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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)

**MEMORANDUM OF UNDERSTANDING IN RESPECT OF
THE POSSIBLE ACQUISITION OF INTEREST IN
A JOINT VENTURE IN
THE RESEARCH, DEVELOPMENT, MANUFACTURE AND
SALE OF TRADITIONAL CHINESE HERBAL MEDICINES**

The Board is pleased to announce that on 6 October 2004, Jiwa Development, a wholly-owned subsidiary of the Company, entered into the First Memorandum of Understanding for the proposed acquisition from New World Liberty of the entire issued share capital of Hay Shun and Global Galaxy. Hay Shun and Global Galaxy together hold a 60% interest in Yunnan New World which in turn holds a 70% interest in the JV Company.

On 8 October 2004, Jiwa Pharmaceuticals, a wholly-owned subsidiary of the Company, entered into the Second Memorandum of Understanding for the proposed acquisition from Kunming Xinghe a 30% interest in the JV Company. The JV Company is a Sino-foreign equity joint venture enterprise established in the PRC which is principally engaged in the research, development, manufacture and sale of traditional Chinese herbal medicines in the PRC.

Each of the First Memorandum of Understanding and the Second Memorandum of Understanding does not constitute the parties' legally binding commitment in respect of the Proposed Acquisitions. The Proposed Acquisitions are subject to the execution and completion of the Formal Agreements in relation thereto by the parties.

The Board wishes to emphasise that no binding agreement in relation to the Proposed Acquisitions has been entered into as at the date of this announcement. As each of the First Proposed Acquisition and the Second Proposed Acquisition may or may not be entered into, investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisitions will be made by the Company should any of the Formal Agreements has been signed.

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THE FIRST MEMORANDUM OF UNDERSTANDING

Date: 6 October 2004

Parties: New World Liberty as the vendor. New World Liberty and its associates are independent of and not connected with the Company, the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates (as defined in the Listing Rules).

Jiwa Development as the purchaser, a wholly-owned subsidiary of the Company

The First Proposed Acquisition

Jiwa Development has entered into the First Memorandum of Understanding for the proposed acquisition from New World Liberty of the entire issued share capital of Hay Shun and Global Galaxy. Hay Shun and Global Galaxy together hold a 60% interest in Yunnan New World which in turns hold a 70% interest in the JV Company. Each of Hay Shun, Global Galaxy and Yunan New World is an investment holding company. The JV Company is principally engaged in the research, development, manufacture and sale of traditional Chinese herbal medicines in the PRC. As at the date of this announcement, each of Hay Shun and Global Galaxy is wholly owned by New World Liberty, Yunan New World is owned as to 30% by Hay Shun, as to 30% by Global Galaxy and as to 40% by 云南醫藥集團有限公司, the JV Company is owned as to 70% by Yunnan New World and as to 30% by Kunming Xinghe, each of which is independent of and not connected with the Company, the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates (as defined in the Listing Rules).

The consideration of the First Proposed Acquisition will be agreed between Jiwa Development and New World Liberty and based on the assessment by Jiwa Development of the business and prospect of the JV Company and with reference to the net asset value of the JV Company as at 30 September 2004.

THE SECOND MEMORANDUM OF UNDERSTANDING

Date: 8 October 2004

Parties: Kunming Xinghe as the vendor. Kunming Xinghe and its associates are independent of and not connected with the Company, the directors, chief executives and substantial shareholders of the Company and its subsidiaries and their respective associates (as defined in the Listing Rules).

Jiwa Pharmaceuticals as the purchaser, a wholly-owned subsidiary of the Company

The Second Proposed Acquisition

Jiwa Pharmaceuticals has entered into the Second Memorandum of Understanding for the proposed acquisition from Kunming Xinghe of a 30% interest in the JV Company. The consideration of the Second Proposed Acquisition will be agreed between Jiwa Pharmaceuticals and Kunming Xinghe and based on the assessment by Jiwa Pharmaceuticals of the business and prospect of the JV Company and with reference to the net asset value of the JV Company as at 30 September 2004. It is expected that the First Proposed Acquisition and the Second Proposed Acquisition will be completed at the same time and the Proposed Acquisitions, if proceeded, may constitute a major transaction for the Company and are subject to the approval by the shareholders of the Company. LAUs Holding Co. Ltd, the controlling shareholder of the Company holding more than 50% of the existing issued share capital of the Company, has indicated that it will approve the Proposed Acquisitions should the Company proceed with such transactions.

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Each of the First Memorandum of Understanding and the Second Memorandum of Understanding does not constitute the parties' legally binding commitments as to the Proposed Acquisitions.

REASON FOR THE PROPOSED ACQUISITIONS

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.

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 Proposed Acquisitions would represent a good opportunity for the Group to expand its business to the field of traditional Chinese herbal medicines.

The Board wishes to emphasise that no binding agreement in relation to the Proposed Acquisitions has been entered into as at the date of this announcement. As each of the First Proposed Acquisition and the Second Proposed Acquisition may or may not be entered into, investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisitions will be made by the Company should any of the Formal Agreements has been signed.

DEFINITION

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

“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
“Directors”	the directors of the Company
“First Memorandum of Understanding”	the memorandum of understanding dated 6 October 2004 entered into between Jiwa Development and New World Liberty setting out the basic understanding in relation to the First Proposed Acquisition
“First Proposed Acquisition”	the proposed acquisition of the entire issued share capital of each of Hay Shun and Global Galaxy from New World Liberty by Jiwa Development
“Formal Agreements”	the sale and purchase agreements which may or may not be entered into in relation to the Proposed Acquisitions
“Global Galaxy”	Global Galaxy Limited, a company incorporated in the British Virgin Islands with limited liability which, together with Hay Shun, holds a 60% interest in Yunnan New World
“Group”	the Company together with its subsidiaries
“Hay Shun”	Hay Shun Investment Limited, a company incorporated in the British Virgin Islands with limited liability which, together with Global Galaxy, holds a 60% interest in Yunnan New World
“Kunming Xinghe”	昆明興和工貿有限公司 (Kunming Xinghe Industry and Trade Co. Ltd.) a limited liability company established in the PRC
“Jiwa Development”	Jiwa Development Co. Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

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“Jiwa Pharmaceuticals”	Jiwa Pharmaceuticals Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong
“JV Company”	云南植物藥業有限公司(Yunnan Phytopharmaceutical Co. Ltd.), a Sino-foreign equity joint venture enterprise established in the PRC
“New World Liberty”	New World Liberty China Ventures Limited, a company incorporated in the British Virgin Islands with limited liability
“Proposed Acquisitions”	the First Proposed Acquisition and the Second Proposed Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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)
“Second Memorandum of Understanding”	the memorandum of understanding dated 8 October 2004 entered into between Jiwa Pharmaceuticals and Kunming Xinghe setting out the basic understanding in relation to the Second Proposed Acquisition
“Second Proposed Acquisition”	the proposed acquisition of a 30% interest in the JV Company from Kunming Xinghe by Jiwa Pharmaceuticals
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunan New World”	云南新世界醫藥投資有限公司 (Yunnan New World Pharmaceutical Investment Ltd.), a Sino-foreign equity joint venture established in the PRC which holds a 70% interest in the JV Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

Hong Kong, 8 October 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 11 October 2004.