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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jiwa Bio-Pharm Holdings Limited, you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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

11 July 2007

* For identification purpose only

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DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of Longchang Company as contemplated by the Sale and Purchase Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturday or Sunday) where banks in the PRC are generally open for business
“Company”	Jiwa Bio-Pharm Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Co-operation Agreement”	the co-operation agreement dated 17 June 2007 by and between, among others, Jiwa Development and the Partner
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiwa Development”	Jiwa Development Co., Ltd., a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“Latest Practicable Date”	9 July 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Longchang Company”	山西繁峙縣龍昌實業有限責任公司 (Shanxi Fanshi County Longchang Industrial Co., Ltd.), a limited liability company incorporated in the PRC
“Partner”	Mr. Guo Dongyu, an independent third party
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC for the time being
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 June 2007 entered into between the Vendors, Jiwa Development and the Partner in relation to the Acquisition
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Hou Mingqiang and Mr. Yang Yongshan, each of whom is an independent third party
“%”	per cent.

For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.0258 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK\$ have been, could have been or may be converted at such rate.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lau Yau Bor (*Chairman*)

Mr. Lau Kin Tung (*Vice Chairman and
Chief Executive Officer*)

Madam Chan Hing Ming

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

Mr. Seet Lip Chai

*Head office and principal place of
business in Hong Kong:*

Room 2904 & 2906

Tower One, Lippo Centre

89 Queensway, Central

Hong Kong

11 July 2007

To the Shareholders:

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 26 June 2007, the Board announced that Jiwa Development, a wholly-owned subsidiary of the Company, has entered into (i) the Sale and Purchase Agreement; and (ii) the Co-operation Agreement, pursuant to which Jiwa Development and the Partner have agreed to purchase from the Vendors 70% and 30% of the equity capital in Longchang Company respectively for an aggregate consideration of RMB35,000,000. The consideration attributable to the Company's purchase of the 70% interest in the equity capital of Longchang Company is RMB24,500,000 (equivalent to approximately HK\$25,132,100).

* For identification purpose only

LETTER FROM THE BOARD

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide you with further information relating to the Sale and Purchase Agreement and the Co-operation Agreement.

THE SALE AND PURCHASE AGREEMENT

Date: 17 June 2007

Parties to the Sale and Purchase Agreement:

(1) Vendors: Mr. Hou Mingqiang, holder of 60% equity interest in Longchang Company;
and

Mr. Yang Yongshan, holder of 40% equity interest in Longchang Company.

(2) The Partner, as purchaser of 30% of the equity interest in Longchang Company.

(3) Jiwa Development, a wholly owned subsidiary of the Company, as purchaser for 70% equity interest in Longchang Company.

To the best knowledge of the Directors, after having made reasonable enquiry, the Partner and the Vendors are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendors have agreed to sell 70% equity interest in Longchang Company to Jiwa Development and 30% equity interest in Longchang Company to the Partner. Mr. Hou Mingqiang and Mr. Yang Yongshan will transfer 60% and 10% equity interests in Longchang Company to Jiwa Development, respectively, and Mr. Yang Yongshan will transfer his remaining 30% equity interest in Longchang Company to the Partner. Pursuant to the Sale and Purchase Agreement, there is no restriction on the subsequent sale by the Company of its interest in Longchang Company.

Assets to be acquired

The asset to be acquired is 70% equity interest in Longchang Company, a limited liability company incorporated in the PRC, which possesses the rights to the exploitation of iron ores in an area comprising approximately 3 square kilometres in Fanshi County of Shanxi Province, the PRC.

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Longchang Company only completed its exploration of iron ore reserves in 2005 and no financial statements have been prepared for the period ended before 31 December 2005. Based on the unaudited accounts for the year ended 31 December 2006 prepared in accordance with PRC accounting standards, the loss before and after tax of Longchang Company was RMB412,405 (equivalent to approximately HK\$423,046). The net asset value of Longchang Company as at 31 December 2006 was approximately RMB1,037,594 (approximately HK\$1,064,364).

Consideration

The aggregate consideration for the acquisition of the entire equity interest in Longchang Company by Jiwa Development and the Partner is RMB35,000,000 (approximately HK\$35,903,000). The consideration attributable to the Company for the Acquisition is RMB24,500,000 (approximately HK\$25,132,100).

Payment terms

The consideration payable by the Company to the Vendors will be paid in the following manner:

- (1) a first payment of RMB1,400,000 (equivalent to approximately HK\$1,436,120) has been paid within 3 Business Days from the execution of the Sale and Purchase Agreement; and
- (2) a second payment of RMB21,000,000 (equivalent to approximately HK\$21,541,800) will be payable within 15 Business Days after the transfer of the 70% and 30% equity interests in Longchang Company to Jiwa Development or its nominee and the Partner respectively have been registered with the PRC authorities; and
- (3) the remaining balance of RMB2,100,000 (equivalent to approximately HK\$2,154,180) will be payable within 20 Business Days after completion of the transfer of the 70% and 30% equity interests in Longchang Company to Jiwa Development or its nominee and the Partner respectively and the confirmation by Jiwa Development and the Partner of the equipment of Longchang Company is capable of supporting the production and operation of the company.

The consideration was determined with reference to the estimated deposit of iron ores held by Longchang Company and the guarantee to be provided by the Partner, the details of which are set out in the paragraph headed “The Co-operation Agreement” below. With the assistance of mining professionals including the Partner, the Directors have since early 2007 been exploring suitable investment opportunities in the mining industry. Since that period, the Directors have visited several mines in Shanxi province and have collected market information and data on mining operations in the PRC. In addition, the Company has, with the assistance of mining professionals, also conducted market studies and feasibility studies into investments in this area.

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Through the information and knowledge gained during that period and the studies made, the Directors consider that the Acquisition has been made on normal commercial terms and after arm's length negotiations. The terms of the Acquisition are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Company will pay the consideration by cash from its internal resources to an account designated by the Vendors.

Pursuant to the terms of the Sale and Purchase Agreement, all debts and liabilities incurred by Longchang Company prior to completion will be borne by the Vendors. Any outstanding debts incurred by Longchang Company prior to completion will be deducted from payment to the Vendors. Based on the unaudited management accounts of Longchang Company, the current debt of Longchang Company as at 30 May 2007 was approximately RMB3,500,000 (approximately HK\$3.59 million).

Condition of the Sale and Purchase Agreement

Completion of the Acquisition is conditional upon the approval and registration of the transfer of the equity interest from the Vendors to Jiwa Development or its nominee by the Shanxi Administrative Bureau for Industry and Commerce.

THE CO-OPERATION AGREEMENT

Date: 17 June 2007

Parties to the Co-operation Agreement:

- (1) The Partner;
- (2) Jiwa Development;
- (3) Shanxi Cheng'an Electric Co., Ltd. (as one of the joint guarantors for the Partner); and
- (4) Shanxi Wutai County Fudi Mining Co., Ltd. (as one of the joint guarantors for the Partner).

To the best knowledge of the Directors, after having made reasonable enquiry, each of the Partner, Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd. and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

The Partner is beneficial interested in 63% of Shanxi Cheng'an Electric Co., Ltd. and is beneficial interested in 50% of Shanxi Wutai County Fudi Mining Co., Ltd. Shanxi Cheng'an Electric Co., Ltd. is principally engaged in the operation of a power station in Shanxi and Shanxi Wutai County Fudi Mining Co., Ltd. is principally engaged in the sale of iron ores and mining equipments. Each of Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd., being companies that the Partner has an equity interest, has provided joint and several guarantees to Jiwa Development to assume the obligations of the Partner in the event of his failure to discharge his obligations under the Co-operation Agreement. These two companies were made parties to the Co-operation Agreement as guarantors of the Partner's obligations. Save for their role as guarantors, Shanxi Cheng'an Electric Co., Ltd. and Shanxi Wutai County Fudi Mining Co., Ltd. have no functional role in the Co-operation Agreement.

Pursuant to the Co-operation Agreement, the Partner has provided a guarantee to Jiwa Development that the deposit of iron ores held by Longchang Company will not be less than 10 million tons and that it will compensate Jiwa Development for any shortfall in the deposit of iron ores of Longchang Company at RMB1.4285 per ton. The deposit of iron ores held by Longchang Company will be verified by a technical expert independent of the Partner, the Vendors and the Company after the execution of the Cooperation Agreement and any shortfall would immediately become payable by the Partner under the guarantee. Notwithstanding that the Partner has no relationships with the Vendors, it was through the introduction by the Partner that the Company comes into contact with the Vendors. In this connection, the Company has secured the guarantee from the Partner to safeguard the Company's investment in Longchang Company, as the Company has no previous experience in this sector and had partly relied on the Partner's expertise on evaluating the investment.

Pursuant to the terms of the Co-operation Agreement, Jiwa Development may deduct any compensation payable by the Partner under the guarantee from the future dividend of Longchang Company. Given this ability to deduct the compensation payable under the guarantee from future dividend of Longchang Company and the Partner's interest in Shanxi Cheng'an Electric Co., Ltd., which owns a power station, and Shanxi Wutai County Fudi Mining Co., Ltd., which has an active business of selling iron ores and mining equipment, the Directors are of the view that the Partner has the financial resources to discharge his financial obligations under the Sale and Purchase Agreement and the Co-operation Agreement, including the payment of any amount under the guarantee as provided in the Co-operation Agreement, if it is called upon.

SCOPE OF THE CO-OPERATION

Pursuant to the Co-operation Agreement, Jiwa Development and the Partner will co-operate and purchase the entire equity capital of Longchang Company. The Partner is experienced in the mining industry through his shareholding interest in Shanxi Wutai County Fudi Mining Co., Ltd., a company which is principally engaged in, among other things, the selling of iron ores. The Company has plans to diversify and invest into the rapidly developing mining industry. The Company and the Partner therefore decided to co-operate and jointly invest into Longchang

LETTER FROM THE BOARD

Company. As the Directors are inexperienced in the mining industry, the Directors consider that it would be beneficial to the Company to co-operate with the Partner, who is experienced in the mining industry, to purchase the entire equity capital of Longchang Company. The Company plans to hire mining professionals in the near future to enhance its knowledge and expertise in the mining sector.

As the Directors have no expertise or previous experience in the mining industry, Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

Jiwa Development and the Partner will acquire the equity capital of Longchang Company in accordance with the terms of the Sale and Purchase Agreement.

BOARD OF DIRECTORS OF LONGCHANG COMPANY

After completion of the Acquisition, Jiwa Development and the Partner will establish a 5-member board to manage the operation of Longchang Company. Jiwa Development or its nominee will have the right to appoint 4 directors and the Partner will have the right to appoint 1 director.

INFORMATION ON LONGCHANG COMPANY

Longchang Company is a limited liability company established in the PRC on 8 September 2003 and owns the exploitation rights to an area of approximately 3 square kilometres in Fanshi County of Shanxi Province for iron ores. Longchang Company completed its exploration of iron ore reserves in 2005 and obtained its license for the exploitation of iron ores from the Shanxi State Land and Resources Bureau in April 2006. The exploitation license granted by the Shanxi State Land and Resources Bureau has a term of two years and is renewable upon the expiry of its current term in April 2008.

Longchang Company commenced its current business operation of exploitation and refining of iron ores in May 2007. It is principally engaged in the exploitation of iron ores, refining and selling of refined magnetite products and is not engaged in any exploration work for natural resources.

At Completion, Longchang Company will be accounted for as a non-wholly owned subsidiary of the Group.

REASON FOR THE ACQUISITION

The Group is principally engaged in the research development, manufacture and sale of pharmaceutical products.

LETTER FROM THE BOARD

The Directors have been exploring new investment opportunities for the Company and have since early 2007 been evaluating investment opportunities in the mining area. The Directors have visited several mines and have conducted market studies and feasibility studies into investments in this area. Given the increase in demand in mineral resources and that Longchang has just commenced its operation of exploitation and refining of iron ores, the Directors, through information and knowledge gained while evaluating investments in the mining sector and studies made in market prices and production costs, consider that the Acquisition will provide an opportunity for the Company to diversify into a new business sector that would provide positive contributions to the operation of the Group in the long run.

Having considered the reasons above, the Directors consider that the Acquisition has been made on normal commercial terms and after arm's length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Company will be interested in 70% of the equity capital of Longchang Company and Longchang Company will be accounted for as a non wholly-owned subsidiary of the Company.

The consideration for the Acquisition will be financed by the internal resources of the Company and it is not expected that the Acquisition will give rise to any material effect on the earnings, assets and liabilities of the Group.

FURTHER INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully
For and on behalf of
Jiwa Bio-Pharm Holdings Limited
Lau Kin Tung
Vice Chairman and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. 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

As at the Latest Practicable Date, no Directors or chief executive of the Company, save as disclosed below, had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

Interests in issued Shares

Name of Director	Personal interests (Note 1)	Family interests	Share corporate interests	Total number of Shares held	% of total issued Shares
Lau Yau Bor	22,626,000	35,000,000 (Note 2)	280,000,000 (Note 4)	337,626,000	67.53%
Lau Kin Tung	2,266,000	—	35,000,000 (Note 5)	37,266,000	7.45%
Chan Hing Ming	—	302,626,000 (Note 3)	35,000,000 (Note 6)	337,626,000	67.53%

Notes:

1. The Shares are registered under the name of the Directors or chief executive of the Company who are the beneficial owners.
2. These Shares are held by MINGS Development Holdings Limited which is wholly and beneficially owned by Chan Hing Ming, the spouse of Lau Yau Bor.

- 280,000,000 Shares are held by LAUs Holding Co. Ltd. which is wholly and beneficially owned by Lau Yau Bor, the spouse of Chan Hing Ming, 22,626,000 Shares are held by Lau Yau Bor as beneficial owner.
- These Shares are held by LAUs Holding Co. Ltd., the entire issued share capital of which is held by Lau Yau Bor.
- These Shares are held by WHYS Holding Co. Ltd, the entire issued share capital of which is held by Lau Kin Tung.
- These Shares are held by MINGS Development Holdings Limited, the entire issued share capital of which is held by Chan Hing Ming.

Interests in underlying Shares

Name of Director	Nature	Capacity	Total number of underlying Shares	Date of grant	% of total issued Shares
Lau Yau Bor	Share options (Note)	Personal interest	5,000,000	29 December 2004	
			<u>5,000,000</u>	12 April 2006	
			10,000,000		2%
Lau Kin Tung	Share options (Note)	Personal Interest	5,000,000	12 April 2006	
			<u>5,000,000</u>	12 April 2007	
			10,000,000		2%
Chan Hing Ming	Share options (Note)	Personal Interest	5,000,000	29 December 2004	
			5,000,000	12 April 2006	
			<u>5,000,000</u>	12 April 2007	
			15,000,000		3%

Note: The share options were granted under the share option scheme of the Company adopted on 24 September 2003.

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, no other person other than a Director whose interests are disclosed above, 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, 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 meeting of any other member of the Group or had any option in respect of such capital:

Name	Number of Shares held	% of the issued share capital
LAUs Holding Co Ltd (<i>Note 1</i>)	280,000,000	56%
MINGS Development Holdings Limited (<i>Note 2</i>)	35,000,000	7%
WHYS Holding Co. Ltd. (<i>Note 3</i>)	35,000,000	7%

Notes:

1.

LAUs Holding Co. Ltd., a company incorporated in the British Virgin Islands, is wholly owned by Lau Yau Bor.
2.

MINGS Development Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Chan Hing Ming.
3.

WHYS Holding Co. Ltd., a company incorporated in the British Virgin Islands, is wholly owned by Lau Kin Tung.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

5. LITIGATION

No member of the Group was engaged in any litigation or arbitration proceedings of material importance as at the Latest Practicable Date and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

7. MISCELLANEOUS

- (a) The company secretary, the financial controller and the qualified accountant of the Company is Mr. Chu Kim Ho, who is a fellow member of The Association of Chartered Certified Accountants.
- (b) The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited whose address is Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited whose address is 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.