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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)

**DISCLOSABLE AND CONNECTED TRANSACTION
IN RESPECT OF FORMATION OF A JOINT VENTURE COMPANY**

On 26 November 2013, U-Home Development, a wholly-owned subsidiary of the Company, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao entered into the JV Agreement to form the JV Company. The JV Company will own the land use rights of the Land (in respect of which a successful public auction bid was made on 31 October 2013 at a price of RMB230 million) and the JV Company will engage in property development and property sales. Upon completion of the JV Agreement, U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao will hold 24.9%, 55.1%, 10% and 10%, respectively, of the equity interest of the JV Company.

Yucheng is indirectly owned as to 82.7286% by Mr. Zhou Xuzhou, an executive Director and the controlling shareholder of the Company. Shenzhen Lingnan is owned by Mr. Chen Xuejun, a non-executive Director, and his spouse. Yucheng and Shenzhen Lingnan are therefore connected persons of the Company and the entering into the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the largest applicable percentage ratio calculated for the Company in respect of the JV Agreement is more than 5% but less than 25%, the JV Agreement constitutes a disclosable and connected transaction under Chapter 14 and 14A of the Listing Rules subject to the reporting, announcement and independent shareholders' approval requirements.

* For identification purposes only

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the JV Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the JV Agreement. Pursuant to the Listing Rules, Mr. Zhou Xuzhou, Mr. Chen Xuejun and their respective associates are required to abstain from voting at the SGM in respect of the JV Agreement.

A circular containing, among other things, further details of the JV Agreement together with the recommendations of the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and a notice convening the SGM will be dispatched to the Shareholders on or before 17 December 2013 in accordance with the Listing Rules.

BACKGROUND

On 26 November 2013, U-Home Development, a wholly-owned subsidiary of the Company, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao entered into the JV Agreement to form the JV Company. The JV Company will own the land use rights of the Land (in respect of which a successful public auction bid was made on 31 October 2013 at a price of RMB230 million) and the JV Company will engage in property development and property sales. Upon completion of the JV Agreement, U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao will hold 24.9%, 55.1%, 10% and 10%, respectively, of the equity interest of the JV Company.

The Land is located in the Guichi High-Tech Development Zone, Chizhou City, Anhui Province, a key location in the Guichi Administrative New District.

Anhui Province is located in Eastern China, which lies in the central Yangtze River Delta region, one of the fastest developing economic areas in the PRC. On its eastern side lies Jiangsu Province and Zhejiang Province, which is also connected to Shandong on the north, another frontline region undergoing economic growth.

Chizhou City is located in the south-west area of Anhui Province with convenient transportation system. As one of the most important harbour city in the south bank of Yangtze River, it can handle vessels of up to 5,000 tonnes and there are numerous highways and railroad across this area. Jiuhuashan Airport has been officially open for traffic since July this year. Chizhou City is also a provincial-level historical city, and a part of the key viewing region of Huangshan, Jiuhuashan and Taiping Lake in Anhui Province. Recently, Chizhou City has experienced rapid economic development. The gross regional product of the city reached approximately RMB42 billion in 2012, representing year on year increase of approximately 12%, and its financial income reached RMB7.166 billion, representing an increase of approximately 20.6%. Annual per capita disposable income of urban households reached RMB21,400, representing year-on-year increase of approximately 13%. Coupled with an improved transportation network and a pleasant living

environment, Chizhou will definitely attract more Chizhou citizens who work far away from home to return home and acquire their own property and attract people in nearby cities to settle down in Chizhou.

The Land acquired is located in the Guichi High-Tech Development Zone, which is a key location in the Guichi Administrative New District. The Land is within a new development project in the Guichi High-Tech Development Zone and has a total area of approximately 218,837 square metres. The gross floor area that can be built over the Land is estimated to be approximately 372,000 square metres and accordingly, the purchase cost with respect to such estimated buildable area is approximately RMB618.28 per square metre. The Land will be developed for both commercial and residential use. On the west side of the Land is the Guichi district committee and the district government, which were completed in 2011. Amenities in the nearby area include Chizhou No.2 People's Hospital (East Region), Provincial Demonstrative High School Chizhou City No.8 High School and City Key Primary School of Guichi Binhu Experimental Primary School. The Land is also less than 2 kilometres away from the Guichi university town, train station and high-speed rail station. Situated next to Chizhou Pingtian Lake Scenic Spot, the environment surrounding the Land is relaxing and enjoyable.

JV AGREEMENT

a. Date: 26 November 2013

b. Parties:

- (1) U-Home Development;
- (2) Yucheng;
- (3) Shenzhen Lingnan; and
- (4) Mr. Zhu Yunzhao.

c. Formation of the JV Company and the consideration

The total initial investment of the JV Company will be in the sum of RMB125 million (approximately HK\$157.98 million). U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao will make cash investment of RMB31.125 million, RMB68.875 million, RMB12.5 million and RMB12.5 million, respectively, into the JV Company and will hold 24.9%, 55.1%, 10% and 10% equity interest of the JV Company, respectively. The consideration was determined based on an arm's length negotiation.

In addition to the JV Company's registered capital, it is expected that the working capital of the JV Company will be financed by bank and other project financing or other third party or shareholder loan financing.

d. Conditions precedents

The JV Agreement is conditional upon the fulfillment of the following conditions:

- (1) the approval of the JV Agreement by the Independent Shareholders at the SGM as required under the Listing Rules; and
- (2) all the permits and approvals required for the establishment of the JV Company under the applicable laws and regulations having obtained.

If the conditions are not satisfied by 31 March 2014, the JV Agreement will lapse and terminate without liability to any party thereto.

e. Scope of business

The JV Company will be established for the purpose of and be principally engaged in property development and property sales.

f. Registered capital of the JV Company

Pursuant to the terms of the JV Agreement, the registered capital of the JV Company is RMB125 million (equivalent to approximately HK\$157.98 million), and will be held (directly or indirectly through the intermediate holding companies to be established) by U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao as to 24.9%, 55.1%, 10% and 10%, respectively, of the equity interest of the JV Company, respectively.

The registered capital of RMB125 million (equivalent to approximately HK\$157.98 million) will be used for development of property on the Land and will be contributed by the parties in proportion to their respective equity interest in the JV Company. The registered capital of the JV Company was determined after an arm's length negotiation between the parties and is based on the initial funding requirements to make the JV Company operational. The capital contribution of U-Home Development in the amount of RMB31.125 million (equivalent to approximately HK\$39.34 million) to the registered capital of the JV Company will be satisfied by the internal resources of the Group.

g. Management of the JV Company

The board of directors of the JV Company will manage the JV Company and it will consist of five directors, two of which will be appointed by Yucheng, and the remaining three directors of the JV Company will be appointed by each of U-Home Development, Shenzhen Lingnan and Mr. Zhu Yunzhao. The Company has established a board of directors comprising five members. The term of service of directors will be three years. They are eligible for re-election when the term is expired. Zhou Xuzhou is the chairman and legal representative, with a term of service of three years. He is eligible for re-election when the term is expired.

h. Profit and loss sharing

Profits or losses generated from the JV Company will be shared amongst the owners of equity interests in proportion to their respective equity interests in the JV Company.

i. Protective provisions

The parties agree, among others, that the amendment of the articles of association of the JV Company, increase or reduction in the registered capital of the JV Company, mergers, subdivision and dissolution of the JV Company shall require the approval of two-thirds of the equity owners of the JV Company. U-Home Development has a veto power in respect of such matters.

REASONS FOR AND BENEFITS OF THE JV AGREEMENT

The Directors believe that the transactions under the JV Agreement will bring various commercial benefits to the Company, including diversifying the Group's business and broadening the Group's income sources as well as assisting the development of the Group's expertise and experience in the property development industry and enhance the Group's competitiveness in the future. Given the size of the Land, and the branding and expertise of Yucheng, the Directors believe that it is in the interest of the Group to cooperate by way of a joint venture with the other relevant parties in the development of the Land.

The terms of the JV Agreement were agreed after an arm's length negotiation between the Parties. The Directors (excluding the members of the Independent Board Committee who will give their opinion based on the recommendation from an independent financial adviser) consider that the JV Agreement has been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE JV COMPANY

Upon the completion of the registered capital injection, there will be re-classification of cash and bank balances in total amount of RMB31.125 million (equivalent to approximately HK\$39.34 million) to an interest in an associate. After the establishment of the JV Company, the investment in the JV Company will be accounted for in the consolidated financial statements of the Group by way of equity accounting.

GENERAL

Information of the Company

The Company is currently engaged in (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) research and development of chemical and biological products; and (iv) investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits.

Information of U-Home Development

U-Home Development is a wholly-owned subsidiary of the Group and principally an investment holding company of the Group.

Information of Yucheng

Established since September 1999, Yucheng is principally engaged and has extensive experience in property development and property sale in the PRC.

Information of Shenzhen Lingnan

Shenzhen Lingnan is principally engaged in investment holding, property leasing and management, domestic trading, import and export business.

Information of the business of the JV

The JV Company will engage in property development and property sales.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Zhu Yunzhao is a third party independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

Yucheng is indirectly owned as to 82.7286% by Mr. Zhou Xuzhou, an executive Director and the controlling shareholder of the Company. Shenzhen Lingnan is owned by Mr. Chen Xuejun, a non-executive Director, and his spouse. Yucheng and Shenzhen Lingnan are therefore connected persons of the Company and the entering into the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

Unless otherwise defined, the following terms used in this announcement shall have the following meanings:

“associates”	has the meaning as defined in Rule 14A.11(4) of the Listing Rules;
“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(s)”	has the meaning defined in Rule 14A.11 of the Listing Rules;
“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors;

“Independent Shareholder(s)”	the Shareholder(s), other than Mr. Zhou Xuzhou and Mr. Chen Xuejun and their respective associates within the meaning of the Listing Rules;
“JV Company”	池州宇和置業有限公司(Chizhou Yuhe Property Development Co., Ltd.)*, a company established in the PRC with limited liability under the JV Agreement;
“JV Agreement”	the investment agreement entered into by and between U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao on 26 November 2013, in relation to, among other things, the formation of the JV Company;
“Land”	the land comprising Land F-02 and Land F-05 located at Guichi High-Tech Development Zone, Guichi District, Chizhou City, Anhui Province, the PRC with a total site area of 218,837 square metres;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Zhu Yunzhao”	Mr. Zhu Yunzhao (朱運召), an independent third party
“Parties”	the parties to the JV Agreement, namely U-Home Development, Yucheng, Shenzhen Lingnan and Mr. Zhu Yunzhao; a Party refers to any of them;
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholder(s) of the Company from time to time;
“Shenzhen Lingnan”	深圳市嶺南集團有限公司(Shenzhen Lingnan Group Co., Ltd.)*, a company established in the PRC on 2 December 2004 with limited liability, which is directly owned as to 70% by Mr. Chen Xuejun and as to 30% by his spouse. Mr. Chen is a non-executive Director;
“SGM”	the special general meeting of the Company to be held to consider and approve, among other things, the JV Agreement and the transactions contemplated thereunder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“U-Home Development”

U-Home Enterprise Development Company Limited (宇業實業發展有限公司), a company incorporated in Hong Kong on 1 November 2013 with limited liability, which is directly wholly owned by the Company;

“Yucheng”

池州市宇成實業有限公司(Chizhou City Yucheng Co., Ltd.)*, a company established in the PRC on 7 September 1999 with limited liability, which is indirectly owned as to 82.7286% by Mr. Zhou Xuzhou and the remaining by third parties independent from the Company and its connected persons;

“%”

per cent.

By order of the Board of
Jiwa Bio-Pharm Holdings Limited
Zhou Wen Chuan

Executive Director and Chief Executive Officer

Hong Kong, 26 November 2013

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan as executive Directors, Mr. Chen Xuejun as non-executive Director and Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Mr. Lee Cheuk Yin, Dannis as independent non-executive Directors.

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