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

CONNECTED TRANSACTIONS

The Board announce that on 22 February 2008, Jiwa Development, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with GeneHarbor pursuant to which GeneHarbor agreed to sell and Jiwa Development agreed to purchase 14.3% of the Technology for a cash consideration of HK$5,000,000.

On 25 February 2008, Jiwa Development entered into the First Shareholders Agreement with GeneHarbor and Vital Element for the establishment of Vital Element. On the same date, Jiwa Development also entered into the Second Shareholders Agreement with GeneHarbor and Rise Hill for the establishment of Rise Hill.

Pursuant to the First Shareholders Agreement, GeneHarbor shall subscribe for 3,000 ordinary shares of Vital Elements by assigning 85.7% of the Intellectual Property Rights in the Technology owned by GeneHarbor, and Jiwa Development shall subscribe for 500 ordinary shares of Vital Element by assigning 14.3% of the Intellectual Property Rights in the Technology owned by Jiwa Development. Upon establishment of Vital Element, Jiwa Development and GeneHarbor will be interested in 14.3% and 85.7% of the issued share capital of the Vital Element respectively.

Pursuant to the Second Shareholders Agreement, Jiwa Development and GeneHarbor shall subscribe for 600 and 400 ordinary shares of Rise Hill for a cash consideration of HK$6000 and HK$4000 respectively. Upon establishment of Rise Hill, Jiwa Development and GeneHarbor will be interested in 60% and 40% of the issued share capital of Rise Hill respectively.

GeneHarbor owned 40% issued share capital of Base Affirm (a 60% owned subsidiary of the Company), according to the Listing Rule, GeneHarbor is a Connected Person and the transactions contemplated between GeneHarbor and Jiwa Development are Connected Transactions under the Listing Rule.

As the applicable Percentage Ratios in respect of the Transactions is more than 2.5% but less than 25% and the consideration is less than HK$10,000,000, the Transaction is subject to the reporting, and announcement requirements under the Listing Rule, and is exempt from the independent shareholders approval requirements under the Listing Rule.

BACKGROUND

GeneHarbor is the sole legal and beneficial owner of all Intellectual Property Rights in the Technology, which is being considered as a state of art technology for development of a key antibiotics. The purchase of the Technology and the establishments of two joint venture companies are for the purpose of further development of the Technology by Vital Element and commercialization of the products under the Technology by Rise Hill.

THE SALE AND PURCHASE AGREEMENT

Summary

On 22 February 2008, Jiwa Development entered into the Sale and Purchase Agreement with GeneHarbor pursuant to which GeneHarbor agreed to sell and Jiwa Development agreed to purchase 14.3% of the Technology for a cash consideration of HK$5,000,000.

Consideration

A cash consideration of HK$5,000,000 has been determined with a valuation agreed by GeneHarbor and Jiwa Development that the Technology as at the present state shall have a value equals to HK$35,000,000. The Technology is wholly owned by GeneHarbor, and is still in development stage, no profit or loss generated from it in respect of two financial years immediately preceding the Sale and Purchase Agreement The consideration is based on the commercial negotiation between GeneHarbor and Jiwa Development in view of the prospect of the market of the Licensed Products under the Technology. GeneHarbor warrants and undertakes to Jiwa Development that the valuation of the present state of the Technology should not be less than HK$35,000,000. GeneHarbor and Jiwa Development agreed to engage an independent professional valuer to provide a valuation report on the Technology within 6 months from the date of signing the Sales and Purchase Agreement.

Jiwa Development shall effect the payment of HK$5,000,000 to GeneHarbor on 29 February 2008 or any other dates as may be agreed between Jiwa Development and GeneHarbor.

THE FIRST SHAREHOLDERS AGREEMENT

Summary

On 25 February 2008, Jiwa Development entered into the First Shareholders Agreement with GeneHarbor and Vital Element, pursuant to which, GeneHarbor and Jiwa Development shall subscribe for 3,000 and 500 ordinary shares of Vital Element. No condition precedents for completion of the First Shareholders Agreement, upon establishment of Vital Element, Jiwa Development and GeneHarbor will be interested in 14.3% and 85.7% of the issued share capital of Vital Element respectively. Save as disclosed below, no other capital commitment is required to be made by Jiwa Development or GeneHarbor under the First Shareholders Agreement.

Capital Contribution

GeneHarbor shall subscribe for, and pay for 3,000 ordinary shares of Vital Element by assigning 85.7% of the Intellectual Property Rights in the Technology owned by GeneHarbor (the "GeneHarbor Portion"). Vital Element, Jiwa Development and GeneHarbor agreed the value of the GeneHarbor Portion as at the date of signing the First Shareholder Agreement is HK$30,000,000.

Jiwa Development shall subscribe for, and pay for 500 ordinary shares of Vital Element by assigning 14.3% of the Intellectual Property Rights in the Technology owned by Jiwa Development upon completion of the Sale and Purchase Agreement (the "Jiwa Portion"). The assignment of the Intellectual Property Rights in the Technology of GeneHarbor Portion and Jiwa Portion has completed on 25 February, 2008. The shareholders of Vital Element agreed the value of the Jiwa Portion as at the date of signing the First Shareholder Agreement is HK$5,000,000. Jiwa Development agreed, on or before 10 March 2008, Jiwa Development shall subscribe for a further 300 ordinary shares of Vital Element for a cash consideration of HK$3,000,000 The payment of cash consideration of HK$3,000,000 would be completed on or before 10 March 2008. After subscription of the further 300 ordinary shares, Jiwa Development will owned 21.1% of the issued share capital of Vital Element. The Company will treat Vital Element as investment in an associated company upon completion of the First Shareholders Agreement. The cash fund will be used for the purpose of further development of the Technology under the prescribed development milestones and technical criteria. Additional fund may be required which depends on the progress of the development of the Technology.

On the date of signing the First Shareholders Agreement, the Shareholders agree to sign the Second Shareholders Agreement.

THE SECOND SHAREHOLDERS AGREEMENT

Summary

On 25 February 2008, Jiwa Development entered into the Second Shareholders Agreement with GeneHarbor and Rise Hill, pursuant to which Jiwa Development and GeneHarbor shall subscribe for 600 and 400 ordinary shares of Rise Hill for a cash consideration of HK$6000 and HK$4000 respectively. No condition precedents for completion of the Second Shareholders Agreement, upon establishment of the Rise Hill, Jiwa Development and GeneHarbor will be interested in 60% and 40% of the issued share capital of Rise Hill respectively. No other capital commitment is required to be made by Jiwa Development or GeneHarbor under the Second Shareholders Agreement.

Capital Contribution

GeneHarbor shall subscribe for, and pay for 400 shares of Rise Hill for a cash consideration of HK$4,000 and Jiwa Development shall subscribe for, and pay for 600 shares of Rise Hill for a cash consideration of HK$6,000. The payment of cash consideration of HK$4,000 by GeneHarbor and HK$6,000 by Jiwa Development would be completed on or before 3 March 2008. The Company will treat Rise Hill as a subsidiary upon completion of the Second Shareholders Agreement.

On the date of signing the First Shareholders Agreement, Vital Element, after completion of the development of the Technology, agreed to license the production, manufacturing, sale and marketing of the Licensed Products under the Technology to Rise Hill for a license fee equals to RMB1.00 and an royalty fee equals to 5% of the net sales revenues received by Rise Hill from the sale of the Licensed Product in the Licensed Territories. Upon completion of the First Shareholders Agreement, Vital Element will become Connected Person to the Company; the license provided by Vital Element to Rise Hill (a 60% subsidiary of the Company) is considered as a Continuing Connected Transaction under the Listing Rule, if the applicable Percentage Ratios in respect of the Continuing Connected Transaction exceed the threshold subject to the disclosure requirement under the Listing Rule, the Company will make further an announcement to the public.

After successful completion of the development of the Technology by Vital Element, the management of Rise Hill would formulate the commercialization and capital expenditure plan of the Licensed Products in view of respective market situation. No other capital commitment was made by Jiwa Development under the First Shareholders Agreement and the Second Shareholders Agreement The funding of the commercialization and capital expenditure plan would be by way of Shareholders loans or capital contributions.

REASON AND BENEFIT OF THE TRANSACTION

Vital Element will engage in the further development of the Technology from the present state to completion stage, whereas Rise Hill will engage in commercialization of the Licensed Products under the Technology, the Board considers that the entering into the Sale and Purchase Agreement, First Shareholders Agreement and the Second Shareholders Agreement will benefit the group by the potential sales generated from commercialization of the Licensed Products.

The Board considers that the terms of the Sale and Purchase Agreement, the First Shareholders Agreement and the Second Shareholders Agreement have been negotiated on an arm's length basis and on normal commercial terms, which are fair and reasonable, and the Transaction is in the interest of the Company and the Shareholder as a whole.

LISTING RULE IMPLICATION

GeneHarbor owned 40% equity capital of Base Affirm (a 60% owned subsidiary of the Company), according to the Listing Rule, GeneHarbor is a Connected Person and the transactions contemplated between GeneHarbor and Jiwa Development are Connected Transactions under the Listing Rule.

As the applicable Percentage Ratios in respect of the Transaction is more than 2.5% but less than 25% and the consideration is less than HK$10,000,000, the Transaction is subject to the reporting, and announcement requirements under the Listing Rule and is exempt from the independent shareholders approval requirements under the Listing Rule.

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 Development is an investment company, incorporated in the British Virgin Islands with limited liability.

GeneHarbor is, incorporated in Hong Kong with limited liability, mainly engaged in the research and development of pharmaceutical products.

DEFINITIONS

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

"Base Affirm"	Base Affirm International Limited, a 60% owned subsidiary of the Company incorporated in the British Virgin Islands;
"Board"	the board of Directors of the Company;
"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;
"Connected Person"	has the meaning as given in the Listing Rules;
"Connected Transactions"	has the meaning as given in the Listing Rules;
"Continuing Connected Transactions"	has the meaning as given in the Listing Rules;
"Directors"	the directors of the Company;
"First Shareholders Agreement"	the agreement dated 25 February 2008 entered into between Jiwa Development, GeneHarbor and Vital Element;
"GeneHarbor"	Gene Harbor (Hong Kong) Technologies Limited, a company incorporated in Hong Kong with limited liability, owned 40% equity interest of Base Affirm;
"Group"	the Company and its subsidiaries;

"Intellectual Property Rights"	all rights including, without limitation, patents, trade marks, service marks, registered designs, copyright, rights in designs, inventions and confidential information;
"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;
"Licensed Patents"	means all the patents issued under the patent applications and their divisions, continuations an continuation-in-parts, and all reissues of any of the foregoing patents;
"Licensed Products"	means key antibiotics produced by utilising the Technology and/or the Licensed Patents;
"Licensed Territories"	means worldwide including, but not limited to, the countries in which Licensed Patents are in existence;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Percentage Ratios"	has the meaning as given in the Listing Rules;
"PRC"	People's Republic of China;
"Rise Hill"	Rise Hill Development Limited, a company incorporated in British Virgin Islands with limited liability on 2 January 2008;
"Sale and Purchase Agreement"	the agreement dated 22 February 2008 entered into between Jiwa Development and GeneHarbor;
"Second Shareholders Agreement"	the agreement dated 25 February 2008 entered into between Jiwa Development, GeneHarbor and Rise Hill;
"Shareholders"	holders of the shares in the issued share capital of the Company;
" Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Technology"	The technology for development of a key antibiotics, as of the present state and all future research and development of the Technology;

"Transactions"	The transactions contemplated under the Sale and Purchase Agreements, the First Shareholders Agreement and the Second Shareholders Agreement;
'Vital Element"	Vital Element Investments Limited, a company incorporated in British Virgin Islands with limited liability on 2 January 2008;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC; and
"%"	per cent.

Hong Kong, 27 February 2008

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

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

* *for identification purpose only*