THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

積華

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

* *For identification purpose only*

20 October 2008

CONTENTS

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

"Agreement"	the sales and purchase agreement entered into between Jiwa Development and Longchang on 8 October 2008;
"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;
"Directors"	the board of Directors of the Company;
"Group"	the Company and its subsidiaries;
"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;
"Latest Practicable Date"	14 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Longchang"	Shanxi Province Fanshi County Longchang Industrial Co. Ltd.* (山西省繁峙縣龍昌實業有限公司);
"Mr. Pang"	Pang Yue Jun* (龐躍軍), the purchaser of Longchang;
"PRC"	People's Republic of China;
"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 Agreement;

"RMB"	Renminbi, the lawful currency of the PRC; and
"%"	per cent.

For the purpose of this circular, the exchange rate of RMB1.00 = HK$0.88 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK$ have been, could have been or may be converted at such rate.

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

Independent non-executive Directors:
Mr. Chiu Wai Piu
Mr. Choy Ping Sheung
Mr. Fung Tze Wa

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 2904 & 2906
Tower One, Lippo Centre
89 Queensway, Central
Hong Kong

20 October 2008

To the Shareholders:

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

THE SALE AND PURCHASE AGREEMENT

Summary

On 8 October 2008, Jiwa Development entered into the Agreement with Mr. Pang, pursuant to which Mr. Pang agreed to purchase and Jiwa Development agreed to sale the 70% of the issued share capital of Longchang for a cash consideration of RMB27,000,000 (equivalent to approximately HK$30,700,000). Longchang is engaged in exploitation and refining of iron ores.

* *For identification purpose only*

The remaining 25% interest of Longchang is held by Mr. Guo Dongyu and 5% being held by Mr. Li Qi. To the best of the Directors' knowledge, information and beliefs having made all reasonable enquiry, Mr. Pang is third party independent of the listed issuer and connected person of the Group, and, Mr. Guo Dongyu and Mr. Li Qi are independent third parties to Mr. Pang.

Consideration and payment terms

There is no condition precedent for the Transaction. Mr. Pang shall effect the payment of RMB2,000,000 to Jiwa Development within 30 working days upon signing of the Agreement, the second and third payments of RMB15,000,000 and RMB10,000,000 shall be settled within 60 working days and 120 working days respectively upon completion of the share transfer of the 70% equity shares of Longchang.

REASON AND FINANCIAL EFFECT OF THE TRANSACTION

The management of the Company considered the acquisition of Longchang in 2007 as capital investment opportunity for the Group. Due to the recent economic downturn and difficult operating environment in the mining industry of the PRC, the management recognized focusing on the Group's core pharmaceutical business would be more profitable, thus the management continuously seeking an appropriate selling opportunity of Longchang. The management considered selling Longchang to Mr. Pang being the most beneficial to the Group among the available offers made by potential buyers in view of offer price and payment terms. The basis of determining the consideration is based on the available options and the rate of return on investment of Longchang. The management considered the consideration of RMB27,000,000 being a reasonable return to the Group on its investment in Longchang.

Following the completion of the Transaction, the Group will receive the consideration of RMB27,000,000 and would recognize a gain on disposal of approximately HK$5,200,000 (calculated as sale proceeds of approximately HK$30,700,000 less investment cost of Longchang of approximately HK$25,500,000), total asset of the Company will increase and there would be no change to the liability of the Company. The Company currently expects to apply all the sale proceeds received from the Transaction for general working capital of the Group.

In view of the above factors, the Directors are of the view that the Transaction is in the interests of the Company and its Shareholders as a whole and that the terms of the Agreement is fair and reasonable and on normal commercial terms.

According to the unaudited management accounts of Longchang, Longchang recorded a loss before and after taxation and extraordinary items of approximately RMB412,405 (equivalently to approximately HK$468,642) and RMB234,564 (equivalently to approximately HK$266,550) for the year ended 31 March 2007 and 31 March 2008 respectively. As at 31 March 2008, Longchang recorded a net liability of RMB146,969 (equivalently to approximately HK$167,010).

Reference is made to the announcement of the Company dated 15 August 2008 in relation to the continuing connected transactions of the Company (the "Previous Announcement'), Longchang had entered into a subcontracting agreement with Wutai County Fudi Mining Co. Ltd. ("Wutai"), pursuant to which, Wutai would pay an annual license fee of RMB6,020,000 each year to Longchang during 1 January 2008 to 31 December 2010, accordingly, the Company recorded a net profit of HK$1,667,000 attributable to the disposed asset for the year ended 31 March 2008 (the "Subcontracting Agreement"). After completion of the Transaction, the Subcontracting Agreement shall remain valid to Longchang, and the Group will not enter into any termination agreement in respect of the Subcontracting Agreement and Supplementary Agreement as defined in the Previous Announcement.

With reference to the Previous Announcement, the Directors consider that the Group exert no control or influence on Longchang, the Company recognized the investment in Longchang as available for sale investment and recognized it at cost less accumulated impairment in the latest annual report of the Company. Nevertheless, Longchang is a subsidiary undertaking of the Group as defined in the Company Ordinance as the Group owned more than 50% equity shares of Longchang, and hence it is a subsidiary of the Company as defined under Rule 1.01 of the Listing Rule.

Upon completion of the Transaction, Longchang will no longer be recognized as available for sale investment for the Group and it will cease to be a 70% owned subsidiary of the Company under the Listing Rule.

LISTING RULE IMPLICATION

Given that the relevant 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.

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.

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.

Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and associated corporations:

Name of Director	Personal interests (held as beneficial owner) *(Note 1)*	Family interests (interest of spouse)	Interest in controlled corporation	Total interests	% of total issued Shares
Lau Yau Bor	97,878,000	119,106,000 *(Note 2)*	840,000,000 *(Note 4)*	1,056,984,000	65.86%
Lau Kin Tung	28,650,000	—	105,000,000 *(Note 5)*	133,650,000	8.33%
Chan Hing Ming	44,106,000	937,878,000 *(Note 3)*	75,000,000 *(Note 6)*	1,056,984,000	65.86%

Notes:

1. The Shares are registered under the name of the Directors or chief executive of the Company who are the beneficial owners.

2. 75,000,000 Shares are held by MINGS Development Holdings Limited which is wholly and beneficially owned by Chan Hing Ming, the spouse of Lau Yau Bor, 44,106,000 Shares are held by Chan Hing Ming as beneficial owner.

3. 840,000,000 Shares are held by LAUs Holding Co. Ltd. which is wholly and beneficially owned by Lau Yau Bor, the spouse of Chan Hing Ming. 97,878,000 Shares are held by Lau Yau Bor as beneficial owner.

4. These Shares are held by LAUs Holding Co. Ltd., the entire issued share capital of which is held by Lau Yau Bor, who is the sole director of LAUs Holding Co. Ltd.

5. These Shares are held by WHYS Holding Co. Ltd, the entire issued share capital of which is held by Lau Kin Tung, who is the sole director of WHYS Holding Co. Ltd..

6. These Shares are held by MINGS Development Holdings Limited, the entire issued share capital of which is held by Chan Hing Ming, who is the sole director of MINGS Development Holdings Limited.

Interests in underlying Shares

Name of Director	Nature	Capacity	Total number of underlying Shares	Date of grant	% of total issued Shares
Lau Kin Tung	Share options *(Note)*	Personal Interest	15,000,000	14 April 2008	0.93

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

3. SUBSTANTIAL SHAREHOLDERS

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 and Chief Executive of the Company, no other person other than the Directors 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.

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. COMPETING INTEREST OF DIRECTORS

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.

6 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.

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 Tricor Standard 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.