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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the disclosure in the announcement of the Company dated 2 April 2009 regarding a master sale and purchase agreement entered into between Kunming Jida (a 70% owned subsidiary of the Group) and Yunnan Pharmaceutical (a Substantial Shareholder of Kunming Jida) for the three years ended 31 March 2012.

As a result of the uprising demands for the pharmaceutical products in the PRC market under the recent national medical reform, the Company notes that the annual cap of HK$9.8 million for the sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical for each of the years ended 31 March 2011 and 31 March 2012 will be exceeded. Accordingly the Company would like to revise the annual caps for each of the two years ended 31 March 2012 upward to HK$25 million and HK$30 million respectively.

As the applicable percentage ratios (as defined in chapter 14A of the Listing Rule) in respect of the Revised Cap Amounts of the Transaction exceeds 0.1% but not 5%, therefore 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 requirements pursuant to Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the disclosure in the announcement of the Company dated 2 April 2009 where annual caps for the sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical were set for the three years ended 31 March 2012. According to the Yunnan Pharmaceutical Master Agreement entered into between Kunming Jida and Yunnan Pharmaceutical on 1 April 2009 for a term of 3 years from 1 April 2009 to 31 March 2012, the price for each transaction contemplated under the Yunnan Pharmaceutical Master Agreement shall be determined with reference to the

* *for identification purpose only*

price charged by Kunming Jida to other independent customers. The terms and conditions on which the pharmaceuticals are to be sold to Yunnan Pharmaceutical should be no less favorable to the Group then those sold to independent third parties. The Group retains the right to choose to sell to an independent third party where the terms offered by such independent third party may be more favorable than those sold to Yunnan Pharmaceutical. The Group continuously sells pharmaceuticals in various therapeutics categories to Yunnan Pharmaceuticals as it is one of renowned pharmaceuticals distributors in the Yunnan Province, the PRC.

REVISION OF ANNUAL CAPS

The annual caps for the sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical previously set for the three years ended 31 March 2012 were HK$9.8 million for each of the three years. The aggregate sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical for the year ended 31 March 2010 was RMB8.1 million (equivalent to HK$9.4 million). The Company has been monitoring the aggregate sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical, the aggregate sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical for the 6 months ended 30 September 2010 had already reached RMB5.3 million (equivalent to HK$6.1 million). Having regard to internal estimates of the uprising demand of pharmaceuticals in the PRC under the national medical reform and the continuous business expansion of Kunming Jida, the Company notes that the annual caps for the sales of pharmaceuticals by Kunming Jida to Yunnan Pharmaceutical for the years ended 31 March 2011 and 31 March 2012 will be exceeded. Accordingly, the Company would like to revise the annual cap for each of the two years ended 31 March 2012 upward to HK$25 million and HK$30 million respectively.

The Revised Annual Caps have been determined by reference to (i) the estimated growth rate of sales of existing pharmaceutical products of Kunming Jida for the years ended 31 March 2011 and 31 March 2012; (ii) the growth rate of pharmaceutical markets in the PRC; and (iii) the estimated sales increase brought by the launch of new products. The Directors of the Company (including the independent non-executive directors) consider that the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The Group and Kunming Jida are principally engaged in the research, development, manufacture and sale of pharmaceutical products. Yunnan Pharmaceuitcal is engaged in the sale and distribution of pharmaceuticals in the PRC market.

LISTING RULE IMPLICATIONS

Kunming Jida is a Sino-foreign equity joint venture, owned as to 70% by the Group and as to the remaining 30% by Yunnan Pharmaceutical. Yunnan Pharmaceutical is therefore a Substantial Shareholder of Kunming Jida, and a Connected Person of the Company as defined under the Listing Rules.

As the applicable percentage ratios in respect of the Revised Cap Amounts of the Transaction exceeds 0.1% but not 5%, therefore 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 requirements pursuant to Chapter 14A of the Listing Rules

DEFINATIONS

"Company"	Jiwa Bio-Pharm Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange of Hong Kong Limited;
"Connected Person"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;
"Group"	the Company together with its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Kunming Jida"	Kunming Jida Pharmaceutical Co. Ltd.(昆明積大製藥有限公司), a Sino-foreign equity joint venture established in the PRC in 1993, owned as to 70% by the Group and as to the remaining 30% owned by Yunnan Pharmaceutical;
"Listing Rules"	the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited;
"Revised Cap Amounts"	the revised cap amount for the Transactions as set out in the paragraph entitled "REVISION OF ANNUAL CAPS" in this announcement;
"PRC"	the People's Republic of China (for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan);
"Shareholders"	holders of the shares of the Company;
"Substantial Shareholder"	has the same meaning ascribed to it under the Listing Rules;

"Transactions"	The transactions contemplated under the Yunnan Pharmaceutical Master Agreement;
"Yunnan Pharmaceutical"	Yunnan Pharmaceutical and Industrial Corporation Limited* (雲南醫藥工業股份有限公司), a domestic enterprise established in the PRC, which holds 30% of the equity interest of Kunming Jida;
"Yunnan Pharmaceutical Master Agreement"	the master sale and purchase agreement entered into between Kunming Jida and Yunnan Pharmaceutical on 1 April 2009;
"%"	per cent.

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

Hong Kong, 2 November 2010

As at the date of this announcement, the Board of the Company consists of Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming as executive directors, and Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa as independent non-executive directors.