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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 AND CONNECTED TRANSACTION

* *For identification purpose only*

7 November 2008

CONTENTS

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

"Accounts Date"	2 October 2008;
"Assets"	means all assets, other than the 93% shareholding interests of Jiwa P&C in Y.N. Jiwa Pharm Logistics Co. Ltd. as at the Accounts Date;
"Company"	Jiwa Bio-Pharm Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
"Board/Directors"	the board of Directors of the Company;
"Business Days"	a day on which banks are generally open for business in Hong Kong, other than Saturdays, Sundays and days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
"Completion Date"	30 days from the date of the Sale and Purchase Agreement or such later date as the Vendors and the Purchaser may agree in writing prior to completion of the sale and purchase of the Sale Shares;
"Deed"	the deed of assignment and assumption entered into between the Purchaser, the Vendors and Jiwa P&C on 28 October 2008;
"Group"	the Company and its subsidiaries;
"Jiwa P&C"	Jiwa Pharm & Chemicals Limited, a company incorporated under the laws of Hong Kong;
"Latest Practicable Date"	3 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

"Liabilities"	all liabilities of Jiwa P&C as at the Accounts Date as set out in the balance sheet;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	People's Republic of China;
"PRC Interests"	the 93% shareholding interests of Jiwa P&C in the PRC Subsidiary;
"PRC Receivables"	the other receivables and the account receivables of the PRC Subsidiary as specified as long outstanding receivables not to be purchased by the Purchaser as at the Account Date as set out in the balance sheet;
"PRC Subsidiary"	Y.N. Jiwa Pharm Logistics Co. Ltd (雲南積華醫藥物流有限公司), a sino-foreign equity joint venture company incorporated under the laws of the PRC whereby Jiwa P&C holds 93% shareholdings, and the remaining 7% shareholders are held by Kunming Jida Pharmaceutical Co. Ltd. (a 70% subsidiary of the Company);
"Purchase/Jiwa Development"	Jiwa Development Co. Ltd., a company incorporated in British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company;
"Sale and Purchase Agreement"	the sales and purchase agreement entered into between the Purchaser and the Vendors on 28 October 2008;
"Sale Shares"	the 1,000 ordinary shares of HK$1,000 each in the capital of Jiwa P&C, representing the entire issued shares of Jiwa P&C;
"Shareholders"	holders of the shares in the issued share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Transaction"	The transaction contemplated under the Sale and Purchase Agreement;
"Vendors"	Mr. Lau Yau Bor and Mr. Lau Kin Tung, directors of the Company;
"%"	per cent.

For the purpose of this circular, the exchange rate of HK$1.00 = RMB0.88 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute a representation that any amount in RMB or HK$ 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

7 November 2008

To the Shareholders:

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

THE SALE AND PURCHASE AGREEMENT

Summary

On 28 October 2008, the Purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and Jiwa Development agreed to purchase the Sale Shares of Jiwa P&C at a consideration of HK$9,659,000. Upon completion of the Transaction, 100% issued share capital of Jiwa P&C will be held by the Group.

* *For identification purpose only*

Parties

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

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

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

Condition Precedent

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

(a) the Purchaser has to complete a due diligence review on Jiwa P&C within 20 Business Days from the date of the Sale and Purchase Agreement and is satisfied to the Purchaser in its sole and absolute discretion;

(b) all necessary approvals or consents in relation to the transactions contemplated by the Sale and Purchase Agreement.

Sale and Purchase of the Sale Shares

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

(a) the Assets (other than the PRC Interests);

(b) the Liabilities; and

(c) the PRC Receivables.

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

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

Consideration and payment terms

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

Lau Kin Tung: HK$3,863,600
Lau Yau Bor: HK$5,795,400

REASON AND FINANCIAL EFFECT OF THE TRANSACTION

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

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

According to the unaudited management accounts of Jiwa P&C, it has recorded a profit before taxation and extraordinary items for the year ended 31 March 2007 and 31 March 2008 of HK$524,000 and HK$1,727,000 respectively, and the profit after taxation and extraordinary items for the year ended 31 March 2007 and 31 March 2008 are HK$322,459 and HK$700,000 respectively. The adjusted net asset value after deducting the Assets, the Liabilities and the PRC Receivables of Jiwa P&C is HK$8,804,000 as at 2 October 2008, the remaining assets and liabilities held by the PRC Subsidiary after the adjustment are mainly land, building, inventory, trading receivables other than the PRC Receivables, account payables and bank loan. The original capital injection by the Vendors for the PRC Interests was HK$15,191,000.

Upon Completion, the accounts of Jiwa P&C will be consolidated with that of the Group. Given the prospects of Jiwa P&C, the Group expects that its earnings will be enhanced in future, its assets and liabilities also be increased.

LISTING RULE IMPLICATION

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

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

GENERAL

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

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

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	119,370,000 *(Note 2)*	840,000,000 *(Note 4)*	1,057,248,000	65.87%
Lau Kin Tung	28,650,000	—	105,000,000 *(Note 5)*	133,650,000	8.33%
Chan Hing Ming	44,370,000	937,878,000 *(Note 3)*	75,000,000 *(Note 6)*	1,057,248,000	65.87%

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, 44,370,000 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	Percentage of total issued Shares
Lau Kin Tung	Share options *(Note)*	15,000,000	Personal Interest	14 April 2008	0.93

Note: The share options are held by Lau Kin Tung as beneficial owners. 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, the following 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.

Name of substantial shareholders	Capacity	Total Interests	Percentage of total issued Shares
LAUs Holdings Co. Ltd.	Beneficial owner	840,000,000	52.34
MINGS Development Holdings Limited	Beneficial owner	75,000,000	4.67
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.54

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. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Group was made up.

8. INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in the Sale and Purchase Agreement, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008 (being the date to which the latest published audited financial statements of the Company were made up) to the Latest Practicable Date.

Save as disclosed in the Sale and Purchase Agreement, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Transfer Documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including 4 December 2008, being not less than 14 days from the date of this circular.

10. 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.