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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

JOINT VENTURE IN MANUFACTURING

PHARMACEUTICAL BULK MATERIALS

SUMMARY

Reference is made to the announcement of the Company dated 11 November 2004, in which it was announced that Jiwa Rintech would construct a new plant in the PRC for the manufacture of pharmaceutical bulk materials. Pursuant to Rule 14.36 of the Listing Rules, the Directors announce that they have decided on 20 May 2005 to change the plan. After considering a number of options, the Directors considered that it is in the interest of the Company to invest in a PRC JV Company instead of constructing its own plant.

On 25 May 2005, Jiwa Rintech entered into the Capital Injection Agreement with Party A, Party B and Party C, pursuant to which Jiwa Rintech agreed to make a capital contribution of RMB24,000,000 (equivalent to approximately HK\$22.6 million) and Party A agreed to make an additional capital contribution of RMB172,300 (equivalent to approximately HK\$0.16 million) in the PRC JV Company.

The investment of Jiwa Rintech in the PRC JV Company constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, amongst others, details of the Capital Injection Agreement and the injection of capital into the PRC JV Company will be sent to the shareholders of the Company as soon as practicable.

THE CAPITAL INJECTION AGREEMENT

- Date : 25 May 2005
- Parties : (a) Jiwa Rintech
(b) Party A
(c) Party B
(d) Party C

To the best of the Directors' knowledge, information and belief after all reasonable enquiry, each of Party A, Party B, Party C and their respective ultimate beneficial owners is third party independent of the Group and connected persons (as defined in the Listing Rules) of the Group.

- Content : Jiwa Rintech agreed to make a capital contribution of RMB24,000,000 (equivalent to approximately HK\$22.6 million) in the PRC JV Company and Party A agreed to make an additional capital contribution of RMB172,300 (equivalent to approximately HK\$0.16 million) in the PRC JV Company. The amount of contribution by Jiwa Rintech was determined with reference to the costs of setting up a new manufacturing plant in the PRC as contemplated by the Group. Party A agreed to contribute RMB172,300 so as to round up the registered capital of the PRC JV Company from RMB29,827,700 to RMB30,000,000.

The PRC JV Company was established in November 2003. As at the date of this announcement, the registered capital of the PRC JV Company is as follows:

	Capital (RMB)	Percentage (%)
Party A	4,500,000	66.18
Party B	500,000	7.35
Party C	1,800,000	26.47
	<i>(see Note 1)</i>	
Total	<u>6,800,000</u>	<u>100</u>
	<i>(see Note 2)</i>	

Notes:

- The actual capital contributed by Party C is RMB827,700.*
- The total actual capital contributed by Party A, Party B and Party C is RMB5,827,700 as Party C has not completed its total capital contribution of RMB1,800,000 and the outstanding amount is RMB972,300.*

The registered capital of the PRC JV Company upon completion of the capital contributions pursuant to the Capital Injection Agreement will be as follows:

	Capital (RMB)	Percentage (%)
Jiwa Rintech	24,000,000	80
Party A	4,672,300	15.57
Party B	500,000	1.67
Party C	827,700	2.76
Total	<u>30,000,000</u>	<u>100</u>

Payment Terms:

Party A and Jiwa Rintech will make the capital contributions in the PRC JV Company by cash respectively within 3 months from the date of issue of the new business licence of the PRC JV Company. Jiwa Rintech will finance its capital contribution through internal resources.

Conditions:

The transactions contemplated under the Capital Injection Agreement are conditional, inter alia, on the followings:

1. all necessary approvals from the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) and the State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) have been obtained;
2. the signing of the joint venture agreement and the articles of association of the PRC JV Company by Party A, Party B, Party C and Jiwa Rintech; and
3. all necessary actions have been done by Party A, Party B, Party C and Jiwa Rintech in relation to, inter alia, approving the execution and performance of the Capital Injection Agreement and the increase of the registered capital of the PRC JV Company.

Others:

The board of directors of the PRC JV Company will comprise five directors, four of whom will be nominated by Jiwa Rintech and the remaining director will be nominated by Party A.

The PRC JV Company will become an indirect subsidiary of the Company and the results of the PRC JV Company will be consolidated in the Group's financial statements.

REASON FOR THE TRANSACTIONS

The Group is principally engaged in the research, development, manufacture and sale of pharmaceutical products, including new medicine and generic pharmaceutical products, and health-care products.

Jiwa Rintech is principally engaged in the research, development and manufacturing of pharmaceutical bulk materials.

Party A is principally engaged in the manufacture and process of fine chemical products. Party B is principally engaged in the manufacture and process of Inositol (肌醇) and bulk medicines of Oryzanol (谷維素原料藥), sale of feed additive (飼料添加劑), and purchase of rice sugar (米糖) and Calcium Phytate (植酸鈣). Party C is principally engaged in the manufacture and process of beverages and food.

The manufacturing plant of the PRC JV Company has been under construction and not come into operation yet and will be principally engaged in the manufacturing of pharmaceutical products, including raw materials. The Directors expect that the plant will come into operation by the end of this year. The unaudited net asset value of the PRC JV Company which was prepared in accordance with accounting principles generally accepted in the PRC as at 28 February 2005 is RMB5,827,700. The Directors are of the view that investing in a manufacturing plant which has started the construction work would be more efficient and cost-effective than constructing its own plant since the Company does not need to spend extra money and time for planning and constructing a new plant. It is also of the Directors' view that Jiangsu, being the place in which the plant of the PRC JV Company is located, is a good place for developing bulk material manufacturing business in light of the well-established pharmaceutical supporting industry in the vicinity.

The Company has been reviewing various opportunities with an aim to diversify the variety of its products and to improve their quality. The Directors are of the view that the investment of the PRC JV Company would enable the Group to set up a PRC manufacturing plant of pharmaceutical products with Jiwa Rintech for export market in the United States and the management of the Jiwa Rintech's research experience in medicinal chemistry can help the Company with new product discovery and development, allowing the Company to avoid hiring staff or investing long-term resources in projects of uncertain potential.

The Directors considered that the terms of the Capital Injection Agreement are fair and reasonable and the Capital Injection Agreement is in the interests of the Company and its shareholders as a whole.

GENERAL

The injection of capital into the PRC JV Company constitutes a discloseable transaction for the Company under the Listing Rules. Accordingly, a circular containing further details of the Capital Injection Agreement and the injection of capital into the PRC JV Company will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Board”	the board of Directors
“Capital Injection Agreement”	the agreement dated 25 May 2005 entered into between Jiwa Rintech and Party A, Party B and Party C in relation to the capital contribution by Party A and Jiwa Rintech in the PRC JV Company
“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”	the directors (including the independent non-executive directors) of the Company
“Group”	the Company together with its subsidiaries
“Jiwa Rintech”	Jiwa Rintech Holdings Limited, a joint venture company established in the British Virgin Islands with limited liability and is a subsidiary of and owned as to 80% by the Company
“PRC JV Company”	江蘇東順藥業有限公司 (Jiangsu Dongshun Pharmaceuticals Company Limited*), a company established in the PRC as a sino-foreign equity joint venture with limited liability, which will be renamed as 江蘇積華靈大製藥有限公司 (Jiangsu Jiwa Rintech Pharmaceutical Company Limited*)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Party A”	江陰市東方精細化工有限公司 (Jiangyin Eastern Fine Chemical Company Limited*), a Company established in the PRC
“Party B”	常州市眾聯肌醇有限公司 (Changzhou Zhonglian Inositol Company Limited*), a Company established in the PRC

“Party C”	世華生物科技股份有限公司 (Shih Hwa Biotech Company Limited*) a company established in Taiwan
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	the lawful currency of the PRC

In this announcement, the exchange rate of HK\$1.00 to RMB1.06 is used.

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

Hong Kong, 25 May 2005

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. Choy Ping Sheung, Mr. Fung Tze Wa and Mr. Soo Ping Shu, Samuel.

** For identification purposes only*

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