Acquisition will constitute a connected transaction for the Company under the Listing Rules. As the consideration for the Acquisition is less than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company as at 31 March 2003, the Acquisition falls within the de minimis provisions under Rule 14.25(1) of the Listing Rules and is only subject to the disclosure requirement set out in Chapter 14 of the Listing Rules. Accordingly, no shareholders' approval is required for the Acquisition. Details of the Acquisition will be included in the next published annual report and accounts of the Company.

GENERAL

The Company and its subsidiaries are principally engaged in the research, development, manufacture and sale of pharmaceutical products, including new medicine and generic pharmaceutical products, in the PRC, and to a lesser extent, health-care products in Hong Kong.

DEFINITIONS

“Acquisition”	the acquisition of the entire paid-up registered capital of YJPT
“Agreement”	the sale and purchase agreement dated 22 December 2003 entered into between JPCL and JPL in connection with the Acquisition
“Company”	Jiwa Bio-Pharm Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPCL”	Jiwa Pharm & Chemicals Limited, a company incorporated in Hong Kong with limited liability and is beneficially owned as to 60% by Mr Lau Yau Bor and as to 40% by Mr Lau Kin Tung, both of whom are executive Directors. Mr Lau Yau Bor is the father of Mr Lau Kin Tung.
“JPL”	Jiwa Pharmaceuticals Limited, a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of the Company

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YJPT”	Yunnan Jiwa Pharm-Tech Co. Ltd., a wholly foreign owned enterprise established under the laws of the PRC and a wholly owned subsidiary of JPCL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

By Order of the Board
Jiwa Bio-Pharm Holdings Limited
Lau Yau Bor
Chairman and executive Director

Hong Kong, 23 December, 2003

* *for identification purposes only*

Please also refer to the published version of this announcement in China Daily dated on 24-12-2003.