

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)

(Stock code: 2327)

CONNECTED TRANSACTION

Summary

On 28 September 2004, Jiwa Pharmaceuticals, a wholly-owned subsidiary of the Company, has entered into the Share Transfer Agreement with the Vendor, pursuant to which Jiwa Pharmaceuticals has agreed to acquire a 5% interest in Kunming Jida for a cash consideration of RMB6,350,059.22 (equivalent to approximately HK\$6 million). Kunming Jida is currently a 65% subsidiary of the Company. Upon completion of the Acquisition, Jiwa Pharmaceuticals and the Vendor will be interested in 70% and 30% of the registered capital of Kunming Jida respectively.

The Vendor is a substantial shareholder of Kunming Jida. The Acquisition constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and will be subject to the reporting and announcement requirements under Rules 14A.45 and 14.47 of the Listing Rules.

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THE SHARE TRANSFER AGREEMENT

Date

28 September 2004

Parties

Vendor: 雲南醫藥工業股份有限公司 (Yunnan Pharmaceutical and Industrial Corporation Limited), a domestic enterprise established in the PRC which is interested in 35% of the registered capital of Kunming Jida

Purchaser: Jiwa Pharmaceuticals, a wholly-owned subsidiary of the Company which is interested in 65% of the registered capital of Kunming Jida

Asset to be acquired

As at the date of this announcement, the Company is indirectly interested in 65% of the registered capital of Kunming Jida. Pursuant to the Share Transfer Agreement, the Vendor has agreed to sell to Jiwa Pharmaceuticals part of its interest in Kunming Jida representing a 5% interest in the registered capital of Kunming Jida.

Consideration

The cash consideration payable by Jiwa Pharmaceuticals is RMB6,350,059.22 (equivalent to approximately HK\$6 million), which was arrived at after arm's length negotiations among the parties and has been determined with reference to the valuation of Kunming Jida as at 31 December 2003 of RMB97,693,218.78 (equivalent to approximately HK\$92.2 million) as valued by Yun Nan Yun Jian Certified Public Accountants Co. Ltd., a certified property valuer in the PRC which is independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company. Such valuation of Kunming Jida was based on market value, replacement cost and/or audited book value where it is applicable to any particular class of asset or liability. No further valuation on Kunming Jida has been carried out since 31 December 2003 and the Company is not aware of any material changes in the business, assets and operation of Kunming Jida since 31 December 2003.

The consideration in respect of the Acquisition will be settled in cash and is payable by Jiwa Pharmaceuticals within 5 business days upon receipt of the approval from Department of Commerce of Yunnan Province and completion of the registration procedures with the Administration for Industry and Commerce of Yunnan Province under the PRC laws in respect of the Acquisition.

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The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement is agreed on normal commercial terms between the parties. The Directors (including the independent non-executive Directors) further consider that the terms of the Share Transfer Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Condition

The Share Transfer Agreement is conditional upon the requisite governmental approvals and the relevant registration procedures with the relevant PRC authorities under the PRC laws in respect of the Acquisition as stated above being obtained or completed. If such condition is not satisfied by 27 March 2005 (or such later date as the parties may agree), the Share Transfer Agreement will lapse.

Kunming Jida is currently a 65% subsidiary of the Company. Upon completion of the Acquisition, Jiwa Pharmaceuticals and the Vendor will be interested in 70% and 30% of the registered capital of Kunming Jida respectively.

REASON FOR THE ACQUISITION

The Group is 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.

Kunming Jida was established in the PRC on 14 August 1993 as a Sino-foreign equity joint venture (initially established as a Sino-foreign co-operative joint venture on 14 August 1993 and subsequently converted into a Sino-foreign equity joint venture on 3 March 2000). The net audited profit before and after taxation and extraordinary items attributable to Kunming Jida for the year ended 31 December 2002 were approximately RMB29.9 million (equivalent to approximately HK\$28.2 million) and approximately RMB26.9 million (equivalent to approximately HK\$25.4 million) respectively; and the net audited profit before and after taxation and extraordinary items attributable to Kunming Jida for the year ended 31 December 2003 were approximately RMB30.4 million (equivalent to approximately HK\$28.7 million) and approximately RMB27.5 million (equivalent to approximately HK\$26 million) respectively. The audited net asset value of Kunming Jida as at 31 December 2002 and 2003 was approximately RMB100.3 million (equivalent to approximately HK\$94.6 million) and RMB118.4 million (equivalent to approximately HK\$111.7 million).

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Kunming Jida is principally engaged in manufacturing and sale of pharmaceutical products. Currently, the board of directors of Kunming Jida comprises five directors, three of whom have been nominated by Jiwa Pharmaceuticals and the other two have been nominated by the Vendor. Upon completion of the Acquisition, the number of directors of Kunming Jida will be increased to seven, of whom five directors will be nominated by Jiwa Pharmaceuticals and the other two will be nominated by the Vendor. As Jiwa Pharmaceuticals will have control over more than two-third of the votes casted by all the directors of Kunming Jida after completion of the Acquisition, any decision to be made by the board of Kunming Jida will be in full control by Jiwa Pharmaceuticals. As such, the Board considers that the increase of the Group's interest in and control of Kunming Jida will give flexibility to the Group in directing its future plans.

CONNECTED TRANSACTION

The Vendor is a substantial shareholder of Kunming Jida. The Acquisition constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and will be subject to the reporting and announcement requirements under Rules 14A.45 and 14.47 of the Listing Rules.

DEFINITION

“Acquisition”	the acquisition of a 5% interest in the registered capital of Kunming Jida by Jiwa Pharmaceuticals pursuant to the terms of the Share Transfer Agreement
“Board”	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
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiwa Pharmaceuticals”	Jiwa Pharmaceuticals, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Kunming Jida”	昆明積大制藥有限公司 (Kunming Jida Pharmaceutical Co., Ltd.), a Sino-foreign equity joint venture established in the PRC and a subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China

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“Share Transfer Agreement”	the agreement dated 28 September 2004 entered into between Jiwa Pharmaceuticals and the Vendor in respect of the Acquisition
“Shareholders”	holders of the shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	雲南醫藥工業股份有限公司 (Yunnan Pharmaceutical and Industrial Corporation Limited), a domestic enterprise established in the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

In this announcement, the exchange rate of HK\$1 to RMB1.06 is used.

Hong Kong, 28 September 2004

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

As at the date of this announcement, members of the Board comprise three executive Directors, namely Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung and three independent non-executive Directors, namely Mr. Fung Tze Wa, Mr. Choy Ping Sheung and Mr. Soo Ping Shu, Samuel.

** For identification purposes only*

Please also refer to the published version of this announcement in China Daily dated 30 September 2004.