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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)

ANNOUNCEMENT DISCLOSEABLE AND CONNECTED TRANSACTION

The Board announce that on 28 October 2008, the Purchaser (a wholly owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and Jiwa Development agreed to purchase the Sale Shares at a consideration of HK\$9,659,000.

Given that the applicable percentage ratios under the Listing Rules for the Transaction is less than 25% but greater than 5%, the Transaction constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Vendors are directors of the Company, Mr. Lau Yau Bor is also a substantial shareholder of the Company, the Transaction therefore constitutes connected transaction of the Company under the Listing Rule. As the applicable percentage ratios are more than 2.5% but less than 25% and the consideration is less than HK\$10,000,000, the Transaction is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders approval pursuant to Chapter 14A of the Listing Rule.

A circular containing, among other things, details of the Transaction will be dispatched to Shareholders as soon as applicable.

THE SALE AND PURCHASE AGREEMENT

Summary

On 28 October 2008, the Purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and Jiwa Development agreed to purchase the Sale Shares of Jiwa P&C at a consideration of HK\$9,659,000.

Parties

Purchaser: Jiwa Development Company Limited, a wholly owned subsidiary of the Company, incorporated in British Virgin Islands.

Vendor: Lau Yau Bor, substantial shareholder, chairman and executive director of the Company. He owned 60% equity interest of Jiwa P&C.

Lau Kin Tung, vice chairman and executive director of the Company. He owned 40% equity interest of Jiwa P&C. He is also the son of Lau Yau Bor.

Condition Precedent

Completion of the sale and purchase of the Sale Shares shall be conditional upon the following conditions precedent being fulfilled or waived on or before the Completion Date:

- (a) the Purchaser has to complete a due diligence review on Jiwa P&C within 20 Business Days from the date of the Sale and Purchase Agreement and is satisfied to the Purchaser in its sole and absolute discretion;
- (b) all necessary approvals or consents in relation to the transactions contemplated by the Sale and Purchase Agreement.

Sale and Purchase of the Sale Shares

The Vendor agreed to sell to the Purchaser and the Purchaser agreed to purchase at the consideration the Sale Shares. The Purchaser will not and shall not purchase or (as the case may be) assume any of the followings from the Vendors:

- (a) the Assets (other than the PRC Interests);
- (b) the Liabilities; and
- (c) the PRC Receivables.

The Vendor, the Purchaser and Jiwa P&C entered into the Deed on 28 October 2008, pursuant to which, the Vendor accepted and assumed all the Liabilities of Jiwa P&C as at the Accounts Date; the Purchaser undertook that it will procure Jiwa P&C to enter into any documents to effect the transfer of all or any of the Assets to the Vendors; Jiwa P&C acknowledged, confirmed and agreed that (i) the Vendor had assumed all the Liabilities; (ii) after the date of the Deed, the obligation to settle any of the Liabilities has vested with the Vendors; (iii) notwithstanding the sale and purchase of the Sale Shares, the Purchaser had not purchased any Assets of Jiwa P&C under the Sale and Purchase Agreement; (iv) the title of all the Assets of Jiwa P&C shall be transferred to the Vendors and Jiwa P&C will sign or execute such documents as may be required to effect any such transfer.

Pursuant to the Sale and Purchase Agreement, the Purchaser undertook that in case the PRC Subsidiary receives all or any part of the PRC Receivables (“Received PRC Receivables”), it will use its best endeavours to procure the PRC Subsidiary to repay 93% of the Received PRC Receivables to the Vendors within 30 Days from the date of its receipt in such manner as the Vendors may require from time to time provided that none of the Purchaser, Jiwa P&C, or the PRC Subsidiary shall be under any duty or obligation to collect all or any PRC Receivables for and on behalf of any of the Vendors.

Consideration and payment terms

A cash consideration of HK\$9,659,000 has been determined with reference to the adjusted net asset value of Jiwa P&C amounted to HK\$8,804,000. Upon Completion, the Purchaser shall deliver to the Vendor the Consideration by TT transfer or by certified cheque made to the order of each of the Vendor in the following amount:

Lau Kin Tung: HK\$3,863,600

Lau Yau Bor: HK\$5,795,400

REASON AND FINANCIAL EFFECT OF THE TRANSACTION

Jiwa P&C is mainly engaged in marketing and distribution of pharmaceuticals in the PRC, it has a well established distribution network in the PRC for the sale of specialized drugs, the management of the Company considered the acquisition of Jiwa P&C would enhance the existing distribution network of the Group and bring synergy to the Group by merging the two marketing systems of its own specialized areas.

The Directors (including the independent non-executive Directors) are of the opinion that the Sale and Purchase Agreement is made on normal commercial terms in the ordinary and usual course of business of the Group and is in the best interests of the Company and its Shareholders as a whole and that the terms of the Agreement is fair and reasonable.

According to the unaudited management accounts of Jiwa P&C, it has recorded a profit before taxation and extraordinary items for the years ended 31 March 2007 and 31 March 2008 of HK\$524,000 and HK\$1,727,000 respectively, and the profit after taxation and extraordinary items for the years ended 31 March 2007 and 31 March 2008 are HK\$322,459 and HK\$700,000 respectively. The adjusted net asset value after deducting the Assets, the Liabilities and the PRC Receivables of Jiwa P&C is HK\$8,804,000 as at 2 October 2008. The original capital injection by the Vendors for the PRC Interests was HK\$15,191,000.

LISTING RULE IMPLICATION

Given that the applicable percentage ratios under the Listing Rules for the Transaction is less than 25% but greater than 5%, the Transaction constitutes a discloseable transaction of the Company under the Listing Rules which is subject to the reporting, publication of announcement and circular requirements but is exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

The Vendors are directors of the Company, the Transaction therefore constitutes connected transaction of the Company under the Listing Rule. As the applicable percentage ratios are more than 2.5% but less than 25% and the consideration is less than HK\$10,000,000, the Transaction is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders approval pursuant to Chapter 14A of the Listing Rule.

A circular containing, among other things, details of the Transaction will be dispatched to Shareholders as soon as applicable.

GENERAL

The core business of the Group includes research, production and sale of pharmaceutical products in the PRC; the Group also engaged in trading and distribution of pharmaceutical products for European pharmaceutical companies.

Jiwa P&C is an investment holding company, holding 93% equity shares of Y.N Jiwa Pharm Logistics Co. Ltd (“YJPL”), a sino foreign equity joint venture company incorporated under the laws of PRC, the remaining 7% equity shares of YJPL is owned by Kunming Jida Pharmaceutical Co. Ltd. (a 70% subsidiary of the Company).

DEFINITIONS

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

“Accounts Date”	2 October 2008;
“Assets”	means all assets, other than the 93% shareholding interests of Jiwa P&C in Y.N. Jiwa Pharm Logistics Co. Ltd. as at the Accounts Date;
“Company”	Jiwa Bio-Pharm Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“Board/Directors”	the board of Directors of the Company;
“Business Days”	a day on which banks are generally open for business in Hong Kong, other than Saturdays, Sundays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;

“Completion Date”	30 days from the date of the Sale and Purchase Agreement or such later date as the Vendors and the Purchaser may agree in writing prior to completion of the sale and purchase of the Sale Shares;
“Deed”	the deed of assignment and assumption entered into between the Purchaser, the Vendors and Jiwa P&C on 28 October 2008;
“Group”	the Company and its subsidiaries;
“Jiwa P&C”	Jiwa Pharm & Chemicals Limited, a company incorporated under the laws of Hong Kong;
“Liabilities”	all liabilities of Jiwa P&C as at the Accounts Date as set out in the balance sheet;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	People’s Republic of China;
“PRC Interests”	the 93% shareholding interests of Jiwa P&C in the PRC Subsidiary;
“PRC Receivables”	the other receivables and the account receivables of the PRC Subsidiary as at the Account Date as set out in the balance sheet;
“PRC Subsidiary”	Y.N. Jiwa Pharm Logistics Co. Ltd (雲南積華醫藥物流有限公司), a sino-foreign equity joint venture company incorporated under the laws of the PRC whereby Jiwa P&C holds 93% shareholdings, and the remaining 7% shareholders are held by Kunming Jida Pharmaceutical Co. Ltd. (a 70% subsidiary of the Company);
“Purchaser/Jiwa Development”	Jiwa Development Co. Ltd., a company incorporated in British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sales and purchase agreement entered into between the Purchaser and the Vendors on 28 October 2008;
“Sale Shares”	the 1,000 ordinary shares of HK\$1,000 each in the capital of Jiwa P&C, representing the entire issued shares of Jiwa P&C;
“Shareholders”	holders of the shares in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transaction” The transaction contemplated under the Sale and Purchase Agreement;

“Vendors” Mr. Lau Yau Bor and Mr. Lau Kin Tung, directors of the Company;

“%” per cent.

By order of the Board of
Jiwa Bio-Pharm Holdings Limited
Lau Kin Tung
Vice Chairman and Chief Executive Officer

Hong Kong, 29 October 2008

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

* *for identification purpose only*