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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
YUNNAN JIWA BIOTECH LIMITED**

THE DISPOSAL

The Board announces that on 21 September 2012 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest in Jiwa Biotech for an aggregate consideration of RMB19.0 million (equivalent to approximately HK\$23.2 million).

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement thereunder.

The Board announces that on 21 September 2012 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest in Jiwa Biotech for an aggregate consideration of RMB19.0 million (equivalent to approximately HK\$23.2 million). The Disposal is subject to the satisfaction of the conditions as set out in the paragraph headed "Conditions Precedent" below.

* *for identification purpose only*

THE DISPOSAL AGREEMENT

Date	:	21 September 2012
Vendor	:	Jiwa Pharm & Chem, an indirect wholly-owned subsidiary of the Company and the immediate holding company of Jiwa Biotech
Purchaser	:	Kunming Jida, a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability and is beneficially owned as to (i) 49% by the Group; (ii) 21% by Yunnan Pharm; (iii) 2% by certain of its employees; and (iv) 28% by other Independent Third Parties. Kunming Jida is therefore a 49% owned jointly controlled entity of the Company.
		Mr. Shek Man Fai (石文輝), being a director of certain subsidiaries of the Group, is currently holding an indirect equity interest of less than 0.3% in Kunming Jida.
		As confirmed by the Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, Kunming Jida Group is not a connected person of the Company pursuant to the Chapter 14A of the Listing Rules. Save as disclosed above, all the other equity holders thereof and their ultimate beneficial owners are Independent Third Parties.
Assets to be disposed of	:	The Sale Interest, being the entire equity interest in Jiwa Biotech
Consideration	:	The Consideration for the sale and purchase of the Sale Interest shall be the sum of RMB19.0 million (equivalent to approximately HK\$23.2 million), and shall be satisfied in cash by the Purchaser within seven working days after the date of the Disposal Agreement and with fulfilment of all conditions precedent thereto.

Basis of determination of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account (i) the net asset value of Jiwa Biotech as at 31 August 2012 based on its unaudited management accounts prepared in accordance with the PRC GAAP; and (ii) the possible R&D, production and development potential of Jiwa Biotech that could be expected by the Kunming Jida Group in the long-term future.

The Directors (including the independent non-executive Directors) are of the view that the basis of determination of the Consideration is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Disposal is conditional upon fulfillment of, among others, the following conditions:

- (i) the obtaining of proper approval of the ultimate shareholders of the Vendor for the Disposal Agreement and the transactions contemplated under or incidental to the Disposal Agreement (if required);
- (ii) the obtaining of the prior approval(s) by each of the board of directors and shareholders of the Purchaser for the Disposal Agreement and the transactions contemplated under or incidental to the Disposal Agreement; and
- (iii) all necessary consents, authorizations, licences and approvals for or in connection with the sale and purchase of the Sale Interest having been obtained from the relevant authorities having jurisdiction over the transactions contemplated under the Disposal Agreement.

None of the above conditions may be waived by either parties of the Disposal Agreement.

Completion

Completion of the Disposal shall take place on the fifteenth day after the payment of the aggregate Consideration to the Purchaser by the Vendor, and subject to the above conditions precedent are fulfilled by both the Vendor and the Purchaser. Upon Completion, Jiwa Biotech will cease to be a wholly-owned subsidiary of the Group, but which will become an indirect wholly owned subsidiary of Kunming Jida Group.

INFORMATION ON JIWA PHARM & CHEM

Jiwa Pharm & Chem (being the Vendor), a company incorporated in Hong Kong on 16 October 1987 with limited liability and is an indirect wholly-owned subsidiary of the Company. Jiwa Pharm & Chem is an investment holding company with paid-up capital of HK\$1,000,000 and its sole investment in the entire equity interest in Jiwa Biotech.

INFORMATION ON JIWA BIOTECH

Jiwa Biotech (being the subject matter of the Disposal), a wholly-foreign owned enterprise with limited liability established in the Yunnan Province, the PRC on 23 December 2008 and is currently wholly-owned by Jiwa Pharm & Chem as at the date of this announcement. Jiwa Biotech has its registered and paid-up capital of RMB66,000,000 and RMB23,623,400 respectively, and is principally engaged in the R&D of pharmaceutical products in the PRC. Jiwa Biotech has not yet commenced its full scale of business so far, and is now in the preliminary testing and development stage of its pharmaceutical production.

Based on the audited accounts of Jiwa Biotech prepared in accordance with the PRC GAAP, both the net loss before and after taxation for the year ended 31 December 2010 of Jiwa Biotech were approximately RMB1.3 million (equivalent to approximately HK\$1.6 million); while both of its net loss before and after taxation for the year ended 31 December 2011 were approximately RMB1.6 million (equivalent to approximately HK\$2.0 million). Based on the same set of audited accounts of Jiwa Biotech, net asset value of Jiwa Biotech was approximately RMB19.7 million (equivalent to approximately HK\$24.0 million) as at 31 December 2011.

Based on the unaudited management accounts of Jiwa Biotech prepared in accordance with the PRC GAAP, both the net loss before and after taxation for the eight months ended 31 August 2012 of Jiwa Biotech were approximately RMB1.2 million (equivalent to approximately HK\$1.5 million); while its net asset value was approximately RMB18.5 million (equivalent to approximately HK\$22.5 million) as at 31 August 2012.

INFORMATION ON KUNMING JIDA

Kunming Jida (being the Purchaser) is a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability. As at the date of this announcement, Kunming Jida is beneficially owned as to (i) 49% by the Group; (ii) 21% by Yunnan Pharm; (iii) 2% by certain of its employees; and (iv) 28% by other Independent Third Parties. Kunming Jida is therefore a 49% owned jointly controlled entity of the Company. Kunming Jida Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC.

Mr. Shek Man Fai (石文輝), being a director of certain subsidiaries of the Group, is currently holding an indirect equity interest of less than 0.3% in Kunming Jida.

As confirmed by the Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, Kunming Jida Group is not a connected person of the Company pursuant to the Chapter 14A of the Listing Rules. Save as disclosed above, all the other equity holders thereof and their ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE GROUP

The Group is principally engaged in the trading, research and development, and investment business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Kunming Jida Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC. As at the date of this announcement, Kunming Jida is currently a 49% owned jointly controlled entity of the Company. Prior to a deemed disposal of 21% equity interest in Kunming Jida by the Group, being the first phase of internal business re-organisation of the Group, to certain employees thereof and other Independent Third Parties in February 2011, Kunming Jida had used to be a non-wholly owned subsidiary of the Company.

During the years, Kunming Jida's scale of operations has been growing rapidly in terms of turnover and profitability; while its business coverage in terms of overseas geographical locations have also been expanding considerably. Kunming Jida has considered to further enhance its R&D capability in order to cope with the anticipated long-term business development and the ever-increasing market competition.

Following completion of the said deemed disposal, Kunming Jida has no longer been a subsidiary of the Group. Meanwhile, the Group has ceased to directly engage in the manufacturing and sale of pharmaceutical products in the PRC. As a consequence, the Group's R&D project of a distinctive technology related to one of the key pharmaceutical products of Kunming Jida (the "**Key Product Technology**") could not be effectively implemented or utilised without a direct linkage with its own manufacturing activities. On the other hand, Kunming Jida is planning to expand its R&D capability to cope with its long-term business development in the future.

On 23 July 2012, the Group entered into a technology transfer agreement with Jiwa Biotech (the "**Technology Transfer Agreement**"), pursuant to which an aggregate Consideration of RMB111.0 million (equivalent to approximately HK\$135.4 million) is payable by Jiwa Biotech upon satisfaction of the pre-condition set for each of the following three phases construction, production and registration:

- at phase 1, the Group will transfer the technical documents of the Key Product Technology to Jiwa Biotech within six months upon signing the Technology Transfer Agreement;
- at phase 2, the Group has to assist Jiwa Biotech to construct a production plant with its ancillary facilities for the production of bulk materials relating to the Key Product Technology to be qualified by the Group and Jiwa Biotech within a prescribed construction budget, and to obtain the production licence from the 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by 31 December 2013; and

- at phase 3, the Group has to assist Jiwa Biotech to commence (i) full scale of production of bulk materials relating to the Key Product Technology with a prescribed production capacity and ensuring the production cost of such bulk materials relating thereto not exceeding the prescribed unit cost, and (ii) obtaining the registration certificates of such products as well as the certification of “Good Manufacturing Practice” by 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by no later than 31 March 2015.

According to the Technology Transfer Agreement, RMB40.0 million, RMB20.0 million and RMB51.0 million (equivalent to approximately HK\$48.8 million, HK\$24.4 million and HK\$62.2 million respectively) will be settled upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above.

The above payment schedule may be extended by mutual agreement between the contracting parties to the Technology Transfer Agreement; while the maximum consideration will be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full. As ancillary to the Technology Transfer Agreement, the Company (being the Guarantor) and Jiwa Biotech further entered into a guarantee agreement on 23 July 2012 (the “**Guarantee Agreement**”), pursuant to which Jiwa Biotech has been guaranteed by the Company for the implementation of all the pre-conditions as set out therein. In case of Jiwa Biotech’s failure of obtaining the requisite registration certificates of such products as well as the certification of “Good Manufacturing Practice” by 國家食品藥品監督管理局 (the State Food and Drug Administration of the PRC) by 31 December 2016, the Purchaser may request the Vendor and/or the Company (as the Guarantor) to repurchase the Key Product Technology that had already been transferred to Jiwa Biotech; while the Vendor and/or the Company (as the Guarantor) has to repay the full consideration that had already been paid to the Purchaser up to that time. Based on the Group’s current estimate, failure of fulfilling the above pre-conditions under the Technology Transfer Agreement so as leading to the Vendor’s and/or the Company’s obligations for making repayment to the Purchaser is remote.

It is expected that, following the Completion, Jiwa Biotech will become an outsider of the Group and in turn will provide concrete income sources to the Group; while the Group itself could alleviate more resources for exploring other businesses and enhancing the proportion attributable to other investment projects, with the objectives of mitigating the risks of the pharmaceutical industry and progressing towards to being an integrated investment company.

In view of the above factors and the prevailing relatively unstable global economy all over the world, the Directors consider that it would be prudent and wise to realize the Group’s investment in the R&D activities relating to the Key Product Technology with a satisfactory return at this stage or a later stage; while the Group could then be focusing on other existing R&D projects, and enhancement of its other existing businesses.

Leveraging with the Group's past experience and expertise in the R&D activities for pharmaceutical industry in the PRC with fruitful returns, it may, from time to time, explore any new opportunities in the similar area(s) for its core business activities, having prudently considered the probable risk factors that might come across at that time. Looking ahead, when suitable opportunity arises, the Group will be proactively identifying R&D projects with strong potentials. It is expected that this path of business development will bring along considerable income to the Group as the above project progress.

The Directors (including the independent non-executive Directors) also consider that the terms and conditions of the Disposal Agreement and the Disposal contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

Upon Completion, the Group does not expect that there will be material one-off gain or loss on the Disposal to be recognized in the consolidated income statement of the Group, since the Consideration was basically determined with reference to the net asset value of Jiwa Biotech as at 31 August 2012.

Upon Completion, Jiwa Biotech will cease to be a subsidiary of the Company, and the financial results of Jiwa Biotech will no longer be consolidated into the financial statements of the Group.

Subsequent to the Completion, pursuant to the Technology Transfer Agreement, Jiwa Biotech will gradually pay to the Group the consideration thereunder for transferring the Key Product Technology upon satisfaction of the pre-conditions as prescribed therein, the maximum amount receivable by the Group will be RMB111.0 million (equivalent to approximately HK\$135.4 million). Based on the preliminary evaluation by the management of the Group, implementation of the Technology Transfer Agreement for Jiwa Biotech on an on-going basis in the coming few years will form part of the ordinary and usual course of business of the Group; and such amount receivable by the Group pursuant to the Technology Transfer Agreement shall be recognized as recurring revenue in nature in its consolidated income statement in the year in which such revenue can be accrued therein, upon attainment of such construction or production within the prescribed timeframe as agreed between the contracting parties. On such basis, the Board considers that, following the Completion, Jiwa Biotech (being an outsider of the Group) will provide concrete income stream to the Group, so as to enhance its earning capability in the coming years.

USE OF PROCEEDS

The Group intends to keep the net proceeds of approximately RMB18.5 million (or approximately HK\$22.6 million derived from the Disposal as general working capital, which will be used for its existing businesses and for funding of investments as and when suitable opportunities arise.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement thereunder.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company” or “Guarantor”	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”	completion of the sale and purchase of the Sale Interest in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	completion of the Disposal shall take place on the fifteenth day after the payment of the aggregate Consideration to the Purchaser by the Vendor, and subject to all the conditions precedent to the Disposal Agreement are fulfilled by both the Vendor and the Purchaser
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate of RMB19.0 million (equivalent to approximately HK\$23.2 million)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement in respect of the disposal of the entire equity interest in Jiwa Biotech entered into by the Vendor and the Purchaser on 21 September 2012
“Group”	the Company and its subsidiaries

“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
“Jiwa Biotech”	雲南積華生物科技有限公司 (Yunnan Jiwa Biotech Limited*), a wholly-foreign owned enterprise established in the Yunnan Province, the PRC on 23 December 2008 with limited liability and is currently wholly-owned by Jiwa Pharm & Chem
“Jiwa Pharm & Chem” or “Vendor”	積華醫藥化工有限公司 (Jiwa Pharm & Chemicals Limited), a company incorporated in Hong Kong on 16 October 1987 with limited liability, an indirect wholly-owned subsidiary of the Company, and the immediate holding company of Jiwa Biotech
“Kunming Jida” or “Purchaser”	昆明積大製藥股份有限公司 (Kunming Jida Pharmaceutical Company Limited*), a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability which is owned as to (i) 49% by the Group; (ii) 21% by Yunnan Pharm; (iii) 2% by certain of its employees; and (iv) 28% by other Independent Third Parties
“Kunming Jida Group”	Kunming Jida and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“PRC GAAP”	the generally accepted accounting principles, standards and practices in the PRC
“R&D”	an acronym for research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in Jiwa Biotech immediately before Completion
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“working day(s)”	a day other than a Saturday, Sunday and any national public holidays in the PRC as prescribed by the State
“Yunnan Pharm”	雲南醫藥工業股份有限公司 (Yunnan Pharmaceutical Industrial Holdings Company Limited*), a domestic enterprise with limited liability established in Yunnan Province, the PRC and is currently holding 21% equity interest in Kunming Jida as at the date of this announcement

“%” 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 RMB0.82 = HK\$1.00. 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
Chan Hing Ming
Executive Director and Chief Executive Officer

Hong Kong, 21 September 2012

As at the date of this announcement, the Board comprises of three executive Directors, namely Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming; and the three independent non-executive Directors, namely 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.