

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all or transferred all your shares in **INNOMAXX Biotechnology Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00340)

DISCLOSEABLE AND CONNECTED TRANSACTION

IN RELATION TO THE

ACQUISITION OF 30% EQUITY INTERESTS IN

SHANGHAI WORLDBEST TREEFUL PHARMACEUTICALS (GROUP) CO., LTD.

Financial Adviser

CROSBY

Crosby Limited

Independent Financial Adviser to the Independent Board Committee

JS CRESVALE

JS Cresvale Capital Limited

A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from JS Cresvale Capital Limited containing its advice and recommendation to the Independent Board Committee is set out on pages 16 to 23 of this circular.

A notice convening a special general meeting of INNOMAXX Biotechnology Group Limited to be held at 11:00 a.m. on 14 May 2004 at Suites 3206-3211, 32/F, One International Finance Centre, 1 Harbour View Street, Hong Kong or any adjournment thereof is set out on pages 28 to 29 of this circular. Whether or not you intend to be present at the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable to the branch share registrar of INNOMAXX Biotechnology Group Limited in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

** For identification purposes only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of 30% equity interests in SW Treeful;
“Agreement”	the sale and purchase agreement dated 5 March 2004 entered into between the Vendor and the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 30% equity interests in SW Treeful;
“Announcement”	the announcement of the Company dated 12 March 2004 and published on 15 March 2004 in relation to the Agreement and the Acquisition contemplated thereunder;
“associate”	as defined in the Listing Rules;
“Audited Accounts”	the audited consolidated accounts of SW Treeful dated 29 March 2004 prepared by qualified PRC accountants under the PRC GAAP for the year ended 31 December 2003;
“Board”	the board of Directors;
“Business Day”	any day on which banks in Hong Kong are generally open for business excluding Saturdays and Sundays;
“Company”	INNOMAXX Biotechnology Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange;
“Completion”	completion of the Acquisition contemplated under the Agreement;
“Consideration”	the consideration of the Acquisition;
“CWGC”	China Worldbest Group Company Limited, a company incorporated in the PRC with limited liability and the sole beneficial owner of Worldbest (HK);
“Director(s)”	director(s) of the Company;
“EBITDA”	earnings before interest, taxes, depreciation and amortization;
“Group”	the Company and its subsidiaries;
“HK Dollars” or “HK\$”	the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company, consisting of Ms. Wang Yiming and Mr. Tang Tin Sek, was formed pursuant to the resolutions passed by the Board on 23 February 2004 to advise the Independent Shareholders on the terms of the Agreement and the Acquisition contemplated thereunder;
“Independent Shareholders”	the Shareholders other than Worldbest (HK) and its associates and any other shareholders who have interest in the Agreement and the Acquisition contemplated thereunder;
“Independent Third Party”	a party which is independent of and not connected with the Director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate of any of them;
“JS Cresvale”	JS Cresvale Capital Limited, a corporation deemed licenced under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee on the terms of the Agreement and the Acquisition contemplated thereunder;
“Latest Practicable Date”	20 April 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Accounts”	the unaudited management accounts prepared by SW Treeful (under the PRC GAAP) for the year ended 31 December 2003;
“Other Shareholders”	上海市醫藥股份有限公司 (Shanghai Pharmaceutical Stock Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability whose A Shares are listed on the Shanghai Stock Exchange in the PRC and beneficially owned as to 15.88% by CWGC; 上海華源製藥股份有限公司 (Shanghai Worldbest Pharmaceutical Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability whose A Shares are listed in the PRC and beneficially owned as to 41.09% by CWGC, an associate of CWGC; 安徽華源生物藥業有限公司 (Anhui Hua Yu Biopharmaceutical Co., Ltd.*), a company incorporated in the PRC with limited liability and beneficially owned as to 98.92% by CWGC, an associate of CWGC; 無錫生命科技發展股份有限公司 (Wuxi Life

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Science & Technology Development Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability and beneficially owned as to 50% by CWGC, an associate of CWGC; and 山東潔晶集團股份有限公司 (Shandong Jiejing Group Corporation), a joint stock limited company incorporated in the PRC with limited liability and an Independent Third Party;

“Parties”	the Purchaser and the Vendor;
“PRC”	the People’s Republic of China;
“Profit Guarantee”	the profit guarantee given by the Vendor to the Purchaser that the audited after tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP will be at least RMB50 million (equivalent to HK\$47.2 million);
“Purchaser”	Offspring Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, inter alia, the terms of the Agreement and the Acquisition contemplated thereunder;
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SW Treeful”	上海華源長富藥業(集團)有限公司 (Shanghai Worldbest Treeful Pharmaceuticals (Group) Co. Ltd.), a company incorporated on 18 May 1998 in the PRC with limited liability and beneficially owned by the Vendor (as to 55.97%), 上海市醫藥股份有限公司 (Shanghai Pharmaceutical Stock Co., Ltd.) (as to 24.13%), 上海華源製藥股份有限公司 (Shanghai Worldbest Pharmaceutical Co., Ltd.) (as to 7.65%), 安徽華源生物藥業有限公司 (Anhui Hua Yu Biopharmaceutical Co., Ltd.*) (as to 6.99%), 無錫生命科技發展股份有限公司 (Wuxi

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Life Science & Technology Development Co., Ltd.) (as to 2.64%) and 山東潔晶集團股份有限公司 (Shandong Jiejing Group Corporation) (as to 2.62%), respectively;

“SWB” 上海華源股份有限公司 (Shanghai Worldbest Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability whose A-shares are listed on the Stock Exchange of Shanghai (600094); it is beneficially owned as to 33.51% by CWGC;

“Valuation Report” the valuation report dated 20 March 2004 conducted by 上海東洲資產評估有限公司 (Shanghai Orient Appraisal Co., Ltd.), a qualified PRC valuers, in SW Treeful;

“Vendor” 中國華源生命產業有限公司 (China Worldbest Life Industries Co. Ltd.), a company incorporated in the PRC and beneficially owned as to 87% by CWGC;

“Worldbest (HK)” China Worldbest Group (Hong Kong) Limited, a company incorporated in Hong Kong and a substantial shareholder of the Company owning approximately 13.30% of the issued share capital of the Company as at the date of this circular; and

“%” per cent.

Unless otherwise stated, amounts in RMB have been translated into HK\$ at an exchange rate of RMB1.06 to HK\$1. Such conversion shall not be construed as a representation that amounts of RMB were or may have been converted into HK\$ (as the case may be) using such exchange rate or any other.



INNOMAXX BIOTECHNOLOGY GROUP LIMITED
創富生物科技集團有限公司*

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Zhou Yucheng (*Chairman*)
Mr. Tong Nai Kan (*Deputy Chairman*)
Mr. Chan Iu Nam John Bosco (*Deputy Chairman*)
Mr. Fu Weimin
Mr. Qi Xianchao (*Chief Executive Officer*)
Mr. Leung Wai Kwan

Independent non-executive Directors:

Ms. Wang Yiming
Mr. Tang Tin Sek

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business:*

Suites 3206-3211, 32/F.
One International Finance Centre
1 Harbour View Street
Hong Kong

22 April 2004

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE
ACQUISITION OF 30% EQUITY INTERESTS IN
SHANGHAI WORLDBEST TREEFUL PHARMACEUTICALS (GROUP) CO., LTD.**

1. INTRODUCTION

By its announcement dated 12 March 2004, the Company announced that on 5 March 2004, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor.

Pursuant to the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell 30% equity interests in SW Treeful, at a Consideration of RMB165 million (equivalent to approximately HK\$155.7 million) subject to adjustment. The Agreement is conditional upon, among other things, the completion of a legal and financial due diligence exercise and the results of which being satisfactory to the Purchaser. The Consideration is subject to adjustment where there are discrepancies between the

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LETTER FROM THE BOARD

figures reflected in the Management Accounts and the Valuation Report in the net asset value of SW Treeful for the year ended 31 December 2003. As the consolidated net asset value of SW Treeful ascertained by the Valuation Report for the year ended 31 December 2003, which is approximately RMB501.5 million (equivalent to approximately HK\$473.1 million), is higher than that reflected in the Management Accounts, subject to the adjustment where the Profit Guarantee cannot be met, the Parties have confirmed to use RMB165 million (equivalent to approximately HK\$155.7 million) as consideration. Upon the satisfaction of all conditions in the Agreement, the Parties will proceed to Completion and the Purchaser will pay an aggregate sum of RMB165 million (equivalent to approximately HK\$155.7 million) within 3 months by installments, RMB20 million (equivalent to approximately HK\$18.9 million) of which will be deposited to a stakeholder account and will not be released until the satisfaction of the Profit Guarantee, (pursuant to which the Vendor had guaranteed to the Purchaser that the audited consolidated after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP will be at least RMB50 million (equivalent to approximately HK\$47.2 million)).

Where such Profit Guarantee cannot be met, the Consideration will be subject to adjustment; where the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than RMB44.55 million (equivalent to approximately HK\$42.0 million), the Purchaser is entitled to an option to (i) rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back from the Purchaser at the same Consideration together with the accrued interests; or (ii) adjust the Consideration down to the net asset value of SW Treeful for the year ended 31 December 2003 ascertained by the Valuation Report.

Besides, the Directors have confirmed that where the audited consolidated after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than that of SW Treeful for the year ended 31 December 2003 under the PRC GAAP, they may (i) procure the Purchaser to rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back from the Purchaser at the same consideration together with the accrued interest; or (ii) convene a separate special general meeting of the Company for the purpose of allowing the Independent Shareholders to consider the option to procure the Purchaser not to rescind the Agreement.

SW Treeful is a company incorporated in the PRC with limited liability and is principally engaged in the manufacturing of a variety of pharmaceutical products in the PRC, including but not limited to transfusion agent medicine as its core products, tablets and capsule medicines. SW Treeful is beneficially owned as to 55.97% equity interests by the Vendor. The Vendor is a company incorporated in the PRC with limited liability, which is beneficially owned as to 87% by CWGC, the sole beneficial owner of the Company's single largest substantial shareholder.

Upon Completion, SW Treeful will become an associated company of the Company.

The Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules. Accordingly, the Company shall seek Independent Shareholders' approval of the Acquisition at the SGM.

LETTER FROM THE BOARD

The Independent Board Committee, consisting of Ms. Wang Yiming and Mr. Tang Tin Sek, being the independent non-executive Directors, was formed pursuant to the resolutions passed by the Board on 23 February 2004 to advise the Independent Shareholders on the terms of the Agreement and the Acquisition contemplated thereafter. JS Cresvale has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

The purposes of this circular are to provide you with further details of the Acquisition, to set out the recommendations from the Independent Board Committee and the advice of JS Cresvale to the Independent Board Committee on the terms of the Agreement and the Acquisition contemplated thereunder and to give you notice of the SGM to be convened for the purpose of considering and, if thought fit, approving the terms of the Agreement and the Acquisition contemplated thereunder.

2. GENERAL INFORMATION OF THE AGREEMENT

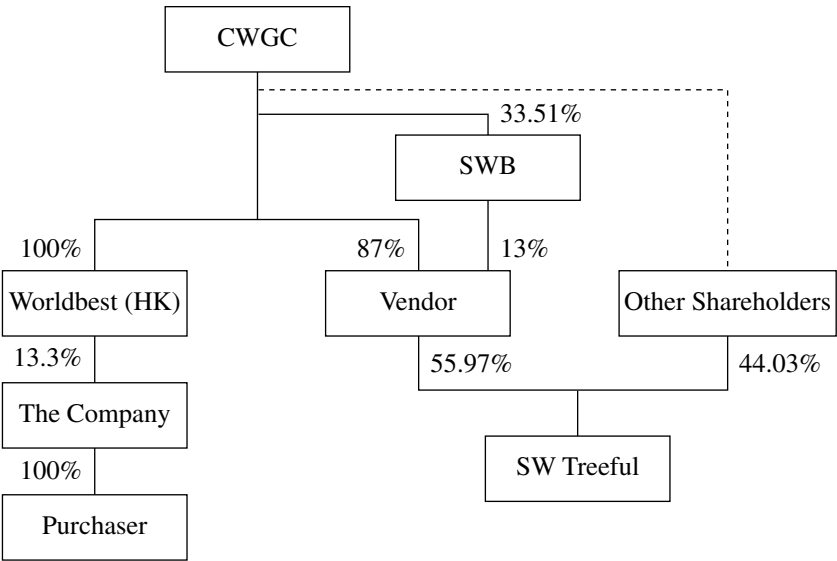
Date : 5 March 2004
Vendor : 中國華源生命產業有限公司 (China Worldbest Life Industries Co., Ltd.)
Purchaser : Offspring Investments Limited, a wholly-owned subsidiary of the Company

Assets to be acquired

An aggregate of 30% equity interests in SW Treeful.

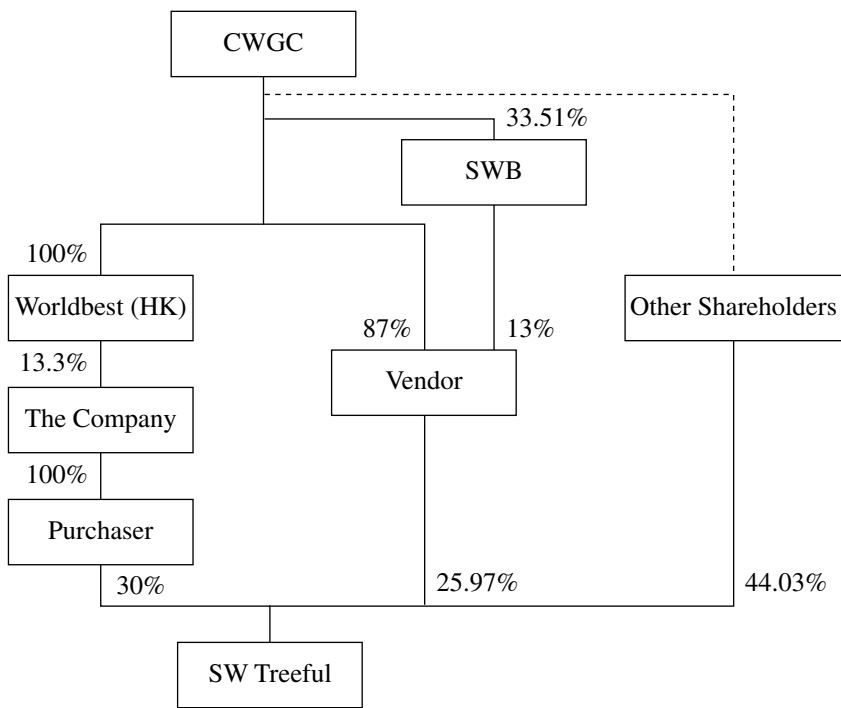
Shareholding Structure of SW Treeful Before and After Completion

Current shareholding structure of SW Treeful



LETTER FROM THE BOARD

Shareholding structure of SW Treeful after Completion



3. PRINCIPAL TERMS OF THE AGREEMENT

The principal terms and conditions of the Agreement were arrived at after arm’s length negotiations between the Parties and are summarized below:

I. Consideration and Payment Terms

Pursuant to the Agreement, the Consideration for the Acquisition is RMB165 million (equivalent to approximately HK\$155.7 million) amounting to 48.8% of the net tangible asset of Group as at 30 June 2003 adjusted by the proceeds from the placing of new shares which were completed in August 2003 and September 2003 respectively and the issue of convertible bonds which was completed in December 2003. The Agreement is conditional upon, among other things, the completion of a legal and financial due diligence exercise and the results of which being satisfactory to the Purchaser. The Consideration is subject to adjustment where there are discrepancies between the net asset values of SW Treeful reflected in the Management Accounts and the Valuation Report. As the Acquisition involves state-owned asset, the net asset value of SW Treeful is subject to a valuation to be conducted by qualified PRC valuers and the Consideration cannot in any event be less than the net asset value ascertained by the Valuation Report.

The Consideration was determined by the Parties with reference to the attributable 30% of the net asset value of SW Treeful with a premium of approximately 13% to the net asset value

LETTER FROM THE BOARD

reflected in the Management Accounts. The Consideration is subject to adjustment in such a manner that the Consideration will represent a premium of approximately 13% to the net asset value of SW Treeful for the year ended 31 December 2003 ascertained by the Valuation Report. The Consideration is further subject to adjustment where the Profit Guarantee cannot be met.

As the net asset value of SW Treeful ascertained by the Valuation Report for the year ended 31 December 2003, which is approximately RMB501.5 million (equivalent to approximately HK\$473.1 million, is higher than that reflected in the Management Accounts, which is approximately RMB486.6 (equivalent to approximately HK\$459.1 million) subject to the adjustment where the Profit Guarantee cannot be met, the Parties have confirmed to use RMB165 million as consideration. As such, the Consideration is represent to a premium of approximately 9.7% to net asset value ascertained by the Valuation Report.

The Consideration amounted to RMB165 million (equivalent to approximately HK\$155.7 million) represents a 2003 historical price-earning ratio of approximately 17.79 times to the attributable 30% net profit of SW Treeful for the financial year ended 31 December 2003 based on the figures in the Audited Accounts.

Upon the satisfaction of all conditions in the Agreement, the Parties will proceed to Completion and the Purchaser will pay an aggregate sum of RMB165 million within 3 months by installments, RMB20 million of which will be deposited to a stakeholder account (stakeholder of which will be an Independent Third Party in the PRC) and will not be released until the satisfaction of the Profit Guarantee. The Directors confirm that the Consideration for the Acquisition will be satisfied by cash out of the internal resources of the Group.

The Agreement was negotiated on arm's length basis between the Parties and the Directors (including the independent non-executive Directors) take the view that the terms of the Acquisition were on normal commercial terms (with particular reference to the determination of Consideration and the adjustment mechanism for the Consideration) and on terms that are fair and reasonable and on the interests of the Shareholders as a whole.

II. Profit Guarantee

The Vendor had guaranteed to the Purchaser that the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP will be at least RMB50 million (equivalent to approximately HK\$47.2 million). The Consideration represents a 2004 prospective price-earnings ratio of approximately 11 times (the "Adjusted P/E") to the attributable 30% projected net profit of SW Treeful for the financial year ending 31 December 2004. Where such Profit Guarantee cannot be met (and the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is equal to or more than RMB44.55 million (equivalent to approximately HK\$42.0 million)), the Consideration will be subject to adjustment based on the Adjusted P/E ratio of the attributable 30% net profit of SW Treeful for the financial year ending 31 December 2004. Where the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than RMB44.55 million (equivalent to approximately HK\$42.0 million), the Purchaser is entitled to an option to (i) rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back

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from the Purchaser at the same Consideration together with accrued interests (to be calculated with reference to the best lending rate announced by the People's Bank of China from time to time); or (ii) adjust the Consideration down to the net asset value of SW Treeful for the year ended 31 December 2003 ascertained by the Valuation Report.

The Directors have confirmed that where the audited consolidated after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than that of SW Treeful for the year ended 31 December 2003 under the PRC GAAP, the Directors may (i) procure the Purchaser to rescind the Agreement; or (ii) convene a special general meeting of the Company for the purpose of allowing the Independent Shareholders to consider the option to procure the Purchaser not to rescind the Agreement.

III. Conditions of the Agreement

The Agreement is conditional upon, among other things, the following conditions being fulfilled on or before 31 July 2004 (or such other date as may be agreed by the Parties):

- i. the completion of a legal and financial due diligence exercise to be performed by the Group on the business and records and the relevant matters of SW Treeful and the results of such legal and financial due diligence exercise being satisfactory to the Group in its sole discretion;
- ii. the obtaining by the Parties of all necessary consents, approvals or waivers to effect the Completion of the Agreement;
- iii. the appointment of 3 directors and a financial controller nominated by the Purchaser to SW Treeful;
- iv. the approval of all shareholders of SW Treeful of the terms and conditions of the Agreement and the Acquisition and that the Other Shareholders of SW Treeful agree to waive their pre-emption rights over the equity interests of SW Treeful, if any;
- v. the granting of relevant approval by the relevant PRC authority (including but not limited to the Shanghai Foreign Economic Relations & Trade Commission) in respect of the Acquisition;
- vi. the Agreement and the Acquisition shall comply with the Listing Rules;
- vii. the passing by the Independent Shareholders of the necessary resolutions in the SGM approving the Agreement and the Acquisition; and
- viii. The audited after-tax profit of SW Treeful for the year ended 31 December 2003 under the PRC GAAP is not less than RMB28 million (equivalent to approximately HK\$26.4 million).

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As at the date of this Circular, except for condition (viii), none of the conditions has been fulfilled and conditions (i), (iii) and (viii) are waivable by the Purchaser.

IV. Completion of the Agreement

Upon fulfillment of all the conditions, the Parties will proceed to Completion and the Vendor will procure SW Treeful to obtain the new business license in respect of the Acquisition, which is expected to be obtained in or about end of June 2004.

4. REASONS FOR THE ACQUISITION

SW Treeful is a company incorporated in the PRC and is principally engaged in the manufacturing of a variety of pharmaceutical products with transfusion agent medicine as its core products as well as solid preparations and traditional Chinese medicines. According to the Audited Accounts for the year ended 31 December 2003, the audited consolidated net asset value of SW Treeful was approximately RMB476.1 million (equivalent to approximately HK\$449.2 million) and recorded an audited consolidated net profit of approximately RMB30.9 million (equivalent to approximately HK\$29.2 million). SW Treeful is owned as to 55.97% by the Vendor. Upon Completion, SW Treeful will become an associated company of the Company.

The Board believes the strong economic growth in the PRC, and specifically the rapid development of the pharmaceutical products market and traditional Chinese medicines, will continue to boost the demand for pharmaceutical products in the PRC. The Board (including the independent non-executive Directors) believes that the Acquisition presents a good investment opportunity for the Company to integrate the business activities of SW Treeful into its existing biotechnology business, and to enhance the earning capacity of the Company as well as its future development and growth. The Board (including the independent non-executive Directors) also considers that the Acquisition was negotiated on arm's length between the Parties and the Acquisition was on normal commercial terms and on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

5. LISTING RULES REQUIREMENTS

The Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules by virtue of the Vendor's being an associate of CWGC (the sole beneficial owner of Worldbest (HK), the Company's substantial shareholder) and thus a connected person of the Company as defined in the Listing Rules. Accordingly, the Company shall seek Independent Shareholders' approval of the terms of the Agreement and the Acquisition contemplated thereunder at the SGM.

As at the Latest Practicable Date, Worldbest (HK) owns approximately 13.3% of the existing issued share capital of the Company and is the single largest substantial shareholder of the Company. Save for Worldbest (HK) and its associates, no Shareholder will be required to abstain from voting at the SGM.

6. INFORMATION OF THE COMPANY

The Group principally involves in the processing, storage, matching and use of umbilical cord blood stem cells and the research and commercial development of stem cell therapeutic and scientific applications in Hong Kong. As set out in the annual report of the Company for the year ended 31 December 2002, the Group recorded an annual turnover of approximately HK\$25.55 million and HK\$36.46 million for the years ended 31 December 2001 and 2002, respectively. For the same years, the Group recorded net losses of approximately HK\$36.30 million and HK\$36.56 million, respectively.

7. INFORMATION OF SW TREEFUL

SW Treeful is a company incorporated on 18 May 1998 in the PRC with limited liability. In April 2003, SW Treeful underwent a major group restructuring whereby the registered capital of SW Treeful was increased from RMB177.9 million (equivalent to approximately HK\$167.8 million) to RMB410 million (equivalent to approximately HK\$386.8 million), representing a 130% increase, in order to raise further funding for its business development. Further to such major group restructuring, SW Treeful in 2003 acquired 3 subsidiaries, which are also engaged in the same principal businesses. Currently, SW Treeful has a total of 8 subsidiaries and 2 associated companies.

SW Treeful and its subsidiaries and associated companies are principally engaged in the manufacturing, wholesaling and distributing of a variety of pharmaceutical products in the PRC including but not limited to transfusion agent medicine (also known as injections) as its core products, tablets and capsule medicines. SW Treeful has already obtained the relevant licenses from the relevant PRC government authorities to carry out its scope of businesses stated in its business license. Currently, SW Treeful has over 100 different kinds of injections which include western medicine injections as well as traditional Chinese medicine injections with applications such as, among others, treatment of hepatic encephalopathy, liver disease, infection caused by allergic virus, respiratory system infections, urinary system infections. SW Treeful has its own independent research and development team to explore new medicines and healthy food products.

According to the audited consolidated financial statements of SW Treeful prepared under the PRC GAAP for the year ended 31 December 2002, the audited consolidated net asset value, net tangible asset value and net profit of SW Treeful were approximately RMB211.8 million (equivalent to approximately HK\$199.8 million), RMB191.9 million (equivalent to approximately HK\$181.0 million) and RMB796,156 (equivalent to approximately HK\$751,091) respectively for the financial year ended 31 December 2002. According to the Audited Accounts, the audited consolidated net asset value, net tangible asset value and net profit of SW Treeful were approximately RMB476.1 million (equivalent to approximately HK\$449.2 million), RMB440.3 million (equivalent to approximately HK\$415.4 million) and RMB30.9 million (equivalent to approximately HK\$29.2 million) respectively for the financial year ended 31 December 2003. As SW Treeful underwent a major group restructuring in 2003, the current group structure and the net asset value of SW Treeful are substantially different from those before the said group restructuring. Accordingly, the Directors consider that such financial information of SW Treeful for the period before the said group restructuring will not be relevant to the decision-making of the Independent Shareholders.

LETTER FROM THE BOARD

Before Completion of the Acquisition, SW Treeful is owned as to 55.97% equity interests by the Vendor and the remaining equity interests are owned by the Other Shareholders. In addition, none of the Other Shareholders owns more than 25% of the interest in SW Treeful. Upon Completion of the Acquisition, the Purchaser will become the single largest shareholder of SW Treeful and SW Treeful will become an associated company of the Company.

8. INFORMATION OF THE VENDOR

The Vendor is a company incorporated in PRC with limited liability, which is beneficially owned as to 87% by CWGC, the sole beneficial owner of Worldbest (HK) which is the Company's substantial shareholder currently holding approximately 13.30% of the issued share capital of the Company. The Vendor is the controlling shareholder of SW Treeful and currently owns 55.97% equity interests of SW Treeful. The Vendor is a connected person of the Company as defined in the Listing Rules.

9. SGM

Set out on pages 28 to 29 of this circular is a notice convening the SGM to be held at 11:00 a.m. on 14 May 2004 at Suites 3206-3211, 32/F, One International Finance Centre, 1 Harbour View Street, Hong Kong, at which resolutions will be proposed to consider and, if thought fit, to approve the terms of the Agreement and the Acquisition contemplated thereunder.

China Worldbest Group (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and their respective associates shall abstain from voting in respect of the resolutions to approve the terms of the Agreement and the Acquisition contemplated thereunder.

A form of proxy for use at the SGM is enclosed, whether or not you are able to attend the SGM, Shareholders are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the SGM.

10. RECOMMENDATION

The text of a letter from the Independent Board Committee to the Shareholders, containing their recommendation in relation to the Acquisition, is set out on page 15 of this circular. Having considered the advice from JS Cresvale in relation to the Acquisition, which is set out on pages 16 to 23 of this circular, the Independent Board Committee is of the opinion that the Acquisition is in the interests of the Company and the Shareholders, and the terms of the Agreement are fair and reasonable so far as the Shareholders as a whole are concerned and recommends the Independent Shareholders to vote in favour of the resolutions to approve the terms of the Agreement and the Acquisition contemplated thereunder.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the following sections of this circular:

- I. Letter from the Independent Board Committee;
- II. Letter from JS Cresvale; and
- III. Appendix — General Information

By Order of the Board of
INNOMAXX Biotechnology Group Limited
Qi Xianchao
Executive Director and Chief Executive Officer

Hong Kong, 22 April 2004



INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(incorporated in Bermuda with limited liability)

22 April 2004

To the Shareholders

Dear Sir or Madam,

We refer to the circular (the “Circular”) dated 22 April 2004 of INNOMAXX Biotechnology Group Limited, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Acquisition, we have been appointed to form this Independent Board Committee to advise you as to whether, in our opinion, the terms of Agreement and the Acquisition contemplated thereunder are fair and reasonable so far as the Shareholders as a whole are concerned.

JS Cresvale has been appointed the independent financial adviser to advise this Independent Board Committee on the fairness and reasonableness of the terms of the Agreement and the Acquisition contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 14 of the Circular, and the letter from JS Cresvale, as set out on pages 16 to 23 of the Circular, both of which provide details of the Agreement and the Acquisition contemplated thereunder. Having considered the advice rendered by JS Cresvale and the principal factors and reasons taken into consideration by it in arriving its advice, we are of the opinion that the terms of the Agreement and the Acquisition contemplated thereunder are in the best interests of the Company and the Shareholders of the Company as a whole and the terms of the Agreement are fair and reasonable as far as the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the SGM to approve the terms of the Agreement and the Acquisition contemplated thereunder.

Yours faithfully,

Wang Yiming

Independent non-executive Director

Tang Tin Sek

Independent non-executive Director

** For identification purposes only*

JS CRESVALE

JS Cresvale Capital Limited
Suite 701-704A, 7th Floor
Asia Pacific Finance Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

22 April 2004

*To the Independent Board Committee of
INNOMAXX Biotechnology Group Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to our engagement under which JS Cresvale Capital Limited (“JS Cresvale”) has been appointed to advise the Independent Board Committee in respect of the terms of the Agreement and the Acquisition contemplated thereunder. Pursuant to the Listing Rules, the Agreement and the Acquisition contemplated thereunder constitutes a discloseable and connected transaction for the Company and is subject to the approval of the Independent Shareholders in general meeting. Details of the Agreement and the Acquisition are contained in the Letter from the Board of the circular (the “Circular”) dated 22 April 2004 to the shareholders of the Company, of which this letter forms part. This letter has been prepared for inclusion in the circular and terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

In our capacity as independent financial adviser to the Independent Board Committee, our role is to give an independent opinion as to whether the terms of the Agreement and the Acquisition contemplated thereunder are fair and reasonable insofar as the Independent Shareholders are concerned. Our opinion letter to the Independent Board Committee has been prepared and delivered in accordance with the requirements of the Listing Rules for the purposes of assisting the Independent Board Committee in its duties to evaluate the terms of the Agreement and the Acquisition contemplated thereunder and for no other reason and does not constitute a recommendation to any Independent Shareholder as to how such Independent Shareholder should vote on the Agreement and the Acquisition contemplated thereunder. The assumptions made and the analyses conducted in our letter were undertaken in accordance with the customs and practices employed in similar transactions in Hong Kong.

In formulating our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors and representatives of the Company (including those contained or referred to in the Circular) and have assumed that all such information, opinions, facts and representations, which have been provided by the Directors and such representatives, and for which they are wholly responsible, are true and accurate in all respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on

LETTER FROM JS CRESVALE

the representations of the Directors that they have made all reasonable inquiries, and to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement contained in the Circular untrue or misleading. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of dispatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify relying on the accuracy of the information provided in the Circular as well as to provide a reasonable basis for our advice. We have not, however, made any independent evaluation or appraisal of, nor have we conducted any form of independent investigation into, the business affairs or assets and liabilities of SW Treeful or the Company. Additionally, we did not conduct any physical inspection of the properties or facilities of SW Treeful. It is not within our terms of reference to comment on the commercial feasibility of the Agreement and the Acquisition contemplated thereunder, which remains the responsibility of the Directors. As the independent financial adviser to the Independent Board Committee, we have not been involved in the negotiations in respect of the terms of the Agreement and the Acquisition contemplated thereunder.

Our opinion with regard to the terms thereof has been made on the assumption that all obligations to be performed by each of the parties to the Agreement and the Acquisition contemplated thereunder will be fully performed in accordance with the terms thereof. Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us as of the date of the opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee. As a result, circumstances could develop prior to completion of the Agreement and Acquisition contemplated thereunder that, if known at the time we rendered our opinion, would have altered our opinion.

JS Cresvale is a deemed licensed corporation registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and together with its affiliates provide a full range of investment banking and broking services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of the Company for our own account and the accounts of customers. We will receive a fee from the Company for rendering this opinion. The Company has also agreed to indemnify JS Cresvale and certain related persons against certain liabilities and expenses in connection with this engagement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The Agreement and the Acquisition

In arriving at our opinion with regard to the terms of the Agreement and the Acquisition, we have considered the principal factors and reasons set out below. None of these factors or reasons considered by us was assigned a greater significance than any other. We did not form a conclusion as to whether any individual factor or reason, considered in isolation, supported or failed to support our opinion,

although we are not aware of any matter which would have rendered our opinion differently by the results of our analyses of any such individual factors or reasons. Rather, in reaching our conclusion, we have considered the results of the analyses in light of each other and ultimately reached our opinion based on the results of all analyses taken as a whole.

1. The Agreement

On 15 March 2004, the Directors announced that on 5 March 2004, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which, the Purchaser agreed to purchase and the Vendor agreed to sell 30% equity interests in SW Treeful, at a consideration of RMB165 million (equivalent to approximately HK\$155.7 million) subject to adjustment. The Agreement is conditional upon, among other things, the completion of a legal and financial due diligence exercise and the results of which being satisfactory to the Purchaser. The Consideration is subject to adjustment where there are discrepancies between the figures reflected in the Management Accounts and the Valuation Report in the net asset value of SW Treeful for the year ended 31 December 2003. As the consolidated net asset value of SW Treeful ascertained by the Valuation Report for the year ended 31 December 2003, which is approximately RMB501.5 million (equivalent to approximately HK\$473.1 million), is higher than that reflected in the Management Accounts, subject to the adjustment where the Profit Guarantee cannot be met, the Parties have confirmed to use RMB165 million (equivalent to approximately HK\$155.7 million) as consideration. The Consideration shall be satisfied by an aggregate sum of RMB165 million (equivalent to approximately HK\$155.7 million) within 3 months by instalments, RMB20 million (equivalent to approximately HK\$18.9 million) of the aggregate sum will be deposited into a stakeholder account and will not be released until the satisfaction of the Profit Guarantee, (pursuant to which the Vendor had guaranteed to the Purchaser that the audited net profit after taxation of SW Treeful for the year ending 31 December 2004 under the PRC GAAP will be not less than RMB50 million (equivalent to approximately HK\$47.2 million)).

2. Reasons for the Acquisition

Details of the Agreement and the Acquisition are set out in the Letter from the Board contained in the Circular. The subject of the Acquisition, SW Treeful, a Company incorporated in the PRC and is principally engaged in the manufacturing, wholesaling and distributing of a variety of pharmaceutical products in the PRC including but not limited to transfusion agent medicine as its core products, tablets and capsule medicines. SW Treeful has already obtained the relevant licenses from the relevant PRC government authorities to carry out its scope of business stated in its business license. Upon completion of the Acquisition, SW Treeful will become an associated company of the Company. The Directors believes that the Acquisition presents a good investment opportunity for the Company to integrate the business activities of SW Treeful into its existing biotechnology business, and to enhance the earning capacity of the Company as well as its future development and growth.

3. Profit Guarantee

The Vendor had guaranteed to the Purchaser that the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP will be at least RMB50 million (equivalent to approximately HK\$47.2 million). Base on the Profit Guarantee, the Consideration represents a 2004

prospective price-earnings ratio of 11 times (the “Adjusted P/E”) . Where the Profit Guarantee cannot be met (and the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is equal to or more than RMB44.55 million (equivalent to approximately HK\$42.0 million)), the Consideration will be subject to adjustment based on the Adjusted P/E ratio of the attributable 30% net profit of SW Treeful for the financial year ending 31 December 2004. Where the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than RMB44.55 million (equivalent to approximately HK\$42.0 million), the Purchaser is entitled to an option to either (i) rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back from the Purchaser at the same Consideration together with accrued interests (to be calculated with reference to the best lending rate announced by the People’s Bank of China from time to time); or (ii) adjust the Consideration to the net asset value of SW Treeful for the year ended 31 December 2003 ascertained by the Valuation Report, which is approximately RMB150.5 million (equivalent to approximately HK\$141.9 million). As the Acquisition involves state-owned asset, the net asset value of SW Treeful is subject to a valuation to be conducted by qualified PRC valuers and the Consideration cannot in any event be less than the net asset value ascertained by the Valuation Report as required by the PRC law.

The Directors have further confirmed that where the audited consolidated after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than that of SW Treeful for the year ended 31 December 2003 under the PRC GAAP, which is equivalent to RMB30.9 million (equivalent to approximately HK\$29.2) million, the Directors may (i) procure the Purchaser to rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back from the Purchaser at the same consideration together with the accrued interest; or (ii) convene a separate special general meeting of the Company for the purpose of allowing the Independent Shareholders to consider the option to procure the Purchaser not to rescind the Agreement.

We consider that such guarantee would provide a mechanism for the Company to adjust the Consideration in case the audited net profit after taxation of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than an agreed amount of RMB50 million (equivalent to approximately HK\$47.2 million) and for the Company to rescind the Agreement in case the audited net profit after taxation of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than RMB30.9 million (equivalent to approximately HK\$29.2 million).

4. Consideration and Valuation

According to the Directors, the consideration was determined through arm’s length negotiations and based on normal commercial terms between the parties thereto, after taking into account the Valuation Report prepared by 上海東洲資產評估有限公司 (Shanghai Orient Appraisal Co., Ltd.), an independent appraiser qualified in the PRC but does not carry such business in Hong Kong. Nevertheless, we have not relied on the Valuation Report in arriving at our opinion due to the fact that we would like to use our own methodology to conduct a valuation.

In formulating our opinion, we have analysed and considered the current market multiples of various comparable and listed companies principally engaged in pharmaceutical products manufacturing business based in the PRC. The comparable companies and the ratios selected are based

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on the nature, location, the comparability to the business of SW Treeful, assets contained and the availability of the financial information to the public. Set out below are certain multiples of the comparable listed companies and the ratios used are the comparable companies’ market valuation base on earnings, net tangible assets value and revenue.

For the purpose of comparison only, we have considered various measures including:

- i. the price to earnings ratio;
- ii. the price to net tangible asset ratio;
- iii. the enterprise value to EBITDA ratio; and
- iv. the enterprise value to net sales ratio.

based on publicly available data as at the Latest Practicable Date and the listed companies’ most recently published financial information.

Name	Ticker	Location	Price/ Earnings (X)	Price/Net tangible asset (X)	Price/ Sales (X)	Enterprise value/ EBITDA (X)	Enterprise value/ Book (X)	Enterprise value/ Sales (X)
Hong Kong								
Kinetana International Biotech	8031	Hong Kong	NA	0.89	59.92	NA	0.11	9.44
Essex Bio-technology	8151	Hong Kong	NA	1.48	1.67	NA	0.88	1.29
Tianjin TEDA Biomedical Eng	8189	PRC	NA	1.23	2.20	NA	NA	NA
Shanghai Fudan-Zhangjiang	8231	PRC	NA	2.40	55.57	NA	1.68	14.43
Far East Pharmaceutical Tech	399	Hong Kong	11.63	2.60	2.05	3.48	1.05	0.91
Shangdong Xinhua Pharmaceutical	719	Hong Kong	15.49	0.56	0.60	13.78	1.38	1.48
Extrawell Pharmaceutical	858	Hong Kong	15.29	4.91	3.32	10.57	1.74	2.68
China Pharmaceutical	1093	Hong Kong	7.06	1.81	1.44	5.16	1.90	1.63
Sino Biopharmaceutical	1177	Hong Kong	15.85	3.89	1.59	5.79	3.16	1.32
Everpride Bio Pharmaceutical	8019	Hong Kong	NA	0.69	3.10	22.14	1.85	3.12
Jilin Province Huinan Changlong Bio-pharmacy	8049	Hong Kong	19.89	0.98	1.95	6.28	0.69	1.59
Average			14.20	1.95	11.31	9.60	1.44	3.79
PRC								
Shenzhen Neptunus Bioengineering	78	PRC	53.31	1.43	1.59	NA	NA	NA
Anhui Fengyuan Pharmaceutical	153	PRC	76.5	2.61	7.82	NA	NA	NA
Livzon Pharmaceutical	513	PRC	28.23	2.74	1.48	8.19	1.93	1.1
Jilin Pharmaceutical	545	PRC	236.67	5.37	5.52	37.25	6.98	7.24
Hubei Biocause Pharmaceutical	627	PRC	NA	3.73	5.9	NA	NA	NA

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Name	Ticker	Location	Price/ Earnings (X)	Price/Net tangible asset (X)	Price/ Sales (X)	Enterprise value/ EBITDA (X)	Enterprise value/ Book (X)	Enterprise value/ Sales (X)
Qingdao Apelo	739	PRC	31.08	4.05	1.41	NA	NA	NA
Shandong Xinhua Pharmaceutical	756	PRC	56.46	2.03	2.17	13.78	1.38	1.48
Southwest Synthetic Pharmaceutical	788	PRC	199.33	6.73	3.54	349.64	6.58	3.46
Livzon Pharmaceutical	200513	PRC	18.85	1.83	0.99	8.19	1.93	1.1
Beijing Double Crane Pharmaceutical	600062	PRC	54.87	6.75	2.52	19.11	4.41	1.69
Henan Topfond Pharmaceutical	600253	PRC	43.23	2.98	3.49	16.51	2.73	3.24
Zhejiang Hisun Pharmaceutical	600267	PRC	28.84	5.18	3.22	10.57	3.99	2.52
Dalian Merro Pharmaceutical	600297	PRC	77.08	2	1.45	NA	NA	NA
Sichuan Dikang Sci & Tech Pharmaceutical	600466	PRC	80	1.59	6.72	NA	NA	NA
Guangdong Kangmei Pharmaceutical	600518	PRC	36.45	4.89	4.04	NA	NA	NA
Hubei Qianjiang Pharmaceutical	600568	PRC	73.62	1.95	4.88	NA	NA	NA
Harbin Pharmaceutical	600664	PRC	28.65	NA	1.39	NA	NA	NA
Southwest Pharmaceutical	600666	PRC	49.71	3.86	3.09	NA	NA	NA
Shandong Lukang Pharmaceutical	600789	PRC	45.31	1.5	2.51	NA	NA	NA
North China Pharmaceutical	600812	PRC	33.61	NA	1.98	12.61	3.61	2.53
Star Lake Bioscience Co Inc.	600866	PRC	36.95	3.02	5.04	NA	NA	NA
Shenzhen Benelux Industrial Co.	200041	PRC	154.89	4.25	8.21	32.29	5.05	11.12
Guangxi Beisheng Pharmach	600556	PRC	21.92	2.38	3.78	9.52	2.94	4.94
Sihuan Pharmaceutical Co. Ltd.	000605	PRC	53.42	8.58	8.5	NA	NA	NA
Beijing Tiantan Biological	600161	PRC	68.34	5.23	12.13	23.81	3.43	8.44
Anhui Koyo Group Co. Ltd.	000979	PRC	482.5	2.01	2.8	NA	NA	NA
Average			82.79	3.61	4.08	45.12	3.75	4.07
Overall average			69.52	3.09	6.23	32.04	2.70	3.94
Implied multiples for the Consideration if the Profit Guarantee is met			11.00	1.16	1.14	60.20	4.51	5.60

Source: Bloomberg

Notes:

For the purpose of comparison only:

- The ratios were calculated on the basis of the companies' respective market capitalisation determined as according to Bloomberg as at the Latest Practicable Date and the companies' financial data as of financial year 2002 or 2003 as according to Bloomberg.
- Price refers to market capitalisation as at 21 April 2004.

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3. Enterprise Value refers to the sum of market capitalisation as at the Latest Practicable Date and net indebtedness as according to the latest publicly available information.
4. We have derived the implied valuation multiples of SW Treeful on the basis of the Consideration and the Audited Accounts. Enterprise Value of the SW Treeful refers to the earning of SW Treeful for year ended 31 December 2003 times 69.52 (the average price earning ratio of all comparables listed in the aforementioned table).
5. Earnings refer to net profit excluding extraordinary items as according to the latest publicly available information.
6. Earnings of SW Treeful refer to net profit excluding extraordinary items as according to the Audited Accounts.
7. EBITDA refers to the earnings before interest, taxes, depreciation and amortisation according to the latest publicly available information.
8. The country and regional averages are included for the convenience of the reader only and do not necessarily represent the actual country and regional averages.

According to the Audited Accounts, the book value of SW Treeful as at 31 December 2003 was approximately RMB476.1 million. The Consideration of RMB165 million (approximately HK\$155.7 million) represents approximately a premium of 15.5% to the book value under PRC GAAP. According to the Audited Accounts, the Consideration represents approximately 17.8 times of net earnings for the year ended 31 December 2003. Besides, the Consideration represents 11 times of earnings for the year ending 31 December 2004 as according to the Profit Guarantee.

As where such Profit Guarantee cannot be met (and the audited after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is equal to or more than RMB44.55 million (equivalent to approximately HK\$42.0 million)), the Consideration will be subject to adjustment based on the the attributable 30% net profit of SW Treeful for the financial year ending 31 December 2004 multiplied by the Adjusted P/E ratio of 11 times.

As indicated earlier, the implied multiples of the Consideration and the net asset value of SW Treeful are within the ranges of the multiples of the comparable listed companies set out in the table. Even in the scenario where the Profit Guarantee is not met and the net profit of SW Treeful for the year ending 31 December 2004 is the same as that of the year ended 31 December 2003 and the Directors decide not to rescind the Agreement, the implied price-earning ratio of approximately 17.8 times is still within the ranges of multiples of the comparable listed companies set out herein.

Besides, the Directors confirmed to us that in the event the Profit Guarantee is not met or the audited consolidated after-tax profit of SW Treeful for the year ending 31 December 2004 under the PRC GAAP is less than that of SW Treeful for the year ended 31 December 2003 under the PRC GAAP, the Company still have an option to either (i) rescind the Agreement, under which the Vendor will purchase the 30% equity interests in SW Treeful back from the Purchaser at the same Consideration together with accrued interests (to be calculated with reference to the best lending rate announced by the People's Bank of China from time to time; or (ii) convene a special general meeting of the Company for the purpose of allowing the Independent Shareholders to consider the option to procure the Purchaser not to rescind the Agreement (collectively the "Option"). We consider that such action will give the Independent Shareholders an opportunity to review the decision of the Board should the Directors propose not to rescind the Agreement.

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Having considered the above-mentioned factors, we consider that the Valuation, the Consideration and the Option is fair and reasonable in so far as the Independent Shareholders are generally concerned. However, because of the inherent differences between the businesses, operations and prospects of the Assets and the companies included in the comparable listed companies, the market multiples comparison above should be used with care.

5. Funding of the Acquisition

As stated in the letter from the Board in the Circular, the Consideration payable to Vendors will be financed by internal resources of the Company. The Directors have further confirmed that they forecast that the Company will have sufficient internal resources to fund the Acquisition. We have no reason to believe that the Company will not be able to fund the Acquisition.

6. Financial impacts of the Acquisition on the Company

According to the Audited Accounts, the audited book net asset value of SW Treeful was approximately RMB476.1 million (equivalent to approximately HK\$449.2 million). SW Treeful recorded an audited net profit of approximately RMB30.9 million (equivalent to approximately HK\$29.2 million) for the financial year ended 31 December 2003. SW Treeful is owned as to 55.97% by the Vendor.

On a pro-forma basis and assuming that the Acquisition had taken place on 1 January 2003 and assuming that the Company would have used the internal cash to satisfy the Acquisition and taking into account with other factors such as amortization of goodwill, the pro-forma loss of the Company in 2003, RMB27.52 million (approximately HK\$25.96 million), would have decreased by RMB9.3 million (approximately HK\$ 8.7 million), representing a decrease of approximately 33.7%. The loss of the Group are annualised with the unaudited interim result of the Group for the six months ended 30 June 2003 amounted to approximately RMB 13.76 million (approximately HK\$12.98 million) as published in the Group's Interim Report dated 29 September 2003. We note that this would represent an enhancement to earnings.

RECOMMENDATION

Having considered the above-mentioned principal factors including the Agreement, the reason for the Acquisition, the Consideration and the Valuation, funding and the financial impact of the Acquisition on the Company, we are of the opinion that the Agreement and the Acquisition contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreement.

Yours faithfully,
For and on behalf of
JS Cresvale Capital Limited
Francis Yeung
Director & Head of Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Interests or short positions of Directors in the share capital of the Company and its associated corporations

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares and underlying Shares and debenture of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Shares

Name of Director	Capacity	Nature of interest	Number of Shares	% of issued share capital of the Company
Mr. Leung Wai Kwan	Beneficial Owner	Personal	6,450,000	0.306%
Mr. Tang Tin Sek	Beneficial Owner	Personal	300,000	0.014%

(ii) Interests in the share options

Name of Director	Number of share options outstanding	Exercise price (HK\$)	Date of grant	Exercise period		Total interests (approximate percentage of the issued Shares)
				From	To	
Mr. Tong Nai Kan	17,500,000	0.145	29 Aug 2001	1 Mar 2002	28 Feb 2005	0.831%
	9,966,000	0.100	3 Jan 2003	3 Jan 2003	2 Jan 2008	0.473%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (including their spouses, minor children, related trusts and companies controlled by them) had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Persons who had an interest or short position which was discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholders (as defined under the Listing Rules)

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no person, other than disclosed below, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

				% of issued share capital of the Company
Name of Shareholder	Capacity	Nature of interest	Number of Shares	
Worldbest (HK) (Notes 1&2)	Beneficial Owner	Corporate	280,000,000	13.3%
CWGC (Notes 1&2)	Beneficial Owner	Corporate	280,000,000	13.3%
Sunberry Investments Limited (“Sunberry”) (Note 3)	Beneficial Owner	Corporate	155,546,482	7.39%
U-Cyber Technology Holdings Limited (“U-Cyber”) (Note 3)	Beneficial Owner	Corporate	155,546,482	7.39%
Choi Hing Enterprise Limited	Beneficial Owner	Corporate	105,230,000	5.0%

Note 1: Worldbest (HK) currently holds a convertible bond issued by the Company on 9 December 2003 in the principal amount of HK\$36,000,000. Upon full exercise of the conversion rights, of which Worldbest (HK) may convert the whole or part of the principal amount of the convertible bond into Shares, Worldbest (HK) will hold an aggregate of 640,000,000 shares representing approximately 25.97% of the then enlarged issued share capital of the Company.

Note 2: Worldbest (HK) is a wholly owned subsidiary company of CWGC. In accordance with the SFO Ordinance, the interests of Worldbest (HK) are deemed to be, and have therefore been included in, the interests of CWGC.

Note 3: Sunberry is a wholly owned subsidiary company of U-Cyber. In accordance with the SFO Ordinance, the interest of Sunberry are deemed to be, and have therefore been included in, the interests of U-Cyber.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital.

3. LITIGATION

Neither the Company nor any member of the Group is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2003, being the date to which the latest financial statements of the Group were made up.

5. QUALIFICATION OF EXPERT

The following is the qualification of the expert whose advice or opinion is contained in this circular:

Name	Qualification
JS Cresvale Capital Limited	Deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, JS Cresvale Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. CONSENT OF EXPERT

JS Cresvale Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or letter dated 22 April 2004 for incorporation in this circular, and/or reference to its name in the form and context in which it is included.

7. MISCELLANEOUS

- (a) None of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

- (b) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (c) The principal place of business of the Company in Hong Kong is situated at Suite 3206-3211, 32/F., One International Finance Centre, 1 Harbour View Street, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Mr. Sherman K C Lee, MBA, BA (Hons), FCCA, ACIS.
- (f) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the offices of Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong, from the date of the circular up to and including 14 May 2004:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2002;
- (iii) the interim report of the Company for the six months ended 30 June 2003;
- (iv) all circulars issued by the Company since the date of the latest published audited accounts;
- (v) the letter from JS Cresvale as set out on pages 16 to 23 of this circular;
- (vi) the written consent from JS Cresvale referred to in paragraph 6 of this Appendix;
- (vii) the letter from the Independent Board Committee as set out on page 15 of this circular; and
- (viii) this circular.

NOTICE OF SPECIAL GENERAL MEETING



INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00340)

NOTICE is hereby given that a special general meeting (the “SGM”) of INNOMAXX Biotechnology Group Limited (the “Company”) will be held at 11:00 a.m. on 14 May 2004 at Suites 3206-3211, 32/F., One International Finance Centre, 1 Harbour View Street, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- (a) the sale and purchase agreement dated 5 March 2004 (the “Agreement”) entered into between 中國華源生命產業有限公司 (China Worldbest Life Industries Co., Ltd.) and Offspring Investments Limited, a copy of which has been produced to the SGM marked “A” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved, ratified and confirmed;
- (b) the Acquisition (as defined in the announcement of the Company dated 12 March 2004) contemplated thereunder be and is hereby approved and confirmed; and
- (c) the directors of the Company be and are hereby authorized for and on behalf of the Company, amongst other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, and to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Agreement and the Acquisition contemplated thereunder and to waive compliance from or make or agree such variations of a non-material nature to any of the terms thereof as they may in their discretion consider to be desirable and in the interest of the Company.”

By Order of the Board of
INNOMAXX Biotechnology Group Limited
Sherman K C Lee
Company Secretary

Hong Kong, 22 April 2004

** For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

Registered Office:

Clarendon House
Church House
Hamilton HM 11
Bermuda

Notes:

- (1) A member entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and to vote on his behalf. A proxy need not be a member of the Company.
- (2) A form of proxy of the SGM is enclosed. Whether or not a member intends to attend the SGM in person, he/she/it is urged to complete and return the form of proxy in accordance with the instructions printed thereon.
- (3) To be valid, a form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, located at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.
- (4) Where there are joint holders of a share of the Company, any one of such holders may vote at the SGM either personally or by proxy in respect of such share as if such holder were solely entitled thereto, but if more than one of such holders be present at the SGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.



INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(Incorporated in Bermuda with limited liability)

Form of Proxy for the Special General Meeting to be held on Friday, 14 May 2004

I/We⁽¹⁾ _____
of _____
being the registered holder(s) of _____ shares⁽²⁾ of HK\$0.10 each in the capital of
INNOMAXX Biotechnology Group Limited (the "Company"), HEREBY APPOINT _____
of _____
or failing him, the Chairman of the Meeting⁽³⁾ as my/our proxy to attend and vote for me/us at the Special General Meeting (and at any adjournment thereof) of the Company to be held at Suites 3206-3211, 32/F., One International Finance Centre, 1 Harbour View Street, Hong Kong on Friday, 14 May 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice convening the said Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the Resolutions as indicated below.

ORDINARY RESOLUTION	FOR ⁽⁴⁾	AGAINST ⁽⁴⁾
No. a		
No. b		
No. c		

Dated this _____ day of _____ 2004 Signed _____

Notes:

- (1) Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- (2) Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- (3) Please insert the name and address of the proxy desired in the space provided. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
- (4) **IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTIONS, PLEASE TICK THE APPROPRIATE BOXES MARKED "FOR". IF YOU WISH TO VOTE AGAINST ANY RESOLUTIONS, PLEASE TICK THE APPROPRIATE BOXES MARKED "AGAINST".** Failure to complete any or all the boxes will entitle your proxy to cast his votes at his discretion. Your proxy will also be entitled to vote at his discretion on any resolutions properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- (5) This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- (6) In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
- (7) To be valid, this form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrars, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
- (8) The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- (9) Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

* For identification purposes only