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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)

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF
EQUITY INTERESTS IN SUBSIDIARY COMPANIES;
(2) SPECIFIC MANDATE TO ISSUE NEW SHARES;
AND
(3) CHANGE OF AUDITORS**

THE DISPOSAL

The Board is pleased to announce that after trading hours on 16 February 2011, Kunming Jida (together with Jiwa Pharm and Yunnan Pharm, the existing equity holders of Kunming Jida) and the Subscribers entered into the Capital Injection Agreements in relation to the allotment and issue of 30% equity interest by Kunming Jida to the Subscribers at an aggregate capital injection amount of RMB275,560,000 (equivalent to approximately HK\$324.2 million). Pursuant to the Rule 14.29 of the Listing Rules, the Proposed Capital Injection as contemplated under the Capital Injection Agreements is a deemed disposal by the Company of its equity interests in Kunming Jida.

In connection with Capital Injection Agreements and conditional upon the Proposed Capital Injection, the Group, through Jiwa Rintech and Jiwa P&C, and, among others, Kunming Jida have after trading hours on 16 February 2011 also entered into each of the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement in relation to the sale by the Group and the purchase by Kunming Jida of (i) 100% effective equity interest in Jiangsu Jiwa at a cash consideration of not less than RMB60.0 million (equivalent to approximately HK\$70.6 million) and not more than RMB66.0 million (equivalent to approximately HK\$77.6 million); and (ii) 93% effective equity interest in Yunnan Jiwa at a cash consideration of not less than RMB33.0 million (equivalent to approximately HK\$38.8 million) and not more than RMB37.0 million (equivalent to approximately HK\$43.5 million).

* for identification purpose only

Kunming Jida is currently an indirect non-wholly-owned subsidiary of the Company. Upon the Capital Injection Completion and allotment of the equity interest to the Subscribers by Kunming Jida under the Capital Injection Agreements, the Company's holding of equity interest in Kunming Jida will be diluted from 70% to 49%, representing a decrease of 21% of the registered and paid-up capital of Kunming Jida as enlarged by the increase in the equity interest upon the Capital Injection Completion. Such decrease in 21% equity interest in the enlarged registered and paid up capital of Kunming Jida constitutes a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, both of the Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal are to be aggregated with the Proposed Capital Injection. When aggregated, the applicable percentage ratios of the Disposal exceed 75%, and the Disposal would constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and subject to announcement and shareholder approval requirements.

SPECIFIC MANDATE TO ISSUE NEW SHARES

In conjunction with the Capital Injection Agreements, the Company, Jiwa Pharm and the Subscribers have also entered into two Shareholder Agreements, pursuant to which the Company has agreed with the Subscribers that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the Capital Injection Completion Date, each of the Subscribers may, within six months from the expiry of such 48 months, require the Company to purchase such Subscriber's interest in Kunming Jida at a purchase price equal to the amount of such Subscriber's capital injection pursuant to the Proposed Capital Injection (subject to certain adjustments), plus a compound interest at an annual rate of 10% thereon. Based on the Directors' current estimate, the maximum monetary value under the Repurchase Obligation would be approximately RMB403.4 million (equivalent to approximately HK\$474.6 million).

Under the two Shareholder Agreements, upon the exercise by any Subscriber of its right to require the Company to purchase such Subscriber's interest in Kunming Jida as described above, the Company may elect, in its absolute discretion, to pay the relevant purchase price in cash, in new Shares or any combination thereof. In order to facilitate payment by the Company, if it elects to do so in its absolute discretion, of such purchase price in Shares to fulfill the Repurchase Obligation, the Directors are now seeking the Shareholders' approval to grant a specific mandate to allot and issue a maximum number of 241,500,000 new Shares to the Subscribers (if the Directors consider appropriate), representing 15% of the issued share capital of the Company as at the date of this announcement, at a minimum issue price of HK\$0.65 per Share.

CHANGE OF AUDITORS

The Board also announces that JBPB & Co (formerly Grant Thornton) (“GTHK”) have resigned as auditors of the Company with effect upon closing of the SGM. The Board proposes to appoint BDO Limited as the auditors of the Company to fill the casual vacancy following GTHK’s resignation and to hold office until the conclusion of the next annual general meeting of the Company subject to the approval by the Shareholders at the SGM to be convened.

GENERAL

A circular containing, among other things, (i) further information on the Disposal comprising the Proposed Capital Injection, Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal pursuant to the Agreements; (ii) the Specific Mandate to issue new Shares, (iii) the change of auditors; and (iv) a notice to convene the SGM; and (v) other information as required by the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable, but no later than 9 March 2011.

1. THE DISPOSAL

The Capital Injection Agreements

The Board is pleased to announce that after trading hours on 16 February 2011, Kunming Jida (together with Jiwa Pharm and Yunnan Pharm, the existing equity holders of Kunming Jida) and the Subscribers entered into the Capital Injection Agreements in relation to the allotment and issue of 30% equity interest by Kunming Jida to the Subscribers at an aggregate capital injection amount of RMB275,560,000 (equivalent to approximately HK\$324.2 million). Pursuant to the Rule 14.29 of the Listing Rules, the Proposed Capital Injection as contemplated under the Capital Injection Agreements is a deemed disposal by the Company of its equity interests in Kunming Jida. Set out below is the principal terms of each of the Capital Injection Agreements.

	Warburg Pincus	Panda	Mr. Yang	Mr. Li
Date	: 16 February 2011	16 February 2011	16 February 2011	16 February 2011
Issuer	: Kunming Jida	Kunming Jida	Kunming Jida	Kunming Jida

	Warburg Pincus	Panda	Mr. Yang	Mr. Li
Subscribers	: Warburg Pincus	Panda. Other than Mr. Shek who is a director of certain subsidiaries of the Group, the ultimate beneficial owners of Panda are Independent Third Parties	Mr. Yang, on behalf of an investment vehicle to be established, the ultimate beneficial owners of which are Independent Third Parties	Mr. Li, on behalf of an investment vehicle to be established and as representative of a group of employees of the Group. Other than Ms. Luo who is a director of a subsidiary of the Group, the ultimate beneficial owners of such investments vehicle are Independent Third Parties
Total capital amount to be injected (RMB)	: 183,710,000	50,070,000	23,210,000	18,570,000
Percentage of equity interest in Kunming Jida to be held immediately following the Proposed Capital Injection	: 20.0%	5.5%	2.5%	2.0%
Capital amount injected for each 1% equity interest in Kunming Jida as enlarged by the Proposed Capital Injection (RMB)	: 9,185,500	9,103,636	9,284,000	9,285,000

Save as disclosed in this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Subscribers and their respective ultimate beneficial owners are Independent Third Parties.

Basis for determination of the amount of the Proposed Capital Injection

The capital amounts to be injected by each of the Subscribers under the Capital Injection Agreements in proportion to their respective equity holdings are determined following arm's length negotiations with reference to the financial performance of Kunming Jida, an agreed price-earning multiple and the future prospects of Kunming Jida.

Further Adjustments

Pursuant to the terms of the Capital Injection Agreements, if (i) the audited net profit after tax of Kunming Jida for its financial year ended 31 December 2010 is less than RMB50.0 million (equivalent to approximately HK\$58.8 million); and/or (ii) the audited consolidated net profit after tax of Kunming Jida for its financial year ending 31 December 2011 is less than RMB67.5 million (equivalent to approximately HK\$79.4 million), Kunming Jida has agreed to compensate the Subscribers for any such shortfall in accordance with the terms stipulated in the Capital Injection Agreements. Such compensation, if necessary, shall be made at the discretion of Kunming Jida in either cash or by allotment of additional equity interest in Kunming Jida to the Subscribers. Pursuant to the Capital Injection Agreements, there is no cap or limit as to the percentage of the additional equity interest to be issued to the Subscribers thereunder. However, the Directors currently do not anticipate a material shortfall in net profit in 2010 which would result in material dilution of the Group's equity interest in Kunming Jida. Set out below is the mechanism showing how the compensation would be triggered in the event the actual audited net profit after tax falls below the indicated amount of RMB50.0 million and RMB67.5 million for the year ended/ending 31 December 2010 and 31 December 2011, respectively.

If the actual audited net profit after tax for the year ended 31 December 2010 is below RMB50.0 million, an adjustment will be made in either of the following manner with respect to each Subscriber:

$$\begin{array}{lcl}
 \begin{array}{l} \text{Cash} \\ \text{compensation} \\ \text{to the} \\ \text{Subscriber} \end{array} & = & \begin{array}{l} \text{Capital amount} \\ \text{injected by the} \\ \text{Subscriber} \end{array} \times \left(1 - \frac{\text{Actual audited net profit after tax}}{\text{RMB50.0 million}} \right) \\
 \\
 \begin{array}{l} \text{Equity} \\ \text{compensation} \\ \text{to the} \\ \text{Subscriber} \end{array} & = & \begin{array}{l} \text{Upwards} \\ \text{adjusted} \\ \text{equity} \\ \text{holding of the} \\ \text{Subscriber in} \\ \text{Kunming Jida} \end{array} = \begin{array}{l} \text{Initial \%} \\ \text{of equity} \\ \text{holding of the} \\ \text{Subscriber in} \\ \text{Kunming Jida} \\ \text{immediately} \\ \text{after the} \\ \text{Proposed} \\ \text{Capital Injection} \end{array} \times \left(\frac{\text{RMB50.0 million}}{\text{Actual audited net profit after tax}} \right)
 \end{array}$$

If the actual audited consolidated net profit after tax for the year ending 31 December 2011 is below RMB67.5 million, a corresponding adjustment will be made in substantially the same manner above, but based on (i) an adjusted percentage of equity holding of the Subscriber in Kunming Jida after any adjustment for the year ended 31 December 2010; and (ii) the actual consolidated net profit after tax for the year ending 31 December 2011.

The Shareholder Agreements

In connection with the Capital Injection Agreements, the Company, Jiwa Pharm and the Subscribers have also entered into two Shareholder Agreements, pursuant to which, the Company has agreed with the Subscribers that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the Capital Injection Completion Date, the Subscribers may, within six months from the expiry of such 48 months, request the Company to purchase its interest in Kunming Jida pursuant to the Proposed Capital Injection (subject to certain adjustments for cash compensation and profit distribution), plus a compound interest at an annual rate of 10% thereon. Based on the Directors' current estimate, the maximum monetary value under the Repurchase Obligation would be approximately RMB403.4 million (equivalent to approximately HK\$474.6 million). Further details are set out in the paragraph headed "Specific Mandate to issue new Shares" below.

The Directors currently anticipate that application for listing on a stock exchange by Kunming Jida will only be made at least two years later, because of the lengthy preparation work for the proposed listing. On this basis, the Directors consider that Practice Note 15 of the Listing Rules regarding spin-off will not be applicable to the proposed listing of Kunming Jida at that time. If this is not the case, the Company will comply with all the requirements under the Practice Note 15 of the Listing Rules, where necessary.

Restructuring

In connection with the Capital Injection Agreements and conditional upon the Proposed Capital Injection, the Group, through Jiwa Rintech and Jiwa P&C, and, among others, Kunming Jida have after trading hours on 16 February 2011 also entered into each of the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement in relation to the sale by the Group and the purchase by Kunming Jida of (i) 100% effective equity interest in Jiangsu Jiwa at a cash consideration of not less than RMB60.0 million (equivalent to approximately HK\$70.6 million) and not more than RMB66.0 million (equivalent to approximately HK\$77.6 million); and (ii) 93% effective equity interest in Yunnan Jiwa at a cash consideration of not less than RMB33.0 million (equivalent to approximately HK\$38.8 million) and not more than RMB37.0 million (equivalent to approximately HK\$43.5 million). Set out below is the agreed principal terms of each of the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement.

Composition of the board of directors of Kunming Jida

Prior to the Proposed Capital Injection, the board of directors of Kunming Jida comprised five directors, three of whom were appointed by Jiwa Pharm while the other two were appointed by Yunnan Pharm.

Upon the Capital Injection Completion, the board of directors of Kunming Jida will comprise six directors of whom Jiwa Pharm will appoint three and each of Yunnan Pharm, Warburg Pincus and Mr. Li will have the right to appoint a director to the board of directors of Kunming Jida. The other two Subscribers, namely Panda and Mr. Yang, have no right to appoint any director to the board of directors of Kunming Jida upon the Capital Injection Completion.

The Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement

	The Jiangsu Jiwa Disposal Agreement	The Yunnan Jiwa Disposal Agreement
Date	: 16 February 2011	16 February 2011
Vendors	: Jiwa Rintech	Jiwa P&C
Purchaser	: Kunming Jida	Kunming Jida
Assets to be disposed of	: The 100% equity interest of Jiangsu Jiwa currently owned by Jiwa Rintech	The 93% effective equity interest of Yunnan Jiwa currently owned by Jiwa P&C

	The Jiangsu Jiwa Disposal Agreement	The Yunnan Jiwa Disposal Agreement
Consideration	<p>Not less than RMB60.0 million (equivalent to approximately HK\$70.6 million) and not more than RMB66.0 million (equivalent to approximately HK\$77.6 million), which was arrived at after arm's length negotiations between Jiwa Rintech and Kunming Jida (as the purchaser) and which will be finally determined with reference to the net asset value of Jiangsu Jiwa to be ascertained as at 28 February 2011 based on the net asset appraisal report to be concluded and issued by a qualified independent valuer in the PRC, plus a premium of not more than 15% thereof and its future prospects</p> <p>The Jiangsu Jiwa Consideration shall be settled in cash by two instalments: (i) first instalment to be payable within 10 working days from the date of the Capital Injection Completion Date; and (ii) the remaining balance thereof to be payable within 30 working days upon Jiangsu Jiwa Completion.</p>	<p>Not less than RMB33.0 million (equivalent to approximately HK\$38.8 million) and not more than RMB37.0 million (equivalent to approximately HK\$43.5 million), which was arrived at after arm's length negotiations between Jiwa P&C and Kunming Jida (as the purchaser) and which will be finally determined with reference to the net asset value of Yunnan Jiwa to be ascertained as at 28 February 2011 based on the net asset appraisal report to be concluded and issued by a qualified independent valuer in the PRC, plus a premium of not more than 10% thereof and its future prospects</p> <p>The Yunnan Jiwa Consideration shall be settled in cash by two instalments: (i) first instalment to be payable within 10 working days from the date of the Capital Injection Completion Date; and (ii) the remaining balance thereof to be payable within 30 working days upon Yunnan Jiwa Completion.</p>

The Directors consider that the terms of each of the Capital Injection Agreements, the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement were concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and the entering into of all such agreements are/will be in the interests of the Company and the Shareholders as a whole.

CONDITIONS PRECEDENT

Completion shall be subject to and conditional upon, among others, the passing by the Shareholders at the SGM of the necessary resolution(s) to approve the Capital Injection Agreements, the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement and the transactions contemplated thereunder.

The Capital Injection Completion is not conditional upon the Jiangsu Jiwa Completion and/or the Yunnan Jiwa Completion. Both of the Jiangsu Jiwa Completion and Yunnan Jiwa Completion are conditional upon the Capital Injection Completion. Completion of each of the Capital Injection Agreements is not conditional upon the completion of the other.

If any of the conditions in either of the Capital Injection Agreements is not fulfilled on or before 30 April 2011, being the long stop date, (or such later date as may be agreed between the Group and all the Subscribers in writing), that Capital Injection Agreements will terminate and cease to have effect and none of the parties thereto shall have any claim against the other save for any antecedent breaches of the provisions thereof.

COMPLETION

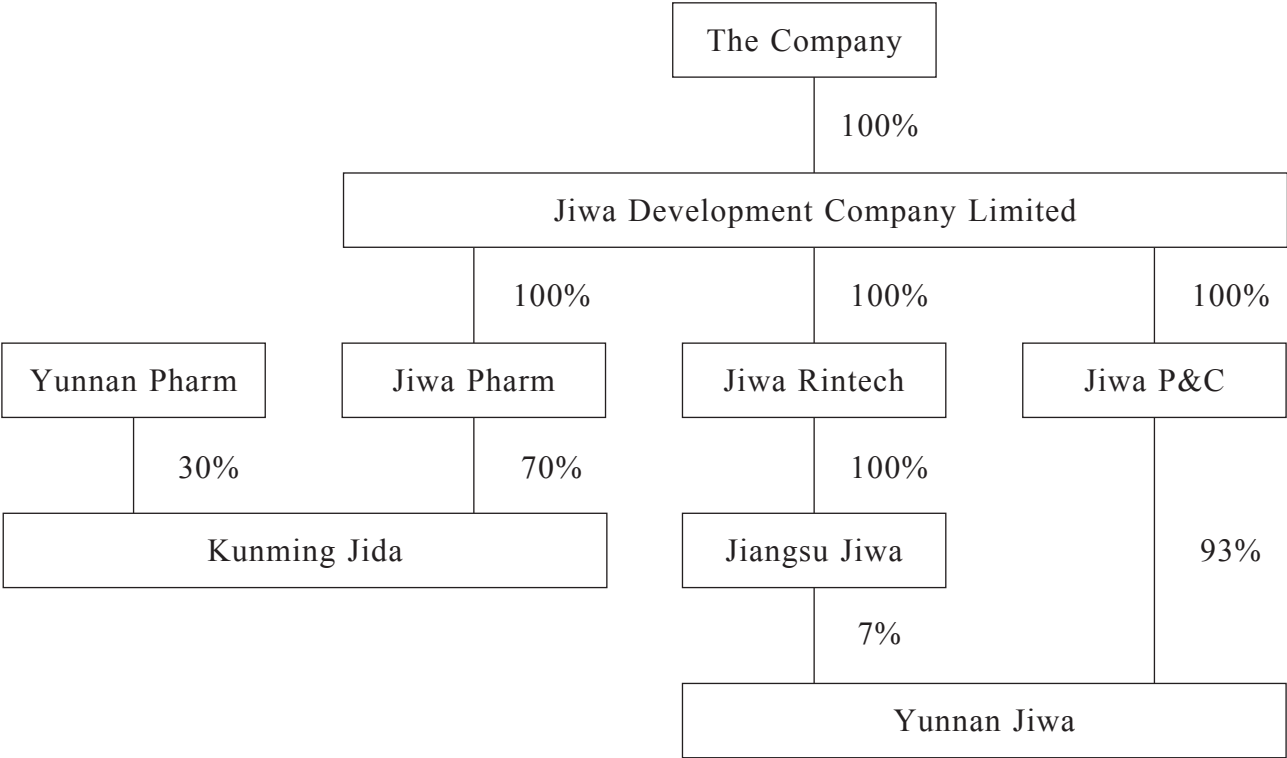
It is currently expected that the Capital Injection Completion Date will take place on or before 30 April 2011, while each of the Jiangsu Jiwa Completion Date and Yunnan Jiwa Completion Date will only take place thereafter.

Each of the Vendors and Kunming Jida shall comply with all the applicable capital injection, transfer and/or registration procedures (the “**Applicable Procedures**”) under the PRC laws and regulations to enable the equity interest in each of Jiangsu Jiwa and Yunnan Jiwa held by the Vendors to be transferred to Kunming Jida upon the Jiangsu Jiwa Completion and the Yunnan Jiwa Completion and shall procure to complete all the Applicable Procedures as soon as possible. The Jiangsu Jiwa Completion and the Yunnan Jiwa Completion shall take place upon fulfillment of all the Applicable Procedures.

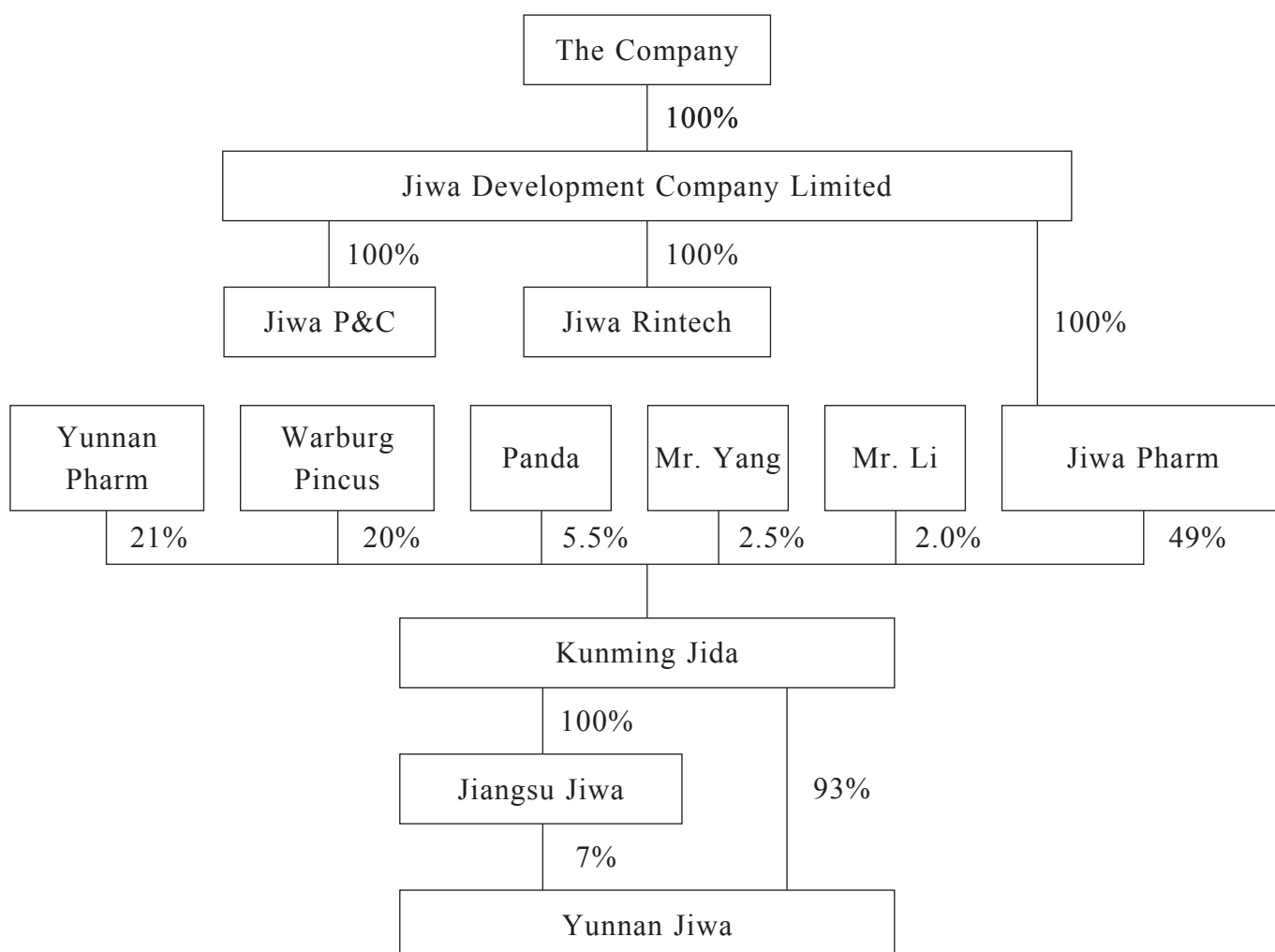
SHAEHOLDING STRUCTURE OF THE GROUP

Set out below is a simplified corporate chart showing the corporate relationship among the Group and the Subscribers immediately before and after the Disposal:

Immediately before the Disposal



Immediately after the Disposal



FINANCIAL EFFECT OF THE DISPOSAL

It is currently expected that a net gain on the Disposal of approximately RMB147.5 million (equivalent to approximately HK\$173.5 million) (subject to finalisation of audit) can be recognised in the consolidated financial statements of the Group for the year ending 31 March 2011. The expected net gain on the deemed disposal of Kunming Jida is calculated on the basis of the 49% of the estimated fair value of Kunming Jida after the Proposed Capital Injection, after deduction for (i) the book value of investment in Kunming Jida recorded by the Group; and (ii) the estimated provision for the profit shortfall arrangement under Capital Injection Agreement and the Repurchase Obligation (as defined here under) under the two Shareholder Agreements. The expected gains on the Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal are calculated on the assumption that the consideration are RMB66.0 million and RMB37.0 million, less the book value of investments in Jiangsu Jiwa and Yunnan Jiwa by the Group, respectively.

Kunming Jida is currently a 70% non-wholly owned subsidiary of the Group; while each of Jiangsu Jiwa and Yunnan Jiwa is a wholly-owned subsidiary of the Company. The financial results and positions of each of Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa have been included in the consolidated financial statements of the Group. Upon the Completion, each of

Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa will cease to be a subsidiary of the Company, while (i) Kunming Jida will become a 49% owned jointly controlled entity of the Group; and (ii) each of Jiangsu Jiwa and Yunnan Jiwa will become a wholly-owned subsidiary of Kunming Jida. On such basis, the financial results of Kunming Jida (together with each of Jiangsu Jiwa and Yunnan Jiwa) will be equity-accounted for in the consolidated financial statements of the Group to the extent of 49%. As a result, the operating performance and financial position of each of Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa will then be de-consolidated from the consolidated financial statements of the Group after the Completion. On the other hand, the operating performance and financial position of each of Jiangsu Jiwa and Yunnan Jiwa will in turn be fully consolidated into the consolidated financial statements of Kunming Jida.

EXPECTED IMPACT OF THE DISPOSAL ON THE BUSINESS AND FINANCIAL POSITION OF THE GROUP

Based on the Directors' estimate after recognition of an expected gain on the Disposal of approximately RMB147.5 million in the consolidated financial statements of the Group for the year ending 31 March 2011, the Group's scale of operation in terms of revenue would inevitably reduce by a greater extent given that the operating results of each of Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa would be de-consolidated from the consolidated financial statements of the Group, and their operating results and financial positions would then be equity-accounted for to the extent of 49% thereafter. In the circumstances, the Board currently believes that the Disposal would not have any material adverse impact to the business and financial position of the Group.

The Group has commenced its trading business of pharmaceutical products since 1987. The Group is currently principally engaged in the manufacturing and sale of pharmaceutical products in the PRC; and the trading of pharmaceutical and health products.

Based on the Company's annual report for the year ended 31 March 2010, the revenue contributed from the three Group's business segments, namely Finished drugs (also known as Pharmaceutical products), Distribution business and Pharmaceutical bulk materials, attributable to the Disposal amounted to approximately HK\$328.1 million, HK\$183.9 million and HK\$2.5 million, which accounted for approximately 51.5%, 28.9% and 0.4% of its total revenue of approximately HK\$636.5 million respectively. The Group's remaining business, namely Trading pharmaceutical and health care products (the "**Remaining Business**"), will be retained and continue to be operated by the Group following the Disposal, segment revenue, results and total assets of which amounted to approximately HK\$122.0 million, HK\$29.3 million and HK\$107.5 million, representing approximately 19.2%, 30.2% and 14.6% thereof respectively for the same period. During the year ended 31 March 2010, the Remaining Business acting as a trading agent for European pharmaceutical products had 29 employees and was mainly trading gastro-intestinal and musculo-skeletal products with major markets in Hong Kong and the PRC.

Based on the Company's interim report for the six months ended 30 September 2010, the revenue contributed from the Group's three business segments, namely Finished drugs (also known as Pharmaceutical products), Distribution business and Pharmaceutical bulk materials, attributable to the Disposal amounted to approximately HK\$191.1 million, HK\$106.1 million and HK\$0.7 million, which accounted for approximately 49.0%, 27.2% and 0.2% of its total revenue of approximately HK\$389.7 million respectively. The segment revenue and results of the Remaining Business amounted to approximately HK\$91.8 million and HK\$18.8 million; representing approximately 23.6% and 37.2% thereof respectively for the same period. During the six months ended 30 September 2010, the Remaining Business acting as a trading agent for European pharmaceutical products had 29 employees and was mainly trading gastro-intestinal and musculo-skeletal products with major markets in Hong Kong and the PRC.

The Board considers that the Proposed Capital Injection would enhance the capital base of and provide additional financial resources to Kunming Jida, which will in turn facilitate its future business expansion and/or probable acquisition activities when opportunities arise. The Board further considers it would enhance the streamlining of the pharmaceutical platform of the Group under Kunming Jida, to facilitate its brand building, increase operational efficiency as well as facilitate further expansion.

Immediately following the Completion, the Group itself would, on the one hand, focus on its existing business activities in trading of pharmaceutical products and health care products; while on the other hand, share the operating results of the sub-group of jointly controlled entities of Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa. Based on the Directors' current estimate, the Group's cash position and asset base will greatly enhanced after the Disposal as a result of the expected gain on the Disposal. The net proceeds of approximately RMB103.0 million (equivalent to approximately HK\$121.2 million) therefrom may provide additional general working capital to support the operation of the Group. The Group will allocate its cash resources and may seek to invest in some healthcare related business opportunities in Hong Kong to an extent that the overall financial position of the Group after any possible acquisitions/investments would not be materially and adversely affected. Having considered the future prospects of the healthcare business, the Board considers that the Disposal would enhance the streamlining of the pharmaceutical platform of the Group under Kunming Jida, and will alleviate the Group's resources to expand its healthcare business when suitable opportunity arises; which will ultimately improve the profitability and financial position of the Group in the longer term. The Board also believes that the Disposal will enhance Shareholders' value and present the Group with favourable long-term prospects. As at the date of this announcement, the Group has not identified any suitable opportunities for potential acquisition targets to expand the Remaining Business nor is in discussion for any possible acquisitions and investments.

Based on the above preliminary estimate on the business and financial position of the Group, the Board considers that the Company would still have sufficient level of operations and assets after the Disposal, and therefore is able to fulfill the requirement under Rule 13.24 of the Listing Rules.

INFORMATION ON KUNMING JIDA

Kunming Jida is a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability, and has both registered and paid up capital of RMB132,334,000 (equivalent to approximately HK\$155.7 million). As at the date of this announcement, Kunming Jida is beneficially owned as to (i) 70% by Jiwa Pharm; and (ii) 30% by Yunnan Pharm. Kunming Jida is a non-wholly-owned subsidiary of the Company. Kunming Jida is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC.

Based on the audited financial statements prepared in accordance with the HK GAAP, the net profit before and after taxation for the year ended 31 March 2009 of Kunming Jida were approximately RMB37.1 million (equivalent to approximately HK\$43.6 million) and RMB34.9 million (equivalent to approximately HK\$41.1 million) respectively; while its net profit before and after taxation for the year ended 31 March 2010 were approximately RMB57.1 million (equivalent to approximately HK\$67.2 million) and RMB50.4 million (equivalent to approximately HK\$59.3 million) respectively. Based on the audited financial statements of Kunming Jida prepared in accordance with the HK GAAP, the net asset value of Kunming Jida was approximately RMB216.0 million (equivalent to approximately HK\$254.1 million) as at 31 March 2010.

INFORMATION ON JIANGSU JIWA

Jiangsu Jiwa is a wholly foreign-owned enterprise established under the laws of the PRC on 21 November 2003 with limited liability, and has both the registered and paid up capital of RMB73.0 million (equivalent to approximately HK\$85.9 million). As at the date of this announcement, Jiangsu Jiwa is indirectly wholly-owned by the Company, and has been principally engaged in the manufacturing and sale of pharmaceutical bulk materials in the PRC.

Based on the audited financial statements prepared in accordance with the HK GAAP, both the net loss before and after taxation for the year ended 31 March 2009 of Jiangsu Jiwa were approximately RMB8.0 million (equivalent to approximately HK\$9.4 million); while both the net loss before and after taxation for the year ended 31 March 2010 were approximately RMB3.9 million (equivalent to approximately HK\$4.6 million). Based on the audited financial statements of Jiangsu Jiwa prepared in accordance with the HK GAAP, the net asset value of Jiangsu Jiwa was approximately RMB39.4 million (equivalent to approximately HK\$46.4 million) as at 31 March 2010.

INFORMATION ON YUNNAN JIWA

Yunnan Jiwa is a sino-foreign owned enterprise established under the laws of the PRC on 9 February 2002 with limited liability, and both its registered and paid up capital is US\$2,100,000 (equivalent to approximately HK\$16.4 million). As at the date of this announcement, Yunnan Jiwa is indirectly wholly-owned by the Company, and has been principally engaged in the sale of pharmaceutical products in the PRC.

Based on the audited financial statements prepared in accordance with the HK GAAP, the net profit before and after taxation for the year ended 31 March 2009 of Yunnan Jiwa were approximately RMB3.7 million (equivalent to approximately HK\$4.3 million) and RMB3.3 million (equivalent to approximately HK\$3.9 million) respectively; while its net profit before and after taxation for the year ended 31 March 2010 were approximately RMB2.5 million (equivalent to approximately HK\$2.9 million) and RMB1.5 million (equivalent to approximately HK\$1.7 million) respectively. Based on the audited financial statements of Yunnan Jiwa prepared in accordance with the HK GAAP, the net asset value of Yunnan Jiwa was approximately RMB5.8 million (equivalent to approximately HK\$6.6 million) as at 31 March 2010.

INFORMATION ON THE VENDORS

Jiwa Rintech is a company incorporated in the British Virgin Islands with limited liability on 8 December 2004 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 100% equity interest in Jiangsu Jiwa. Jiwa Rintech is an investment holding company with authorized and issued share capital of US\$50,000 and US\$10 respectively.

Jiwa P&C is a company incorporated in Hong Kong with limited liability on 16 October 1987 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 93% equity interest in Yunnan Jiwa. Jiwa P&C is an investment holding company with authorized and issued share capital of HK\$1,000,000.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC, and trading of European pharmaceutical products.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Kunming Jida is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC.

The Board considers that the Proposed Capital Injection would enhance the capital base of and provide additional financial resources to Kunming Jida, which will in turn facilitate its future business expansion and/or probable acquisition activities when opportunities arise. The Board further considers that both the Jiangsu Jiwa Disposal and the Yunnan Jiwa Disposal enhance the streamlining of the pharmaceutical platform of the Group under Kunming Jida, facilitate its brand building, increase operational efficiency as well as facilitate further expansion. Immediately following the Completion, the Group itself will, on the one hand, focus on its existing business activities in trading of pharmaceutical products and health care products in Hong Kong; while on the other hand, share the operating results of the sub-group of jointly controlled entities of Kunming Jida, Jiangsu Jiwa and Yunnan Jiwa in the PRC.

In respect of the strategic investment by the PE Investor, the Directors are of the view that the proposed introduction of the PE Investor as a substantial shareholder holding 20% equity interest in Kunming Jida as enlarged by the Proposed Capital Injection can enable the Company to: (i) secure a premier long-term partner with strategic interest in Kunming Jida; (ii) benefit from the extensive experience, expertise and business connections of the PE Investor by having them participate in the board of directors and management of Kunming Jida; and (iii) raise funding for, among others, enhancement of Kunming Jida's production capacity and future business development.

The Board also considers that it will be in the interests of the Company and the Shareholders as a whole to secure the long-term commitment and contribution of certain key staff members to the Group through their participation as shareholders of Kunming Jida when the Proposed Capital Injection is successfully completed, which will be significant to the growth and development of Kunming Jida. On this basis, certain key management staff of Kunming Jida and other subsidiaries of the Group, such as Mr. Shek and Ms. Luo, were invited to participate in this round of fund raising. This also serves as a recognition of their past contribution to the Group.

The Group will not have absolute majority interest in Kunming Jida following the completion of the Proposed Capital Injection. In this regard, the Group will not be able to secure the passing of resolutions that only require simply majority votes. Notwithstanding the aforesaid, the Board is not aware of any matters arising from the Proposed Capital Injection which will prejudice the operation, management and development of Kunming Jida after its completion. As such, the Board does not foresee the Group's loss of absolute majority interest in Kunming Jida will have any material adverse impact on the Group's interest therein.

Given the significance of the Subscribers' (i) sizeable capital injection and (ii) long-term commitment and contribution to the growth and development of Kunming Jida, the Board considers that the benefits of the Proposed Capital Injection outweigh the disadvantages brought to the Group as a result of the loss of absolute majority interest in Kunming Jida. The Group has no present intention to further dispose of or dilute its interest in Kunming Jida.

In addition, disregarding the possible one-off gain on disposal of certain equity interest in Kunming Jida, the Proposed Capital Injection would enable Kunming Jida to raise capital to further strengthen its financial position, which, in turn, is beneficial for the business development of Kunming Jida and the Group in the foreseeable future.

The Board currently estimates that the 21% dilution of the Group's shareholding interest in Kunming Jida as a result of the Proposed Capital Injection will give rise to a gain on the deemed disposal, being the difference between (i) the net asset value of the Kunming Jida after deducting minority interests as at the completion date; and (ii) the estimated fair value of Kunming Jida as enlarged by the proceeds from the Proposed Capital Injection to be transferred to interest in a jointly controlled entity. Such gain on dilution results from the accounting treatment under the HK GAAP but has no practical adverse impact on the financial, trading or operational conditions of the Group.

In view of the above, the Directors are of the view that the terms of each of the Capital Injection Agreements, the Jiangsu Jiwa Disposal Agreement and the Yunnan Jiwa Disposal Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group has no present intention to effect any substantive change to its existing business and the composition of the Board after Completion. Further, the Group has not entered into and has no present plan to enter into any agreement, arrangement, understanding or negotiation on disposal of any subsidiary, existing business or major assets of the Group.

USE OF PROCEEDS

Kunming Jida intends to apply the net proceeds of the Capital Injection Agreements as follows: (i) not more than RMB103.0 million (or equivalent to approximately HK\$121.2 million) for acquisition of the entire equity interests of Jiangsu Jiwa and Yunnan Jiwa from the Group; (ii) approximately RMB42.0 million (or equivalent to approximately HK\$49.4 million) for repayment of shareholders' loan owed by Kunming Jida to its existing shareholders; (iii) approximately RMB97.0 million (or equivalent to approximately HK\$114.1 million) for distribution of any distributable profits by way of dividends to the existing shareholders of Kunming Jida prior to the Proposed Capital Injection; and (iv) the remaining balance of approximately RMB33.5 million (or equivalent to approximately HK\$39.4 million) or any more as general working capital.

The net proceeds from the Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal will be utilised by the Group as its general working capital.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Kunming Jida is currently an indirect non-wholly-owned subsidiary of the Company. Upon the Capital Injection Completion and allotment of the equity interest to the Subscribers by Kunming Jida under the Capital Injection Agreements, the Company's holding of equity interest in Kunming Jida will be diluted from 70% to 49%, representing a decrease of 21% of the registered and paid-up capital of Kunming Jida as enlarged by the increase in the equity interest upon the Capital Injection Completion. Such decrease in 21% equity interest in the enlarged registered and paid up capital of Kunming Jida constitutes a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As the applicable percentage ratio exceeds 25% but less than 75%, the Proposed Capital Injection itself constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

For the Jiangsu Jiwa Disposal itself, the applicable percentage ratios exceed 5% but are less than 25%, it would constitute a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

For the Yunnan Jiwa Disposal itself, the applicable percentage ratios exceed 25% but are less than 75%, it would constitute a major transaction for the Company pursuant to Chapter 14 of the Listing Rules.

However, pursuant to Rule 14.22 of the Listing Rules, both of the Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal are to be aggregated with the Proposed Capital Injection. When aggregated, the applicable percentage ratios of the Disposal exceed 75%, and the Disposal would constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and subject to announcement and shareholder approval requirements.

Mr. Shek is a director of certain subsidiaries of the Group, who will invest HK\$3.0 million in the Proposed Capital Injection through Panda, representing approximately 5.1% of the full amount of RMB50,070,000 (or equivalent to approximately HK\$58.9 million) to be injected by Panda into Kunming Jida. Mr. Shek will hold less than 30% interest in the issued share capital of Panda, and therefore Panda is not an associate of Mr. Shek. Accordingly, Mr. Shek's investment through Panda in the Proposed Capital Injection shall not be regarded as a connected transaction under Chapter 14A of the Listing Rules, notwithstanding his directorships in certain subsidiaries of the Group.

Ms. Luo is a director of a subsidiary of the Group, who will invest HK\$2.0 million in the Proposed Capital Injection through an investment vehicle (the "**Investment Vehicle**") to be formed by Mr. Li, representing approximately 9.2% of the full amount of RMB18,570,000 (or equivalent to approximately HK\$21.8 million) to be injected by the Investment Vehicle into Kunming Jida. Ms. Luo will hold less than 30% interest in the issued share capital of the Investment Vehicle, and therefore the Investment Vehicle is not an associate of Ms. Luo. Accordingly, Ms. Luo's investment through the Investment Vehicle in the Proposed Capital

Injection shall not be regarded as a connected transaction under Chapter 14A of the Listing Rules, notwithstanding her directorship in a subsidiary of the Group. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, neither Mr. Shek nor Ms. Luo, being one of the beneficial owners of the Subscribers, was interested in any Shares as at the date of this announcement.

Based on the above, Mr. Shek and Ms. Luo have material interest in one of the Capital Injection Agreements and the transactions contemplated thereunder, and therefore will be required to abstain from voting to approve the Disposal and the Specific Mandate at the SGM.

Saved as disclosed above and so far as the Directors are aware after making reasonable enquiries, none of the Subscribers and their respective associates is a Shareholder as at the date of this announcement and would be required to abstain from voting at the forthcoming SGM to be convened for the purpose of considering, and if thought fit, approving each of the Proposed Capital Injection, the Jiangsu Jiwa Disposal and the Yunnan Jiwa Disposal under the Agreements and the transactions contemplated thereunder.

2. SPECIFIC MANDATE TO ISSUE NEW SHARES

In conjunction with the Capital Injection Agreements, the Company, Jiwa Pharm and the Subscribers have also entered into two Shareholder Agreements, pursuant to which the Company has agreed with the Subscribers that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the Capital Injection Completion Date, each of the Subscribers may, within six months from the expiry of such 48 months, require the Company to repurchase such Subscriber's interest in Kunming Jida within 60 days thereafter at a purchase price equal to the amount of such Subscriber's capital injection pursuant to the Proposed Capital Injection (subject to certain adjustments), plus a compound interest at an annual rate of 10% thereon. During the course of negotiations between the Group and the Subscribers prior to the entering into of the Capital Injection Agreements, the relevant contracting parties, based on their investment practice and past experience, have taken into account, including but not limited to, the following factors: (i) the historical operating and financial performance as well as the future prospects of the three businesses subject to the Disposal; (ii) the Group's financial resources and alternative choice of potential investors; (iii) the overall business prospects of the pharmaceutical industry in the PRC; (iv) the Subscribers' expected investment return and risk consideration in comparison with other possible investment opportunities; and (v) the foreseeable and increasing inflationary pressure in the coming few years, particularly in the PRC, as a result of the quantitative easing policies in money supply adopted by the governments in the PRC, the United States of America and a number of European countries since the outspread of financial tsunami in late 2008. In such circumstances, the Directors are of the view the mechanism for determining the repurchase price of the Subscribers' interest in Kunming Jida at the capital injection amount plus 10% compound interest is appropriate, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. However, the Company has the absolute discretion to satisfy the repurchase obligation (the "**Repurchase Obligation**"), either by cash payment or allotment and issue of new Shares to the Subscribers

(if the Directors consider appropriate), or a combination of both as the Directors think fit at the relevant time. Based on the Directors' current estimate, the maximum monetary value under the Repurchase Obligation would be approximately RMB403.4 million (equivalent to approximately HK\$474.6 million). The issue price of such new Shares shall be at a price of either (i) 10% discount to the weighted average closing price of the Shares within the past three months prior to the date of notice given by the Subscribers to request for the Repurchase Obligation; or (ii) HK\$0.65 per Share, whichever is the higher. A further announcement will be made on the exercise of the right of the Subscribers to require the Company to fulfill its Repurchase Obligation.

Under the two Shareholder Agreements, upon the exercise by any Subscriber of its right to require the Company to purchase such Subscriber's interest in Kunming Jida as described above, the Company may elect, in its absolute discretion, to pay the relevant purchase price in cash, in new Shares or any combination thereof. In order to facilitate payment by the Company, if it elects to do so in its absolute discretion, of such purchase price in Shares, to fulfill the Repurchase Obligation, the Directors are now seeking the Shareholders' approval to grant a specific mandate to allot and issue a maximum number of 241,500,000 new Shares, representing 15% of the issued share capital of the Company as at the date of this announcement, at a minimum issue price of HK\$0.65 per Share. The minimum issue price of HK\$0.65 per Share represents:

- (i) a premium of approximately 30.0% over the closing price of the Shares of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 29.0% over the average of the closing prices of approximately HK\$0.504 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 29.2% over the average of the closing prices of approximately HK\$0.503 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 156.9% over the unaudited consolidated net asset value of the Group of approximately HK\$0.253 per Share as at 30 September 2010 based on the unaudited interim report of the Company for the six months ended 30 September 2010.

The minimum issue price of HK\$0.65 per new Share was arrived at after arm's length negotiation between the Company, Jiwa Pharm and the Subscribers taking into account the prevailing trading prices of the Shares when the Capital Injection Agreements were entered into.

Based on the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day, the total value of the maximum number of new Shares that can be allotted and issued was approximately HK\$120.8 million.

The new Shares that can be allotted and issued under the Specific Mandate, comprising 241,500,000 Shares, represent (i) 15% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.0% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of such new Shares. The Specific Mandate will become effective immediately after the 48 months from the Capital Injection Completion Date and can be exercised only in the event that Kunming Jida does not obtain a listing on a stock exchange within 48 months from the Capital Injection Completion Date, and will be valid for a period of nine months after the expiry of such 48 months. The Company confirms that the relevant shares will only be issued to the Subscribers, and will not issued to any connected persons of the Company.

The new Shares that can be allotted and issued under the Specific Mandate, when allotted and issued upon exercise as the Directors consider appropriate, will rank *pari passu* in all respects with the then existing Shares in issue. There will be no restriction on the subsequent sale of the new Shares. An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in such new Shares to be issued upon exercise.

REASONS FOR AND BENEFITS OF THE SPECIFIC MANDATE

If necessary, the Directors will allot and issue the new Shares to the Subscribers under the Specific Mandate proposed to be sought from the Shareholders at the SGM.

The Directors would like to clarify that the sole purpose of the Specific Mandate is to provide a buffer to the Company, and to authorize the Directors when they consider necessary and appropriate, to satisfy the Repurchase Obligation via issue of new Shares in addition to a general mandate of 20% of the issued share capital that the Directors may exercise from time to time.

The Directors currently are not certain whether implementation of the Repurchase Obligation would be required; and if necessary, in what manner (i.e. by cash payment and/or allotment and issue of new Shares) the Repurchase Obligation would be satisfied. Nevertheless, the Directors will not implement the Repurchase Obligation by allotment and issue of new Shares which would otherwise result in change of control of the Company. The Directors consider that the Specific Mandate will only provide flexibility to the Company to implement the Repurchase Obligation (if it arises), and therefore is in the interests of the Company and the Shareholders as a whole.

CHANGES ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full utilisation of the Specific Mandate (assuming no other Shares are issued or repurchased by the Company):

	Issued Shares as at the date of this announcement		Immediately upon full utilisation of the Specific Mandate	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
LAUs Holding Co. Ltd. (<i>Note 1</i>)	840,000,000	52.17	840,000,000	45.37
WHYs Holding Co. Ltd. (<i>Note 2</i>)	105,000,000	6.52	105,000,000	5.67
	945,000,000	58.69	945,000,000	51.04
Shares which may be issued under the Specific Mandate	—	—	241,500,000	13.04
Current public Shareholders	665,000,000	41.31	665,000,000	35.92
Total	<u>1,610,000,000</u>	<u>100.00</u>	<u>1,851,500,000</u>	<u>100.00</u>

Notes:

These shares are held by LAUs Holding Co. Ltd., the entire issued share capital of which is held by Mr. Lau Yau Bor, the chairman of the Company.

These shares are held by WHYs Holding Co. Ltd., the entire issued share capital of which is held by Mr. Lan Kin Tung, the vice chairman and chief executive officer of the Company.

Further announcement will be made by the Company in compliance with the applicable requirements under the Listing Rules after any new Shares are issued under the Specific Mandate.

3. CHANGE OF AUDITORS

The Board also announces that JBPB & Co (formerly Grant Thornton) (“GTHK”) have resigned as auditors of the Company with effect upon closing of the SGM. The Board proposes to appoint BDO Limited as the auditors of the Company to fill the casual vacancy following GTHK’s resignation and to hold office until the conclusion of the next annual general meeting of the Company subject to the approval by the Shareholders at the SGM to be convened.

It was noted that GTHK has merged its practice with that of BDO Limited, and will practice under BDO Limited. The Board has been assured by BDO Limited that all the terms in respect of the provision of services to the Company by the merged practices will remain substantially unchanged. Based on such assurance, the Board has proposed to appoint BDO Limited as the auditors of the Company.

GTHK has confirmed in their resignation letter that there were no circumstances connected with their resignation which they consider should be brought to the attention of the Shareholders or creditors of the Company. The Board also confirms that there are no circumstances in connection with the change of auditors which they consider should be brought to the attention of the Shareholders.

GENERAL

A circular containing, among other things, (i) further information on the Disposal comprising the Proposed Capital Injection, Jiangsu Jiwa Disposal and Yunnan Jiwa Disposal pursuant to the Agreements; (ii) the Specific Mandate to issue new Shares, (iii) the change of auditors; and (iv) a notice to convene the SGM; and (v) other information as required by the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable, but no later than 9 March 2011.

DEFINITIONS

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

“Agreements”	collectively, the Capital Injection Agreements, the Jiangsu Jiwa Disposal Agreement, the Yunnan Jiwa Disposal Agreement and the Shareholder Agreements
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Injection Agreements”	(i) the conditional agreement dated 16 February 2011 entered into among Kunming Jida, Jiwa Pharm, Yunnan Pharm and the PE Investor; and (ii) the conditional agreement dated 16 February 2011 entered into among Kunming Jida, Jiwa Pharm, Yunnan Pharm, Panda, Mr. Yang and Mr. Li, pursuant to which the Subscribers have agreed to inject the prescribed amount of capital in Kunming Jida pursuant to the terms and conditions of the respective agreements

“Capital Injection Completion”	completion of the Proposed Capital Injection as contemplated under the Capital Injection Agreements
“Capital Injection Completion Date”	the date on which the Capital Injection Completion takes place
“Company”	Jiwa Bio-Pharm Holdings Limited (Stock Code: 2327), a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	collectively, all the Capital Injection Completion, Jiangsu Jiwa Completion and Yunnan Jiwa Completion take place
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	collectively, the deemed disposal by the Company pursuant to the Proposed Capital Injection, the Jiangsu Jiwa Disposal and the Yunnan Jiwa Disposal
“Group”	the Company and its subsidiaries
“HK GAAP”	the generally accepted accounting principles, standards and practices in Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the Company or any of its subsidiaries or the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Jiangsu Jiwa”	江蘇積華靈大製藥有限公司 (Jiangsu Jiwa Rintech Pharmaceutical Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 21 November 2003 which is wholly owned by Jiwa Rintech
“Jiangsu Jiwa Disposal”	the disposal of the 100% equity interest in Jiangsu Jiwa by the Company to the Kunming Jida pursuant to the Jiangsu Jiwa Disposal Agreement

“Jiangsu Jiwa Disposal Agreement”	an agreement dated 16 February 2011 entered into among the Company, Jiwa Rintech, Kunming Jida and Jiangsu Jiwa in relation to the Jiangsu Jiwa Disposal
“Jiangsu Jiwa Completion”	completion of the Jiangsu Jiwa Disposal
“Jiangsu Jiwa Completion Date”	the date on which Jiangsu Jiwa Completion takes place
“Jiangsu Jiwa Consideration”	the aggregate consideration of not less than RMB60.0 million (equivalent to approximately HK\$70.6 million) and not more than RMB66.0 million (equivalent to approximately HK\$77.6 million for disposal of the 100% equity interest in Jiangsu Jiwa under the Jiangsu Jiwa Disposal Agreement
“Jiwa P&C”	Jiwa Pharm & Chemicals Limited (積華醫藥化工有限公司), a company incorporated in Hong Kong with limited liability on 16 October 1987 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 93% equity interest in Yunnan Jiwa
“Jiwa Pharm”	Jiwa Pharmaceuticals Limited (積華藥業有限公司), a company incorporated in Hong Kong with limited liability on 10 October 1995 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 70% equity interest in Kunming Jida
“Jiwa Rintech”	Jiwa Rintech Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 8 December 2004 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 100% equity interest in Jiangsu Jiwa
“Kunming Jida”	昆明積大製藥有限公司 (Kunming Jida Pharmaceutical Company Limited*), a sino-foreign owned enterprise established under the laws of the PRC with limited liability on 14 August 1993 which is owned as to (i) 70% by Jiwa Pharm; and (ii) 30% by Yunnan Pharm. Immediately upon the Capital Injection Completion, the Group will only retain 49% equity interest in Kunming Jida
“Last Trading Day”	15 February 2011, being the last day on which the Shares were traded on the Stock Exchange prior to the date of entering into the Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Li”	李鴻翔 (Li Hong Xiang), being the representative for an investment vehicle to be incorporated and as representative for a group of employees of Kunming Jida which in turn will hold approximately 2.0% of the equity interest in Kunming Jida as enlarged by the Proposed Capital Injection
“Mr. Shek”	石文輝 (Shek Man Fai), being a director of two subsidiaries of the Group
“Mr. Yang	楊建新 (Yang Jian Xin), being the representative for an investment vehicle to be formed which in turn will hold approximately 2.5% of the equity interest as enlarged by the Proposed Capital Injection
“Ms. Luo”	羅冬梅 (Luo Dong Mei), being a director of a subsidiary of the Group
“Panda”	Panda BT Limited (佰大生物科技有限公司), a company incorporated in Hong Kong with limited liability on 25 November 2010 and which will hold approximately 5.5% equity interest of Kunming Jida as enlarged by the Proposed Capital Injection. Its principal business activity is investment holding
“PE Investor” or “Warburg Pincus”	Green Grove Investment Ltd., a company incorporated in Mauritius with limited liability, and is owned by Warburg Pincus Private Equity X, L.P., and Warburg Pincus X Partners, L.P., both of which are managed by Warburg Pincus LLC, a global private equity firm established in the United States of America. Green Grove Investment Ltd., Warburg Pincus LLC, their affiliates and ultimate beneficial owners are all Independent Third Parties
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Proposed Capital Injection”	the capital injection into Kunming Jida by each of the Subscribers in accordance with the terms and conditions of the Capital Injection Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving (i) the terms of Proposed Capital Injection, the Jiangsu Jiwa Disposal and the Yunnan Jiwa Disposal and the transactions contemplated thereunder; (ii) the Specific Mandate to issue new Shares; and (iii) the proposed change of auditors

“Share(s)”	the existing share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder Agreements”	(i) the conditional agreement dated 16 February 2011 entered into among the Company, Jiwa Pharm and the PE Investor; and (ii) the conditional agreement dated 16 February 2011 entered into among the Company, Jiwa Pharm, Panda, Mr. Yang and Mr. Li, pursuant to which the Company, Jiwa Pharm and the Subscribers have agreed certain rights and obligations among the parties thereto in accordance with the terms and conditions of the respective agreements
“Specific Mandate”	a specific mandate proposed to be granted to the Directors in relation to the allotment and issue of a maximum number of 241,500,000 new Shares at a minimum issue price of HK\$0.65 per new Share by the Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	collectively, the PE Investor, Panda, Mr. Yang and Mr. Li, together with their respective ultimate beneficial owners; other than two directors of certain subsidiaries of the Group, namely Mr. Shek and Ms. Luo, who are not connected persons of the Company
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor(s)”	collectively, Jiwa Rintech and Jiwa P&C
“working day(s)”	a day on which commercial banks in the PRC and Hong Kong are generally open for business (excluding Saturdays, Sundays and public holidays of both places)
“Yunnan Jiwa”	雲南積華醫藥物流有限公司 (Yunnan Jiwa Pharm Logistics Company Limited*), a sino-foreign owned enterprise established under the laws of the PRC with limited liability on 9 February 2002 which is owned as (i) 93% by Jiwa P&C; and (ii) 7% by Jiangsu Jiwa
“Yunnan Jiwa Disposal”	the disposal of 93% effective equity interest owned by Jiwa P&C in Yunnan Jiwa by the Group to the Kunming Jida pursuant to the Yunnan Jiwa Disposal Agreement

“Yunnan Jiwa Disposal Agreement”	an agreement dated 16 February 2011 entered into among the Company, Jiwa P&C, Kunming Jida and Yunnan Jiwa in relation to the Yunnan Jiwa Disposal
“Yunnan Jiwa Completion”	completion of the Yunnan Jiwa Disposal
“Yunnan Jiwa Completion Date”	the date on which Yunnan Jiwa Completion takes place
“Yunnan Jiwa Consideration”	the aggregate consideration of not less than RMB33.0 million (equivalent to approximately HK\$38.8 million) and not more than RMB37.0 million (equivalent to approximately HK\$43.5 million for disposal of the 93% effective equity interest in Yunnan Jiwa under the Yunnan Jiwa Disposal Agreement
“Yunnan Pharm”	雲南醫藥工業股份有限公司 (Yunnan Pharmaceutical Industrial Holdings Company Limited*), a domestic enterprise established in Yunnan Province, the PRC and is holding 30% equity interests in Kunming Jida as at the date of this announcement. Immediately upon the Capital Injection Completion, Yunnan Pharm will only retain 21% equity interests in Kunming Jida
“%”	per cent.

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB0.85 = HK\$1. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

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

Hong Kong, 16 February 2011

As at the date of this announcement, the executive Directors are Mr. Lau Yau Bor (the Chairman), Mr. Lau Kin Tung (the Vice Chairman and Chief Executive Officer) and Madam Chan Hing Ming; and the independent non-executive Directors are Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website for at least seven days from the day of its posting and on the website of the Company at www.jiwa.com.hk.