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 a licensed securities dealer or registered institution in securities, your 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 and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

(1) Special deal, very substantial disposal and connected transaction in relation to the disposal of assets by Jiwa Bio-Pharm Holdings Limited;

(2) Special deal and connected transaction in relation to the disposal of a property by Jiwa Bio-Pharm Holdings Limited;

(3) Special deal in relation to the potential disposal of a property by Jiwa Bio-Pharm Holdings Limited pursuant to an option;

(4) Special deal and continuing connected transaction of Jiwa Bio-Pharm Holdings Limited;

(5) Special Dividend; and

(6) Notice of SGM

Financial adviser to Jiwa Bio-Pharm Holdings Limited

Quam CAPITAL 華富嘉洛企業融資

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 13 to 47 of this circular. A letter from the Independent Board Committee is set out on pages 48 to 49 of this circular. A letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 50 to 84 of this circular.

A notice convening the SGM to be held at Rooms 3 and 4, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 14 August 2013 at 9:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Standard Limited, the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

26 July 2013

* *for identification purpose only*

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

"2011 Circular"	the circular of the Company dated 14 March 2011 regarding, among other things, the disposal of equity interest in certain then subsidiary companies
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bank Facilities"	two bank facilities of HK$89,000,000 in aggregate granted to the Group by Standard Chartered Bank in relation to the Treasury Products and are fully utilised as at the Latest Practicable Date
"Base Affirm"	Base Affirm International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day(s)"	any day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.)
"BVI"	the British Virgin Islands
"Capital Injection Agreements"	the conditional agreements dated 2 February 2011 entered into among Kunming Jida, Jiwa Pharm, Yunnan Pharm and certain Subscribers, pursuant to which the Subscribers have agreed to inject the prescribed amount of capital in Kunming Jida pursuant to the terms and conditions of the respective agreements, details of which are set out in the 2011 Circular
"Circular 698"	the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Transfer of Equity of Non-tax Resident Enterprises (Guo Shui Han [2009] No. 698) issued by the State Administration of Taxation of the PRC on 10 December 2009 and effective as of 1 January 2008

"Closing Condition(s)"	condition(s) precedent to completion of the Share Purchase Agreement, further details of which are set out in the section headed "Closing Conditions" of this circular
"Company"	Jiwa Bio-Pharm Holdings Limited (Stock Code: 2327), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disinterested Shares"	all the Shares in issue, other than the Sale Shares and those Shares which are owned or acquired by the Offeror and the parties acting in concert with it, as at the date of the composite offer document
"Disposal"	the proposed disposal of the entire issued share capital of the Disposal Group by the Company pursuant to the Disposal Agreement
"Disposal Agreement"	the sale and purchase agreement entered into between Jiwa Development and the JW Purchaser on 12 March 2013 regarding the Disposal
"Disposal Completion"	completion of the Disposal and the transactions contemplated under the Disposal Agreement
"Disposal Completion Date"	the fifth Business Day after the day the last of the conditions precedent to the Disposal Completion as set out in the Disposal Agreement have been satisfied (or such other date as may be agreed between Jiwa Development and the JW Purchaser in writing)
"Disposal Consideration"	the consideration of HK$512,000,000 payable by the JW Purchaser for the Disposal under the Disposal Agreement
"Disposal Group"	Jiwa Pharm, together with its 49% interest in the Kunming Jida Group, to be disposed of pursuant to the Disposal Agreement

"Disposal Shares"	the entire issued share capital of Jiwa Pharm as at the date of the Disposal Agreement which is indirectly owned by the Company
"Dividend Record Date"	the record date for the payment of the Special Dividend
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer
"Grantee"	Tech-Medi Development Limited, a company incorporated in Hong Kong with limited liability on 27 August 1991 and is wholly-owned by Jiwa Development
"Group"	the Company and its subsidiaries
"Haitong Capital"	Haitong International Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror
"Haitong Securities"	Haitong International Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 3 (leverage foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO, and a fellow subsidiary of Haitong Capital
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company whose members comprise all the independent non-executive Directors to advise the Independent Shareholders in respect of the Special Deals and the Offer

"Independent Financial Adviser" or "Somerley"	Somerley Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Special Deals and the Offer
"Independent Shareholders"	(i) for the purpose of accepting the Offer, the Shareholders other than the Offeror, the Vendors and parties acting in concert with any of them; (ii) for the purpose of approving the Special Deals under the Takeovers Code and connected transactions under the Listing Rules, Shareholders other than (i) the Vendors and their respective associates within the meaning of the Listing Rules; (ii) the Offeror and its associates, if the Offeror and/or its associates shall have any shareholding interest in the Company and their respective concert parties; and (iii) the Shareholders who are interested in or involved in the Special Deals
"Independent Third Party(ies)"	person(s) or company(s) who/which is/are not connected with 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
"Jida Biotech"	雲南積大生物科技有限公司 (Yunnan Jida 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 Kunming Jida
"Jiwa Development"	Jiwa Development Company Limited, a company incorporated in the BVI with limited liability on 3 May 2002 and a wholly-owned subsidiary of the Company, which in turn holds the entire issued share capital of Jiwa Pharm

"Jiwa International"	Jiwa International Limited, a company incorporated in Hong Kong with limited liability on 16 October 1987 and is currently wholly-owned by Jiwa Development
"Jiwa Pharm"	Jiwa Pharmaceuticals Limited (積華藥業有限公司), a company incorporated in Hong Kong with limited liability on 10 October 1995 and an indirect wholly-owned subsidiary of the Company, which in turn is the immediate holding company holding 49% equity interest in Kunming Jida
"Joint Announcement"	the announcement jointly published by the Company and the Offeror dated 22 April 2013 in relation to, among others, the Offer, the Special Deals and the Special Dividend
"JW Purchaser"	Goldvault Limited, a company incorporated in the BVI with limited liability on 1 February 2011 and is wholly-owned by the Lau's Family
"Kunming Jida"	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 with limited liability on 14 August 1993 which is owned as to (i) 49% by Jiwa Pharm; (ii) 21% by Yunnan Pharm; (iii) 2% by 昆明積眾企業管理股份有限公司(Kunming Jizhong Management Co., Ltd.*); (iv) 20% by Green Grove Investment Ltd.; and (v) 8% by other Independent Third Parties
"Kunming Jida Group"	collectively, Kunming Jida and its following four wholly-owned subsidiaries established or incorporated in the PRC or Hong Kong: (i) 無錫積大製藥有限公司(Wuxi Jida Pharmaceutical Company Limited*) (ii) 昆明積大藥品銷售有限公司(Kunming Jida Pharmaceutical Distribution Company Ltd*) (iii) 雲南積大生物科技有限公司(Yunnan Jida Biotech Limited*) (iv) Jida Pharm (HK) Trading Co., Limited

"Latest Practicable Date"	23 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Lau's Family"	the family members of Mr. Lau Yau Bor, being the controlling Shareholder(s) (as defined in the Listing Rules), comprising Mr. Lau Yau Bor (the chairman of the Company and an executive Director), Madam Chan Hing Ming (the chief executive officer of the Company and an executive Director) and Mr. Lau Kin Tung (the vice chairman of the Company and an executive Director), who altogether are beneficially interested in, whether directly or indirectly, an aggregate of 1,173,102,000 Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date
"Lease Agreement"	the lease agreement dated 1 February 2012 entered into between Jiwa International (transferred from Jiwa International to the Grantee pursuant to a sale and purchase agreement between the parties dated 18 February 2013) and Jida Pharm (HK) Trading Co., Limited in respect of the lease of the Option Property
"Listing Application"	the proposed application for listing of the Kunming Jida Group on the Shenzhen Stock Exchange, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Managed Companies"	Base Affirm, Jiwa International, Rise Hill Development Limited, Sino-Tech International (Macau Commercial Offshore) Limited and the Grantee, all being subsidiaries of the Company
"Management Agreement"	the management agreement dated 12 March 2013 entered into between the Company and Sunny Enterprise for the provision of management services to the Group
"Offer"	the possible unconditional mandatory cash offer for the Disinterested Shares at the Offer Price to be made by Haitong Securities on behalf of the Offeror in accordance with the Takeovers Code

"Offeror"	U-Home Group International Limited, a company incorporated in the BVI, being the purchaser under the Share Purchase Agreement and the Offeror for the Offer
"Offer Price"	the amount of HK$0.2378 per Share payable by the Offeror to holders of the Disinterested Shares for each Disinterested Share accepted under the Offer
"Offer Shares"	all issued Shares which have not been already owned or have not been agreed to be acquired by the Offeror and parties acting in concert with it
"Option Property"	a non-residential property located at No. 6, 29/F., Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Property"	a non-residential property located at No. 5, 29/F., Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong
"Property Consideration"	the consideration for the Property Disposal of HK$22,000,000 payable by Sunny Enterprise
"Property Disposal"	the disposal of the Property subject to and upon the terms and conditions of the Property Disposal Agreement
"Property Disposal Agreement"	the sale and purchase agreement dated 12 March 2013 entered into between Jiwa International and Sunny Enterprise in relation to the sale and purchase of the Property
"Property Option Deed"	the deed dated 12 March 2013 entered into between Sunny Enterprise and the Grantee in relation to an option to require Sunny Enterprise to purchase from the Grantee the Option Property
"Property Transfer"	the transfer of Option Property from Jiwa International to the Grantee pursuant to a sale and purchase agreement between the parties dated 18 February 2013

"Proposed Capital Injection"	the capital injection into Kunming Jida by each of the Subscribers in accordance with the terms and conditions of the Capital Injection Agreements
"Purchaser's Warrantor"	Mr. Zhou Xuzhou, being the warrantor of the purchaser under the Share Purchase Agreement and the director and ultimate beneficial owner of the Offeror
"Qualifying Shareholder(s)"	Shareholders whose names appear on the Company's share register or branch share register on the Dividend Record Date
"R&D"	an acronym for research and development
"Registrar"	Tricor Standard Limited, being the Hong Kong branch share registrar and transfer office of the Company, located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Release of Repurchase Obligation"	the (i) novation deed entered into among the Company, the JW Purchaser and other shareholders of Kunming Jida on 28 June 2013 and (ii) the amended and restated shareholder's agreement made among the Company, JW Purchaser, Jiwa Pharm, Green Grove Investment Ltd., Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming on 28 June 2013 in relation to, among others, the release of the obligations of the Company under the respective Shareholders' Agreements (including the Repurchase Obligation)
"Release of TTA Guarantee"	the deed of release made among the Company, the JW Purchaser and Jida Biotech on 2 July 2013 pursuant to which the Company shall be released from all and any obligations under the TTA Guarantee, which will be assumed by the JW Purchaser
"Remaining Business"	all the businesses carried on by the Remaining Group, namely the business of trading of imported pharmaceutical products; distribution and sale of healthcare products in local Hong Kong market; R&D of chemical and biological products; and investment holding and treasury function

"Remaining Group"	the Group immediately after the Disposal Completion and completion of the Property Disposal
"Repurchase Obligation"	the obligation of the Company to repurchase in total 30% equity interest in Kunming Jida under the Shareholders' Agreements
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share(s)"	Share(s) owned by the Vendors to be sold to the Offeror pursuant to the Share Purchase Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) activities
"SGM"	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the terms of the Special Deal Agreements and the transactions contemplated thereunder and the payment of the Special Dividend
"Share(s)"	the existing share(s) of HK$0.01 each in the share capital of the Company
"Share Charge"	the share charge over the Disposal Shares to be executed and delivered by the JW Purchaser in favour of Jiwa Development in such document(s) in the terms as agreed between the JW Purchaser and Jiwa Development
"Share Purchase"	the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement
"Share Purchase Agreement"	the conditional agreement in respect of the Share Purchase dated 12 March 2013 entered into among the Vendors, the Offeror, the Vendors' Warrantor and the Purchaser's Warrantor

"Share Purchase Price"	HK$278,963,655, being the aggregate consideration payable by the Offeror to the Vendors for the Share Purchase, subject to adjustment pursuant to the terms of the Share Purchase Agreement
"Shareholder(s)"	the holder(s) of the Shares
"Shareholders' Agreements"	collectively, (i) the agreement dated 2 February 2011 entered into among the Company, Jiwa Pharm and Green Grove Investment Ltd.; and (ii) the agreement dated 5 March 2011 entered into among the Company, Jiwa Pharm, Panda BT Limited, 深圳市華雲投資有限公司(Shenzhen Huayun Investment Company Limited*) and 昆明積眾企業管理諮詢有限公司(Kunming Jizhong Management Consulting Company Limited*) (currently named as 昆明積眾企業管理股份有限公司(Kunming Jizhong Management Co., Ltd.*)) details of which are disclosed in the announcement of the Company dated 16 February 2011 and the 2011 Circular
"Special Deals"	the Special Deal Agreements and all the transactions contemplated under each of the Special Deal Agreements
"Special Deal Agreements"	include the following agreement: (i) the Disposal Agreement; (ii) the Property Disposal Agreement; (iii) the Property Option Deed; and (iv) the Management Agreement
"Special Dividend"	the conditional special dividend to be paid by the Company in the amount of HK$0.375 per Share held by Qualifying Shareholders on the Dividend Record Date
"Standard Chartered Bank"	The Standard Chartered Bank (Hong Kong) Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscriber(s)"	certain then subscriber(s) for the equity interests in Kunming Jida pursuant to the Capital Injection Agreements, details of which are set out in the 2011 Circular
"Sunny Enterprise"	Sunny Enterprise Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the JW Purchaser
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Technology Transfer Agreement"	the technology transfer agreement entered into between Base Affirm and Jida Biotech dated 23 July 2012 in relation to the transfer to certain technology related to a key pharmaceutical product from Base Affirm to Jida Biotech, details of which are disclosed in the Company's announcement dated 21 September 2012
"trading day(s)"	a day on which the Stock Exchange is open for the business of dealings in securities
"Treasury Products"	the treasury products held by the Group including: (i) debt securities with redemption amount that is indexed to the value of equity instruments in the principal amount of US$5,100,000 protected at maturity (being 17 June 2016) by Standard Chartered Bank London; and (ii) debt securities with redemption amount that is indexed to exchange rates of a basket of currencies in the principal amount of US$7,500,000 protected at maturity (being 20 July 2016) by Standard Chartered Bank London
"TTA Guarantee"	the guarantee agreement dated 23 July 2012 made by the Company in favour of Jida Biotech pursuant to which the Company has guaranteed the obligations of Base Affirm under the Technology Transfer Agreement

"Vendors"	Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd., being the vendors under the Share Purchase Agreement, and each a "Vendor"
"Vendors' Warrantor"	Mr. Lau Kin Tung, being the Vendors' warrantor under the Share Purchase Agreement
"Yunnan Pharm"	雲南醫藥工業股份有限公司(Yunnan Pharmaceutical Industrial Holdings Company Limited*), a domestic enterprise established in Yunnan Province, the PRC and is holding 21% equity interest in Kunming Jida as at the Latest Practicable Date
"%"	per cent.

* *The English transliteration of the Chinese names in this circular, 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 circular have been translated into HK$ at the rate of RMB0.80 = 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.

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)*
Madam Chan Hing Ming *(Chief Executive Officer)*

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:
2904, Tower One
Lippo Centre
89 Queensway
Central
Hong Kong

26 July 2013

To the Shareholders

Dear Sir or Madam,

(1) Special deal, very substantial disposal and connected transaction in relation to the disposal of assets by Jiwa Bio-Pharm Holdings Limited;

(2) Special deal and connected transaction in relation to the disposal of a property by Jiwa Bio-Pharm Holdings Limited;

(3) Special deal in relation to the potential disposal of a property by Jiwa Bio-Pharm Holdings Limited pursuant to an option;

(4) Special deal and continuing connected transaction of Jiwa Bio-Pharm Holdings Limited;

(5) Special Dividend; and

(6) Notice of SGM

* *for identification purpose only*

INTRODUCTION

Reference is made to the announcement of the Company dated 14 March 2013 and the Joint Announcement. On 22 April 2013, the Company and the Offeror jointly announced, among others, that:

(a) on 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. Immediately after completion of the Share Purchase Agreement, the Vendors will no longer hold any Shares;

(b) on 12 March 2013, the Company, through Jiwa Development as vendor, and the JW Purchaser as purchaser entered into the Disposal Agreement, pursuant to which the JW Purchaser conditionally agreed to acquire and Jiwa Development conditionally agreed to dispose of the Disposal Shares, comprising the entire issued share capital of Jiwa Pharm, at the Disposal Consideration of HK$512,000,000;

(c) on 12 March 2013, Jiwa International as vendor and Sunny Enterprise as purchaser entered into the Property Disposal Agreement, pursuant to which Jiwa International agreed to sell and Sunny Enterprise agreed to acquire the Property at a consideration of HK$22,000,000;

(d) on 12 March 2013, Sunny Enterprise as grantor and Tech-Medi Development Limited as grantee entered into the Property Option Deed, pursuant to which Sunny Enterprise grants an option to the Grantee, at its sole discretion, to request Sunny Enterprise to purchase from the Grantee the Option Property; and

(e) on 12 March 2013, the Company and Sunny Enterprise entered into the Management Agreement, pursuant to which, subject to and from the date the Management Agreement becoming unconditional and effective, the Company agrees to engage Sunny Enterprise as management service provider to provide certain management services to the Managed Companies for a period of two years.

Reference is made to the Company's announcement dated 29 April 2013 in relation to the exercise of 15,000,000 options under the share option scheme adopted by the Company on 24 September 2003. Reference is also made to the Company's announcement dated 23 May 2013, the Board has conditionally proposed and recommended the Special Dividend.

The Special Dividend is subject to (i) the Disposal Completion; (ii) the completion of the Property Disposal; and (iii) the approval by the Shareholders of the Special Dividend at the SGM by way of poll. As at the date of this circular, the Directors confirm that the following conditions of the Special Dividend referred to in the Joint Announcement have been satisfied: (i) the completion of the Property Transfer was completed on 11 March 2013; and (ii) the sufficiency of the distributable reserves of the Company immediately after the Disposal Completion and the completion of the Property Disposal and the Property Transfer was satisfied when the Board recommended payment of the Special Dividend on 23 May 2013. Following the Board's recommendation of the Special Dividend on 23 May 2013 and subject to the approval by the Shareholders of the Special Dividend at the SGM by way of poll, the Special Dividend will be declared and paid in compliance with the relevant bye-laws of the Company.

Immediately after completion of the Share Purchase Agreement, the Offeror and parties acting in concert with it will own a total of 1,173,102,000 Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror will be required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those Shares already acquired or agreed to be acquired by the Offeror and parties acting in concert with it).

The Offeror is an investment holding company. Its entire issued share capital is held by Shunda Investment Limited, which is a company incorporated in the BVI and is in turn wholly owned by Mr. Zhou Xuzhou. Mr. Zhou is a director of the Offeror. He is also the founder and chairman of the board of directors, chief executive officer and the sole shareholder of 宇業集團有限公司 (U-Home Group Limited*). U-Home Group Limited is a company incorporated under the laws of the PRC and, together with over twenty of its subsidiaries, is principally engaged in real estate development, hotel management and property management in various cities in the PRC. Mr. Zhou, through subsidiaries wholly owned by him, has started his real estate business since 1992. U-Home Group Limited and the Offeror are fellow subsidiaries of Shunda Investment Limited. The Offeror intends to continue the existing businesses of the Remaining Group (including (i) trading of imported pharmaceutical products; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D 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) and has no intention to dispose of or downsize the Remaining Group's existing businesses nor dispose of or inject any of its businesses to the Company immediately after completion of the Offer. The Company currently does not have any plan for acquisition either. Mr. Zhou is primarily responsible for leading the strategic planning and management of the business development of U-Home Group Limited (and over twenty of its subsidiaries) and overseeing all key aspects of its operations. Therefore, Mr. Zhou will manage and develop the Remaining Group's operations and business by leveraging on his extensive experience of corporate management and strategic planning, and with the supports of the Lau's Family pursuant to the Management Agreement. The Offeror also intends the Company to remain listed on the main board of the Stock Exchange after closing of the Offer. Details of the Offer were set out in the Joint Announcement. Following completion of the Share Purchase Agreement, a composite document (accompanied by the Form of Acceptance) in connection with the Offer setting out, among others, details of the Offer and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer will be issued and despatched by the Offeror and the Company jointly to the Shareholders in accordance with the Takeovers Code.

Each of (i) the Disposal, (ii) the Property Disposal, (iii) the underlying disposal of the Option Property contemplated under the Property Option Deed and (iv) the Management Agreement constitutes a special deal for the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. The Executive's consent, if granted, will be conditional upon (a) the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deals are fair and reasonable; and (b) the approval of the Special Deals by the Independent Shareholders at the SGM by way of poll.

The purpose of this circular is to provide, among others, (i) further details of the Special Deals and the Special Dividend; (ii) the letter of recommendation from the Independent Board Committee in respect of the Special Deals; (iii) the letter of advice from the Independent Financial Adviser in respect of the Special Deals; and (iv) a notice convening the SGM by way of poll.

THE SHARE PURCHASE AGREEMENT

Date : 12 March 2013

Parties :

(a) Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors;

(b) Mr. Lau Kin Tung as Vendors' Warrantor;

(c) the Offeror as purchaser; and

(d) Mr. Zhou Xuzhou as Purchaser's Warrantor.

The Vendors are together beneficially interested in 1,173,102,000 Shares as at the Latest Practicable Date, representing approximately 71.53% of the entire issued share capital of the Company.

Mr. Lau Kin Tung and Mr. Zhou Xuzhou commenced negotiation of the Share Purchase, the Disposal, the Property Disposal and the Property Option Deed on 9 January 2013.

The Offeror was introduced to the Vendors by China International Capital Corporation Hong Kong Securities Limited.

Sale and purchase of the Sale Shares

Under the Share Purchase Agreement, the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. The Offeror shall not be obliged to purchase any of the Sale Shares unless the sale and purchase of all the Sale Shares is completed simultaneously.

Immediately after completion of the Share Purchase Agreement, the Vendors will no longer hold any Shares.

Share Purchase Price

Amount of Share Purchase Price

The total consideration for the Sale Shares is HK$278,963,655, equivalent to approximately HK$0.2378 per Sale Share, which shall be payable to the respective Vendor in the proportion set out below:

Vendors	Number of Sale Shares held by the respective Vendor	Percentage of shareholding in the Company	Amount of Share Purchase Price attributable
Mr. Lau Yau Bor	96,390,000	5.88%	22,921,542
Madam Chan Hing Ming	41,712,000	2.54%	9,919,113
Mr. Lau Kin Tung	15,000,000	0.91%	3,567,000
LAUs Holding Co. Ltd.	840,000,000	51.22%	199,752,000
MINGS Development Holdings Limited	75,000,000	4.57%	17,835,000
WHYS Holding Co. Ltd.	105,000,000	6.41%	24,969,000
Total	1,173,102,000	71.53%	278,963,655

The Share Purchase Price was arrived at after arm's length negotiations between the Offeror and the Vendors with reference to, among others, the unaudited net asset value of the Group as of 30 September 2012 and taking into account the Disposal, the Property Disposal, the Special Dividend and the listing status of the Company.

The Share Purchase Price is payable by the Offeror to the Vendors in the following manner:

(i) upon signing of the Share Purchase Agreement, a deposit ("**Deposit**") in aggregate of HK$10,000,000 has been paid to the Vendors (in the respective proportion to their holdings of the Sale Shares) by the Offeror, which will be applied towards payment of part of the Share Purchase Price upon completion of the Share Purchase Agreement; and

(ii) on the date of completion of the Share Purchase Agreement, the remaining balance in aggregate of HK$268,963,655 shall be payable to the Vendors (in the respective proportion to their holdings in the Sale Shares) by the Offeror.

The Deposit will be forfeited by the Vendors as liquidated damages if (a) the Offeror fails to provide relevant information required by the Stock Exchange and the SFC, including the confirmation from Haitong Capital that it is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer or (b) each of the Closing Conditions having been satisfied (or, where applicable and in compliance with the applicable laws, the Listing Rules and the Takeovers Code, waived) but the Offeror fails to proceed to completion of the Share Purchase Agreement (other than as a result of the default of the Vendors). In the event that any of the Closing Conditions is not satisfied (or not waived in accordance with the Share Purchase Agreement) on or before the long stop date of the Share Purchase Agreement, the Vendors shall, within 5 Business Days after the long stop date of the Share Purchase Agreement, refund to the Offeror the whole sum of the Deposit. If each of the Closing Conditions is satisfied (or, where applicable and in compliance with the applicable law, the Listing Rules and the Takeovers Code, waived), completion of the Share Purchase Agreement fails to take place due to the default of the Vendors (or any of them), the defaulting Vendor(s) shall (i) refund to the Offeror the whole sum of the Deposit and (ii) pay to the Offeror a liquidated damages in the sum of HK$10,000,000.

Downward adjustment of the Share Purchase Price

If the net asset value of the Company as stated in the certificate for the audited accounts of the Company as at completion of the Share Purchase Agreement ("**Completion NAV**") is less than HK$98,500,000 ("**Agreed Minimum NAV**"), the Share Purchase Price shall be adjusted as follows:

Adjusted Share Purchase Price = HK$278,963,655 – {Agreed Minimum NAV – Completion NAV}

Closing Conditions

Completion of the Share Purchase Agreement is subject to the following conditions precedent being fulfilled and (where applicable) remaining satisfied as at completion of the Share Purchase Agreement (or, where applicable, waived by the Offeror in writing):

(a) the Stock Exchange and the Executive confirming in writing that they have no further comment on the Share Purchase Agreement, the Joint Announcement and the publication of the Joint Announcement on the Stock Exchange's website;

(b) no indication being received on or before the date of completion of the Share Purchase Agreement from the SFC or the Stock Exchange to the effect that the listing of the Shares on the main board of the Stock Exchange will or may be withdrawn or objected to (whether or not conditions will or may be attached thereto) as a result of the completion of the Share Purchase Agreement or in connection with the terms of or any transaction contemplated under the Share Purchase Agreement or the Disposal Agreement or the Special Deals (including, but not limited to, in connection with an allegation that the Company is no longer suitable for listing);

(c) the Independent Shareholders having approved by way of poll the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed and the Management Agreement and the respective transactions contemplated thereunder;

(d) pursuant to Rule 25 of the Takeovers Code, having obtained written consent from the Executive in respect of the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed and the Management Agreement;

(e) (to the extent required under the bye-laws of the Company or the Listing Rules) such Shareholders (who are allowed by the Stock Exchange and the Executive to vote) having approved the declaration of the Special Dividend;

(f) the Release of TTA Guarantee and the related authorisation(s) having been duly executed by the relevant parties (the form and substance of which shall in principle be agreed between the Offeror and the Vendors);

(g) the Release of Repurchase Obligation and the related authorisation(s) having been duly executed by the relevant parties (the form and substance of which shall in principle be agreed between the Offeror and the Vendors);

(h) (i) the Remaining Group having total liabilities (excluding the Bank Facilities granted by Standard Chartered Bank in connection with the Treasury Products) of less than HK$1,000,000; and

(ii) except the guarantees given by the Group in favour of Standard Chartered Bank in relation to the Treasury Products, all guarantees and Encumbrances of any of the members of the Remaining Group (including the Company) having been released and there having no guarantee or Encumbrance concerning the Remaining Group as at completion of the Share Purchase Agreement (the form and substance of such release document(s) shall be, to the reasonable satisfaction by the Offeror) confirming the legality, effectiveness and enforceability of the above release and the due authorisation of the parties entering into the above release(s);

(i) no order having been made or petition presented or resolution passed in Hong Kong or other jurisdictions for the winding up of the Company;

(j) the warranties under the Share Purchase Agreement remaining true and accurate in all material respects;

(k) no current account (including without limitation accounts receivable and accounts payable), liabilities, indebtedness or obligations (except those arising from ordinary course of business and in normal commercial terms, the Lease Agreement and the Disposal Consideration not yet due) existing, as at completion of the Share Purchase Agreement, between (i) any member of the Remaining Group and (ii) any member or associated company of the Disposal Group or any of their and the Vendors' respective associates; and

(l) the Disposal Agreement and the Property Disposal Agreement having become unconditional in accordance with the terms thereof (save for the condition in relation to the completion of the Share Purchase Agreement).

If the above conditions are not fulfilled or waived on or before 31 October 2013 (or such a later date as the Vendors may agree in response to a request made by the Offeror in writing), the Share Purchase Agreement shall lapse and be of no further effect except certain clauses as specified therein and no party to the Share Purchase Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Share Purchase Agreement. Other than the Closing Conditions (a), (c), (d) and (e), the Offeror may at its absolute discretion at any time waive by notice in writing to the Vendors any of the Closing Conditions (to the extent it is capable of being waived). As at the Latest Practicable Date, save for Closing Conditions (a), (f) and (g), no other Closing Condition has been fulfilled or waived.

Completion

Completion of the Share Purchase Agreement is conditional upon the Closing Conditions as stated above under the section headed "Closing Conditions" being fulfilled (or, where applicable, waived by the Offeror). Completion of the Share Purchase Agreement shall take place on the fifth Business Day after the fulfillment (or waiver) of the last of the Closing Conditions or such other date as the parties to the Share Purchase Agreement may agree in writing.

Shareholding structure of the Company

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and after completion of the Share Purchase Agreement (assuming there is no change to the issued share capital of the Company up to the date of completion of the Share Purchase Agreement):

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Share Purchase Agreement	
	Number of Shares held	*% of Shares in issue*	*Number of Shares held*	*% of Shares in issue*
The Offeror and parties acting in concert with it	—	—	1,173,102,000	71.53
Mr. Lau Yau Bor	96,390,000	5.88	—	—
Madam Chan Hing Ming	41,712,000	2.54	—	—
Mr. Lau Kin Tung	15,000,000	0.91	—	—
LAUs Holding Co. Ltd.	840,000,000	51.22	—	—
MINGS Development Holdings Limited	75,000,000	4.57	—	—
WHYS Holding Co. Ltd.	105,000,000	6.41	—	—
Sub-total of the Vendors and parties acting in concert with any of them	1,173,102,000	71.53	—	—
Public Shareholders	466,898,000	28.47	466,898,000	28.47
Total	1,640,000,000	100.00	1,640,000,000	100.00

THE DISPOSAL AGREEMENT

Date	:	12 March 2013
Vendor	:	Jiwa Development, a company incorporated in the BVI with limited liability on 3 May 2002 and a wholly-owned subsidiary of the Company, which in turn is holding the entire issued share capital of Jiwa Pharm
Purchaser	:	Goldvault Limited, an investment holding company incorporated in the BVI with limited liability on 1 February 2011 and wholly-owned by the Lau's Family, who is beneficially interested in, whether directly or indirectly, an aggregate of 1,173,102,000 Shares, representing approximately 71.53% of the entire issued share capital of the Company as at the Latest Practicable Date
Assets to be disposed of	:	The Disposal Shares, comprising the entire issued share capital of Jiwa Pharm, which holds 49% interest in the Kunming Jida Group
Consideration	:	The consideration for the Disposal is HK$512,000,000

Payment of the Disposal Consideration

In respect of the total Disposal Consideration, HK$480,000,000 shall be settled as follows:

(i) HK$40,090,000 shall be payable upon Disposal Completion; and

(ii) the remaining balance of HK$439,910,000 (plus interest thereon at the rate of 5% per annum commencing from the date of Disposal Completion until the date this second instalment is fully paid) shall be payable on or before the 20th Business Day after the Disposal Completion Date.

The balance of HK$32,000,000 (the "**Hold-back Amount**") in respect of the total Disposal Consideration shall be subject to the hold-back arrangement. The JW Purchaser and Jiwa Development agreed that the JW Purchaser shall pay for and on behalf of Jiwa Development from the Hold-back Amount any tax finally assessed against Jiwa Development by the relevant tax authority in the PRC in connection with the Disposal and statutory filings required by Circular 698, which is estimated to be approximately HK$32,000,000. In the event that the tax finally assessed against Jiwa Development by the relevant tax authority in the PRC is less than HK$32,000,000, the JW Purchaser shall pay the difference between HK$32,000,000 and the tax amount to Jiwa Development. In the event that the tax amount is more than HK$32,000,000, the JW Purchaser undertakes to Jiwa Development that it shall assume and pay for on behalf of Jiwa Development the excess tax amount to the relevant tax authority in the PRC. The Disposal Agreement does not provide a mechanism whereby the JW Purchaser will be reimbursed by Jiwa Development as a result thereof. If the relevant tax authority does not determine the tax amount on or before the second anniversary of the Disposal Completion Date, the JW Purchaser shall release the Hold-back Amount to Jiwa Development.

The Disposal Shares shall be subject to the Share Charge and shall be released, subject to receipt of the full payment of the second instalment of the Disposal Consideration, to the JW Purchaser by executing a deed of release in such terms as agreed between the JW Purchaser and Jiwa Development immediately after the second instalment has been paid by the JW Purchaser to Jiwa Development. In the event that the first instalment and second instalment are fully paid at the same time on the Disposal Completion Date, no Share Charge will be entered into by JW Purchaser and Jiwa Development.

Basis for determination of the Disposal Consideration

In determining the Disposal Consideration, the Company has, to its best efforts, identified the following Hong Kong listed companies which are principally engaged in the manufacturing of generic drugs in the PRC which is similar to the principal business of the Kunming Jida Group and with similar size of operation as that of the Kunming Jida Group (the "**Comparable Companies**"):

Stock code	Company name	Principal activities	Price-to-earnings (times) *(Note)*
503	Lansen Pharmaceutical Holdings Limited	Manufacturing and trading of pharmaceutical products	9.27
587	Hua Han Bio-Pharmaceutical Holdings Limited	Manufacture and sale of pharmaceutical products, medicinal healthcare products for women and biopharmaceutical products	8.53
1889	Wuyi International Pharmaceutical Company Limited	Development, manufacturing, marketing and sales of pharmaceutical products	9.21

Stock code	Company name	Principal activities	Price-to-earnings (times) (Note)
2348	Dawnrays Pharmaceutical (Holdings) Limited	Development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs	8.03
8058	Shandong Luoxin Pharmacy Stock Company Limited	Manufacturing and selling of pharmaceutical products	12.30
		Average	**9.47**

Note: As at 11 March 2013, being the trading day immediately prior to the date of the Disposal Agreement.

Based on the Disposal Consideration of HK$512 million and the unaudited net profit of the Disposal Group of approximately HK$34.2 million for the year ended 31 March 2013, the Disposal Consideration represents a price-to-earnings ratio of approximately 15.0 times, which is higher than the average price-to-earnings ratio of the Comparable Companies.

In addition to the aforesaid, as a supplemental reference, the Company has also taken into account the then consideration paid by the Subscribers in aggregate of RMB275,560,000 for 30% equity interest in Kunming Jida pursuant to the Capital Injection Agreements in 2011, all of whom were Independent Third Parties, which valued the entire share capital of Kunming Jida at approximately RMB918.5 million (equivalent to approximately HK$1,148.1 million) or approximately RMB450.1 million (equivalent to approximately HK$562.6 million) for 49% interest in Kunming Jida. However, it should be noted that the aforesaid valuation was only a supplemental reference and the Company has also borne in mind that the previous valuation might have been affected by many factors such as, among others, the then market environment, the then expectation on the financial performance and business development of the Kunming Jida Group and/or the then valuation of other comparable players in the industry, at the time about two years ago which could be substantially different from the current situation, and/or any other particular considerations the relevant parties then might have.

Based on the above, the Directors (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) consider the Disposal Consideration (including its basis for determination) is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Disposal Completion shall be subject to and conditional upon, among others, satisfaction of each of the following conditions:

(a) all approvals, consents and authorisations (including but without limitation to the approval of the Independent Shareholders in the SGM by way of poll as required under the Listing Rule and the Takeovers Code) which are necessary in accordance with the requirements under the applicable laws, rules and regulations to which, the Company, Jiwa Development or the JW Purchaser is subject for the entering into and the implementation of the Disposal Agreement and all transactions contemplated thereunder having been obtained on terms satisfactory to Jiwa Development or the Company;

(b) Jiwa Development being satisfied that the relevant parties and the JW Purchaser have entered into agreements to the effect that with effect from the Disposal Completion Date, all obligations of the Company under each of the Shareholders' Agreements (including but not limited to the Repurchase Obligation) and the TTA Guarantee having been (i) unconditionally released and discharged or (ii) discharged or released on terms satisfactory to Jiwa Development or the Company, with the Company's obligations under the Shareholders' Agreements and the TTA Guarantee being assumed by the JW Purchaser, Mr. Lau Kin Tung, Mr. Lau Yau Bor and/or Madam Chan Hing Ming (as the case may be); and

(c) the Share Purchase Agreement having become unconditional (save for the condition in respect of the Disposal Completion).

If any of the conditions precedent set out above shall not have been fulfilled prior to 31 October 2013 (or such other date as may be mutually agreed between Jiwa Development and the JW Purchaser), the Disposal Agreement shall thereupon cease to be of any effect except certain surviving provisions as provided under the Disposal Agreement and save in respect of claims arising out of any antecedent breach of the Disposal Agreement. None of the above conditions (other than condition (b) stated above) has been fulfilled as at the Latest Practicable Date.

Disposal Completion

Subject to the terms and conditions of the Disposal Agreement, Disposal Completion shall take place on the fifth Business Day after all the conditions precedent have been fulfilled in accordance with the Disposal Agreement (or such other date as Jiwa Development and the JW Purchaser may agree).

Novation and release of the Repurchase Obligation

Reference is made to the Capital Injection Agreements and the Shareholders' Agreements dated 2 February 2011 as described in the 2011 Circular. In conjunction with the Capital Injection Agreements, the Company, Jiwa Pharm and the Subscribers entered into the Shareholders' Agreements, pursuant to which, the Company has agreed with the Subscribers that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the date of completion of the Proposed Capital Injection (i.e. 7 April 2011), the Subscribers may, within six months from the expiry of such 48 months, request the Company to repurchase their equity interest in Kunming Jida at a purchase price equals to the amount of such Subscribers' capital injection pursuant to the Proposed Capital Injection (subject to certain adjustment), plus a compound interest at an annual rate of 10% thereon. As disclosed in the 2011 Circular, the then maximum monetary value under the Repurchase Obligation estimated by the Directors would be approximately RMB403.4 million (equivalent to approximately HK$504.3 million). The Company has the absolute discretion to satisfy the Repurchase Obligation, either by cash payment or allotment and issue of new Shares to the Subscribers (where the Directors consider appropriate), or a combination of both as the Directors think fit at the relevant time.

In view of the sale of the Disposal Shares to the JW Purchaser, it is a condition precedent to the Disposal Agreement that the Company, the JW Purchaser and other shareholders of Kunming Jida executed the Release of Repurchase Obligation, pursuant to which and subject to the Disposal Completion, the Company's obligation under the Shareholders' Agreements (including the Repurchase Obligation) will be novated to the JW Purchaser. Based on the annual report of the Company for the year ended 31 March 2013, the Repurchase Obligation has been classified as derivative financial liabilities in the audited consolidated statement of financial position of the Group which amounted to approximately HK$64.1 million as at 31 March 2013.

Novation and release of the TTA Guarantee

Reference is made to the announcement of the Company dated 21 September 2012 in relation to, among others, the Technology Transfer Agreement and the TTA Guarantee. On 23 July 2012, Base Affirm entered into the Technology Transfer Agreement with Jida Biotech in respect of the transfer from Base Affirm to Jida Biotech of a distinctive technology related to one of the key pharmaceutical products of Kunming Jida at an aggregate consideration of RMB111 million (equivalent to approximately HK$138.8 million). The consideration is payable by Jida Biotech in three phases upon satisfaction of certain pre-conditions, including but not limited to, the transfer of technical documents, the construction of production plant, the obtaining of production licence from the relevant PRC government authority, the commencement of full scale production and the obtaining of "Good Manufacturing Practice" certification from the relevant PRC government authority, as detailed in the Company's announcement dated 21 September 2012.

As ancillary to the Technology Transfer Agreement, the Company (being the guarantor) and Jida Biotech further entered into the TTA Guarantee on 23 July 2012, pursuant to which the Company has guaranteed the implementation of the aforesaid pre-conditions in favour of Jida Biotech. In case of Jida Biotech's failure of obtaining the requisite registration certificates of the relevant pharmaceutical products as well as the certification of "Good Manufacturing Practice" by the relevant PRC government authority by 31 December 2016, Jida Biotech may request the Company to repurchase the aforesaid key product technology and repay the full consideration that had already been paid by Jida Biotech. As a condition precedent to the Disposal Agreement, the obligation of the Company under the TTA Guarantee shall be released and discharged. The Company, the JW Purchaser and Jida Biotech executed the Release of TTA Guarantee pursuant to which and subject to, among others, the Disposal Completion, the Company shall be released from all and any obligations under the TTA Guarantee, which will be assumed by the JW Purchaser.

Potential continuing connected transaction

Following completion of the Share Purchase Agreement and the resignation of each of Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming as executive Directors, they will remain as connected persons of the Company for the 12-month period following their resignation pursuant to Chapter 14A of the Listing Rules. Following the Disposal Completion, Jida Biotech will become an associate of the Lau's Family, as such Jida Biotech will also become a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction under the Technology Transfer Agreement will become continuing connected transaction of the Company after the Disposal Completion and is subject to the reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Technology Transfer Agreement.

Base Affirm will be retained in the Remaining Group. Base Affirm is subject to the following fees receivable upon satisfaction of the pre-conditions:

(i) RMB20 million (equivalent to approximately HK$25 million) upon completion of the construction of a production plant and the obtaining of the production licence from the State Food and Drug Administration of the PRC by 31 December 2013; and

(ii) RMB51 million (equivalent to approximately HK$63.8 million) upon the commencement of full scale production of bulk materials relating to the key product technology and the obtaining of the registration certificates of such products as well as the certificate of "Good Manufacturing Practice" by the State Food and Drug Administration of the PRC by no later than 31 March 2015.

Information of Jiwa Pharm

Jiwa Pharm is a limited liability company incorporated in Hong Kong on 10 October 1995 and principally engaged in investment holding. As at the Latest Practicable Date, Jiwa Pharm is an indirect wholly-owned subsidiary of the Company and directly holds 49% equity interest of Kunming Jida. Jiwa Pharm does not hold interests in any other companies or hold other assets save for the interest in the Kunming Jida Group.

Kunming Jida is a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability. Kunming Jida Group is principally engaged in manufacturing and sale of pharmaceutical products in the PRC. As at the Latest Practicable Date, Kunming Jida is held as to (i) 49% by Jiwa Pharm and being an associate of the Group; (ii) 21% by Yunnan Pharm; (iii) 20% by Green Grove Investment Ltd.; (iv) 2% by 昆明積眾企業管理股份有限公司(Kunming Jizhong Management Co., Ltd.*), which is wholly owned by certain employees of Kunming Jida; and (v) 8% by Independent Third Parties. Save for being substantial shareholders or employees of Kunming Jida, each of Yunnan Pharm, Green Grove Investment Ltd., 昆明積眾企業管理股份有限公司(Kunming Jizhong Management Co., Ltd.*), and their respective ultimate beneficial owners is an Independent Third Party. Green Grove Investment Ltd. is a company incorporated in Mauritius with limited liability and owned by Warburg Pincus Private Equity X, L.P. and Warburg Pincus X Partners, L.P., both of which are managed by Warburg Pincus LLC, a global private equity firm established in the United States of America. To the best knowledge of the Company, Green Grove Investment Ltd., Warburg Pincus LLC and their affiliates are all Independent Third Parties. The shareholders of Kunming Jida do not hold any Shares. The Company has provided loan guarantees and facility guarantees in respect of loans and facilities obtained by the Kunming Jida Group for an aggregate of approximately HK$217.0 million as at 31 March 2013. The Company will be released from such guarantees prior to completion of the Share Purchase Agreement and the Disposal. The Group has amount due from the Kunming Jida Group of approximately HK$81.9 million as at 31 March 2013, which will be repaid in full prior to completion of the Share Purchase Agreement and the Disposal.

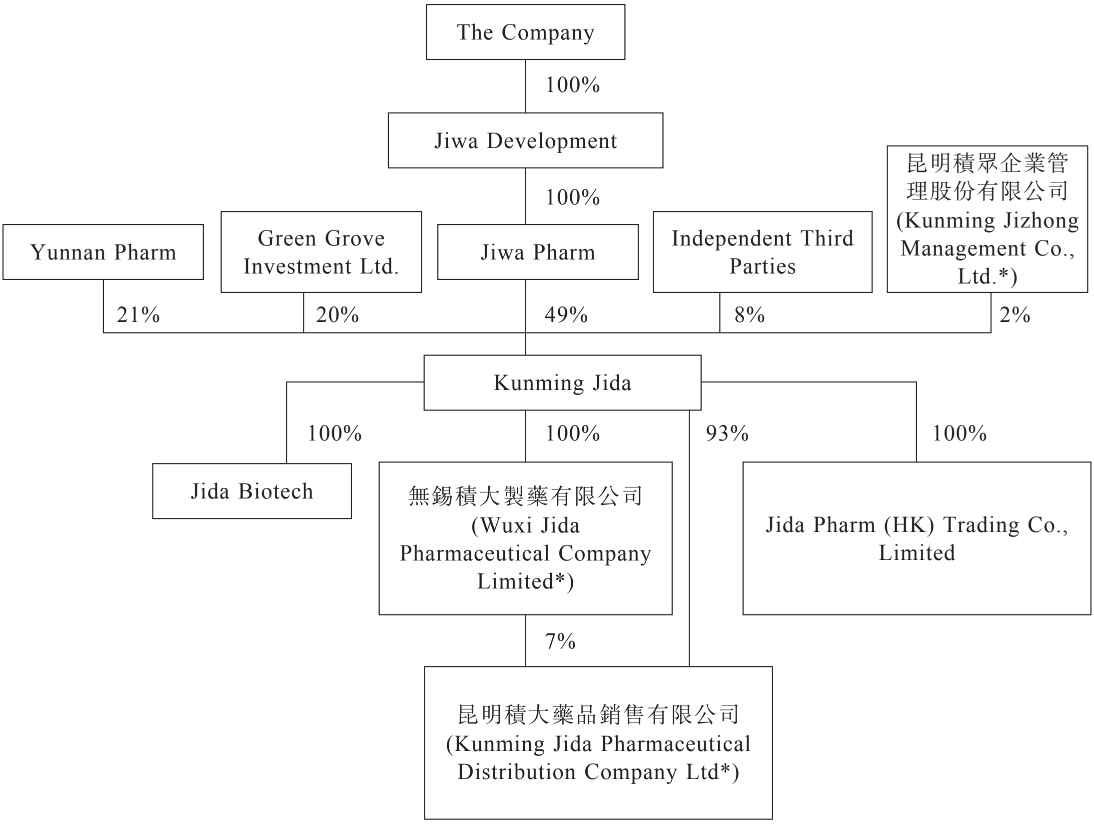
Set out below are the unaudited consolidated profit before and after tax of the Disposal Group for the years ended 31 March 2012 and 2013, and net assets of the Disposal Group as at 31 March 2012 and 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards and extracted from Appendix II to this circular:

	For the year ended 31 March	
	2013	**2012**
	HK$ million	*HK$ million*
Profit before income tax	35.6	81.1
Profit after income tax	34.2	84.0

	As at 31 March	
	2013	**2012**
	HK$ million	*HK$ million*
Net assets	392.2	370.3

The above unaudited consolidated profit before and after tax of the Disposal Group for the years ended 31 March 2012 and 2013 is required to be reported on under Rule 10 of the Takeovers Code. Such financial information has been reviewed by the reporting accountants, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants, and reported on by the reporting accountants and the Company's financial advisers, Quam Capital Limited for the purpose of Rule 10 of the Takeovers Code. For details, please refer to the "Letter from the reporting accountants on the reviewed financial information of the Disposal Group" issued by BDO Limited and "Letter from the financial adviser on the reviewed financial information of the Disposal Group" issued by Quam Capital Limited included in Appendix II to this circular.

As at the Latest Practicable Date, the shareholding structure of the Disposal Group is as follow:



Reasons for and benefits of the Disposal

The Group is principally engaged in (i) trading of pharmaceutical products and healthcare products; (ii) investment holding and treasury function; and (iii) R&D of chemical and biological products. At the request of the Offeror, the Vendors proposed the Disposal to the Company in order to divest its non-core business (being the Disposal Group's business of manufacturing and sale of pharmaceutical products in the PRC), and to focus its capital and management resources on its core business, being trading of imported pharmaceutical products in the PRC, distribution and sale of healthcare products in local Hong Kong market, R&D of chemical and biological products, and investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits.

The Directors estimate that the net proceeds from the Disposal will be approximately HK$478 million. The Directors are of the view that the Disposal provides an opportunity for the Company to realise the Group's investment in the non-core business while receiving the Disposal Consideration in cash. Subject to the Special Dividend becomes unconditional, the Company intends to use the net proceeds from the Disposal for the payment of the Special Dividend to the Shareholders. As such, the Disposal may provide an opportunity to the Shareholders to realise part of their investments in the Company by receiving the Special Dividend.

As discussed in the section headed "Novation and release of the Repurchase Obligation" above, the Company has agreed with the Subscribers in February 2011 that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from 7 April 2011, the Subscribers may, within six months from the expiry of such 48 months, request the Company to repurchase their equity interest in Kunming Jida. As at the Latest Practicable Date, Kunming Jida has not obtained a separate listing status on any stock exchange.

During the course of preparation for the Listing Application on the Shenzhen Stock Exchange, the Company has been advised by the relevant professional parties after communication with the China Securities Regulatory Commission that if the controlling shareholder of Kunming Jida (i.e. currently being the Company) is a listed company in another overseas stock exchange, there will be significant regulatory hurdle for the Listing Application on the grounds that the relevant regulatory authority does not expect the same operating entity supporting two listing status (the listing of the Company and the listing of the Kunming Jida Group), whether in the PRC or overseas, hence causing the success of the Listing Application to be highly uncertain.

Based on the advice available to the Company from the advisers advising the proposed listing of Kunming Jida, any change in control of Kunming Jida will likely hinder the Listing Application of Kunming Jida and Kunming Jida will have to remain in the control of the same new controlling shareholder(s) for three years before proceeding with the proposed listing on the Shenzhen Stock Exchange, in which case the Repurchase Obligation will be triggered. If the Company were to reduce its shareholding in Kunming Jida to a "non-controlling level", the Company is advised that Kunming Jida will be treated as a "多人共同控制公司" (multi-controlling shareholders company) by relevant authority and thus will be deemed to have a change in control in Kunming Jida. On the other hand, if the Company were to dispose of its shareholding to other investors rather than the Lau's Family (who currently controlled Kunming Jida indirectly through the Company), it is obvious that a change in control of Kunming Jida would be resulted. Indeed, the Company considers that it would not make commercial sense for an independent investor to take up the interest in Kunming Jida and bear the Repurchase Obligation at the same time while Kunming Jida can only proceed with its listing exercise at least three years after the change in control of Kumming Jida, and to accept the uncertainties involved with respect to the Listing Application and the future operations of the Kumming Jida Group. Taking into account the above, the Company is of the view that the Disposal is fair and reasonable when comparing with the other options described above.

In view of the high possibility of triggering the Repurchase Obligation if the Listing Application is not successful, the Offeror does not agree that the Repurchase Obligation would remain with the Company after the completion of the Share Purchase Agreement. As such, the Disposal is one of the factors and key conditions precedent to the entering into of the Share Purchase Agreement and completion thereof. The Repurchase Obligation will be assumed by the JW Purchaser prior to the Disposal Completion. In negotiation with the JW Purchaser in respect of the Disposal, the Directors have taken into consideration the management and ownership continuity of Kunming Jida and the established co-operation relationship among the existing equity holders of Kunming Jida, in order to ensure the smooth implementation of the Listing Application. In such regard, all the Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family. Following the Disposal Completion, the Lau's Family, being the single largest equity holder of Kunming Jida, together with other equity holders thereof, will continue to proceed with the Listing Application.

Financial effect of the Disposal

As at the Latest Practicable Date, Jiwa Pharm is an indirect wholly-owned subsidiary of the Company and directly holds 49% equity interest of Kunming Jida. As such, Kunming Jida is an associate of the Group and the share of results of the Kunming Jida Group is accounted for in the consolidated statement of comprehensive income of the Group under the equity method.

Following the Disposal Completion, Jiwa Pharm and the Kunming Jida Group will respectively cease to be a subsidiary and associates of the Company.

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to this circular, assuming Disposal Completion took place on 1 April 2012, the Group would have recognised a net gain of approximately HK$103.5 million for the year ended 31 March 2013 as a result of the Disposal, which represents the Disposal Consideration of HK$512 million less (i) the carrying value of interests in the Disposal Group of approximately HK$370.3 million as at 1 April 2012; (ii) the estimated PRC capital tax of approximately HK$32.0 million; and (iii) the estimated legal and professional fee and other related transaction expenses of approximately HK$6.2 million. The actual net gain or loss from the Disposal will vary and depend on, among other things, the carrying value of the Group's interest in the Disposal Group as at Disposal Completion Date. Based on the audited annual report of the Company for the year ended 31 March 2013, the Group recorded net profit of approximately HK$41.8 million for the year ended 31 March 2013. Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to this circular, assuming Disposal Completion took place on 1 April 2012, the Group would have recorded net profit of approximately HK$119.8 million for the year ended 31 March 2013.

Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to this circular, assuming Disposal Completion took place on 31 March 2013, the total assets of the Group as at 31 March 2013 would decrease by approximately HK$37.4 million, the total liabilities of the Group would decrease by approximately HK$129.4 million and the net assets of the Group would increase by approximately HK$92.0 million.

In view that the Kunming Jida Group has been accounted for as an associate in the consolidated financial statements of the Group before the Disposal, the Directors expect that the Disposal will not affect the principal activities of the Group. The Group's principal business after the Disposal will remain as trading of imported pharmaceutical products in the PRC, distribution and sale of healthcare products in local Hong Kong market, R&D of chemical and biological products, investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits. The major customers of the Remaining Group are import and export companies located in the PRC. The major suppliers of the Remaining Group are manufacturers of pharmaceutical bulk materials located in Italy and Switzerland. The Directors and the Offeror confirm that the major customers and suppliers of the Remaining Group have no relationship with the Vendors or the Offeror or the Kunming Jida Group, save for being customers and suppliers of the Remaining Group.

In view of the foregoing, the Directors (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) do not expect there will be material adverse impact on the Group's financial and business operation and the sustainability of the Group as a result of the Disposal, and consider that the terms of the Disposal Agreement are on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

THE PROPERTY DISPOSAL AGREEMENT

Date	:	12 March 2013
Vendor	:	Jiwa International
Purchaser	:	Sunny Enterprise, an investment holding company and wholly-owned by the JW Purchaser
Assets to be disposed of	:	Pursuant to the Property Disposal Agreement, Jiwa International agreed to sell and Sunny Enterprise agreed to acquire the Property
Consideration	:	The consideration for the Property Disposal is HK$22,000,000 which shall be paid by Sunny Enterprise in cash on completion of the Property Disposal.

Basis for determination of the Property Consideration

The Property Consideration was arrived at after arm's length negotiations between the parties to the Property Disposal Agreement after taking into consideration the market value of the Property of HK$22 million as at 8 March 2013 based on a property valuation report issued by an independent valuer. The text of such property valuation report is set forth in Appendix IV to this circular.

Conditions precedent

The completion of the Property Disposal is conditional upon the following:

(i) the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules and the Takeovers Code for the entering into and the implementation of the Property Disposal Agreement and all the transactions contemplated thereunder having been obtained;

(ii) all approvals, consents and authorisations which are necessary in accordance with the requirements under the applicable laws, rules and regulations to which the parties to the Property Disposal Agreement are subject for the entering into and the implementation of the Property Disposal Agreement and all transactions contemplated thereunder having been obtained; and

(iii) completion of the Share Purchase Agreement and the Disposal Agreement taking place pursuant to the respective terms thereunder.

Completion

Completion of the Property Disposal Agreement shall take place contemporaneously with the completion of the Share Purchase Agreement and the Disposal Agreement. If the conditions precedent to the Property Disposal Agreement are not fulfilled or waived by the parties thereto on or before 31 October 2013 (or such later date as the parties shall agreed in writing), all liabilities of the parties under the Property Disposal Agreement shall cease and determine. None of the above conditions has been fulfilled or waived as at the Latest Practicable Date.

Information on the Property

The Property is located at No. 5 on the 29th floor of Tower One of Lippo Centre, No. 89 Queensway, Hong Kong, which was acquired by the Group from an Independent Third Party in May 2012 at HK$20,070,000. The Property is an office premise and has a saleable area of approximately 72.5 square metres. The estimated market value of the Property as at 30 April 2013 was HK$22,000,000 based on a property valuation report issued by an independent valuer set forth in Appendix IV to this circular. The Property is an investment property of the Group and currently leased by Jiwa International to a tenant, being an Independent Third Party, at a monthly rental of approximately HK$54,000 for a term of tenancy of two years commenced since March 2013.

Reasons for the Property Disposal

At the request of the Offeror, the Vendors proposed the Property Disposal to the Group in order to divest its investment in non-core assets, and to focus its capital and management resources on its core business, being trading of imported pharmaceutical products in the PRC, distribution and sale of healthcare products in local Hong Kong market, R&D of chemical and biological products, investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits. An estimated gain of approximately HK$972,000, details of which are set out in the section below, is expected to be recognised by the Group as a result of the Property Disposal.

Financial effect of the Property Disposal

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to this circular, assuming that the Property Disposal had been completed on 2 May 2012, being the date on which the Property was acquired by the Group, an estimated gain of approximately HK$972,000, being the Property Consideration of approximately HK$22,000,000 less the acquisition cost of the Property as at 2 May 2012 of approximately HK$21,028,000, would have been recognised by the Group for the year ended 31 March 2013 as a result of the Property Disposal. Any actual gain or loss from the Property Disposal will depend on the fair value of the Property upon completion of the Property Disposal.

Upon completion of the Property Disposal, the Property will cease to be an investment property of the Group. Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to this circular, assuming that the Property Disposal had been completed on 31 March 2013, as a result of the Property Disposal, (i) the Group's non-current assets would decrease by

HK$22,000,000; and (ii) the Group's cash and cash equivalents would increase by approximately HK$22,000,000.

Use of proceeds from the Property Disposal

It is expected that the net proceeds from the Property Disposal would be approximately HK$22 million. Subject to the Special Dividend becoming unconditional, the Company intends to apply the net proceeds from the Property Disposal to finance the payment of the Special Dividend. As such, the entering into of the Property Disposal Agreement may provide the Shareholders an opportunity to realise their investment in the Company in the form of the Special Dividend.

In view of the foregoing, the Directors (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Property Disposal Agreement are on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

THE PROPERTY OPTION DEED

Date	:	12 March 2013
Grantor	:	Sunny Enterprise, an investment holding company and wholly-owned by the JW Purchaser
Grantee	:	Tech-Medi Development Limited, a wholly-owned subsidiary of Jiwa Development
Property Option	:	Pursuant to the Property Option Deed, Sunny Enterprise grants an option to the Grantee, at its sole discretion, to request Sunny Enterprise to purchase from the Grantee the Option Property
Option period	:	Within the 25th and 30th months after the date of completion of the Share Purchase Agreement
Purchase price	:	HK$33,000,000 or the market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is the higher

The Company will comply with the applicable Listing Rules requirements upon the exercise of the option.

Basis for determination of the purchase price

The purchase price of HK$33,000,000 was determined after arm's length negotiation between Sunny Enterprise and the Grantee after taking into consideration the market value of the Option Property of HK$33 million as at 8 February 2013 based on a property valuation report issued by an independent valuer. The text of such property valuation report is set forth in Appendix V to this circular.

Conditions precedent

The Property Option Deed shall be conditional and effective upon the satisfaction of the following conditions on or before 31 October 2013:

(i) the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules and the Takeovers Code for the entering into and the implementation of the Property Option Deed and all the transactions contemplated thereunder having been obtained;

(ii) all approvals, consents and authorisations which are necessary in accordance with the requirements under the applicable laws, rules and regulations to which the parties to the Property Option Deed are subject for the entering into and the implementation of the Property Option Deed and all transactions contemplated thereunder having been obtained; and

(iii) completion of the Share Purchase Agreement and the Disposal Agreement taking place pursuant to the respective terms thereunder.

If the conditions are not fulfilled or waived (where applicable) on or before 31 October 2013, the liabilities of the parties to the Property Option Deed shall cease. None of the above conditions has been fulfilled or waived as at the Latest Practicable Date.

Information of the Option Property

The Option Property is located at No. 6 on the 29th floor of Tower One of Lippo Centre, No. 89 Queensway, Hong Kong. The Option Property is an office premise and has a saleable area of approximately 108.5 square metres. The Option Property is currently leased by the Grantee to Jida Pharm (HK) Trading Co., Limited (the "**Tenant**"), a wholly-owned subsidiary of Kunming Jida at a monthly rental of HK$70,000 for a term of tenancy of two years commencing in February 2012 as the office of the Kunming Jida Group. The estimated market value of the Option Property as at 30 April 2013 was HK$33,000,000 based on a property valuation report issued by an independent valuer set forth in Appendix V to this circular.

Reasons for and benefits of the Property Option Deed

At the request of the Offeror, the Vendors proposed the Property Option Deed to the Group to avail the Group an option for further divestment of its investment in non-core assets at the current market value of the Option Property or the then market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is higher. In the event that the disposal of the Option Property could not maximise the interest of the Shareholders by then, the Grantee can opt not to serve the option notice. In effect, the Property Option Deed provides a downside protection to the Group for its investment in the Option Property.

In view of the foregoing, the Directors (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Property Option Deed are on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Financial effect of the Property Option Deed

The Property Option Deed will be settled through the delivery of the Option Property, accordingly, the option is not considered as a financial instrument and thus there are no financial effects on the grant of the Property Option Deed.

Potential continuing connected transaction

Pursuant to the Lease Agreement, the Grantee is entitled to an annual rental income of HK$840,000 payable by the Tenant until the expiry of the Lease Agreement. Following the Disposal Completion and the resignation of each of Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming as executive Directors, they will remain as connected persons of the Company for the 12-month period following their resignation pursuant to Chapter 14A of the Listing Rules. Following the Disposal Completion, the Tenant will become an associate of the Lau's Family, as such the Tenant will also become a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction under the Lease Agreement constitutes a continuing connected transaction of the Company after the Disposal Completion and is subject to the reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the provision of the Lease Agreement.

THE MANAGEMENT AGREEMENT

Date	:	12 March 2013
Parties	:	(i) the Company
		(ii) Sunny Enterprise, an investment holding company and wholly-owned by the JW Purchaser

Principal terms of the Management Agreement

Subject to and from the date the Management Agreement becoming unconditional and effective, the Company agrees to engage Sunny Enterprise as management service provider to provide certain management services to the Managed Companies for a period of two years (the "**Service Term**").

Conditions precedent

The Management Agreement shall be conditional and effective upon the satisfaction of the following conditions on or before 31 October 2013:

(i) the approval of the Independent Shareholders at the SGM by way of poll for the Management Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and the Takeovers Code;

(ii) all relevant approvals and consents being obtained in respect of the transactions contemplated under the Management Agreement; and

(iii) completion of the Share Purchase Agreement and the Disposal Agreement taking place pursuant to the respective terms thereunder.

If the conditions are not fulfilled on or before 31 October 2013, the liabilities of the parties to the Management Agreement shall cease. None of the above conditions has been fulfilled as at the Latest Practicable Date.

These management services mainly include, among others:

(1) Sunny Enterprise shall assist the Remaining Group to conduct and develop its R&D projects and business, including but not limited to, assisting the Company and Base Affirm to perform their obligations under the Technology Transfer Agreement

and, in the event that the Company or Base Affirm is requested to repurchase the key product technology from Jida Biotech pursuant to the Technology Transfer Agreement, procuring the JW Purchaser to assume all costs and expenses of such repurchase;

(2) Sunny Enterprise shall assist the Remaining Group to operate and manage the business of import of pharmaceutical products and, distribution and sale of healthcare products;

(3) Sunny Enterprise shall manage the Treasury Products and negotiate the most favourable terms of loan from Standard Chartered Bank for Jiwa International;

(4) during the Service Term, subject to the consent of the Company, Sunny Enterprise has the right to decide that the Group shall redeem the Treasury Products. In the event that Sunny Enterprise decided that the Group shall redeem the Treasury Products and that the redeemed amount less (i) any management fee, redemption fee and default costs incurred by the Group in respect of the Treasury Products during the Service Term and (ii) the interest expenses incurred by the Group during the Service Term in respect of the Bank Facilities and any loans provided by Sunny Enterprise (if any) is less than HK$100,600,000, Sunny Enterprise shall compensate the Company the difference on a dollar-for-dollar basis. The amount of HK$100,600,000 was determined with reference and equivalent to the total market value of the Treasury Products as at 31 December 2012;

(5) if the Treasury Products are not redeemed by the Group prior to or on the date of expiry of the Service Term, the Group may redeem the Treasury Products within six months following the expiry of the Service Term. If the redeemed amount less (i) any management fee, redemption fee and default costs incurred by the Group in respect of the Treasury Products during the Service Term and (ii) the interest expenses incurred by the Group during the Service Term in respect of the Bank Facilities and any loans provided by Sunny Enterprise (if any) is less than HK$100,600,000, Sunny Enterprise shall compensate the Company the difference on a dollar-for-dollar basis; and

(6) pursuant to the terms of the Bank Facilities, the Share Purchase constitutes a change in control of the Company and shall in turn constitute an event of default under the Bank Facilities by the Group. As such, upon completion of the Share Purchase Agreement, Standard Chartered Bank has the right to demand immediate repayment of the loans in full by the Group. Pursuant to the Management Agreement, if Standard Chartered Bank withdraws or reduces the amount of the Bank Facilities during the Service Term, Sunny Enterprise shall negotiate with Standard Chartered

Bank to ensure it continues to provide loans to Jiwa International on the then prevailing reasonable commercial terms. If Standard Chartered Bank refuses to provide any loan or is only willing to provide loans of less than HK$89,000,000, Sunny Enterprise shall procure loans of the shortfall amount from other sources to Jiwa International. If the loan amount provided by Standard Chartered Bank is less than HK$89,000,000, the Company may request Sunny Enterprise to immediately arrange for the Group to redeem the Treasury Products and compensate the Company in the manner as described in (4) above.

The Treasury Products included the followings:

(1) debt securities acquired by the Group on 10 June 2011 from Standard Chartered Bank due on 17 June 2016 with aggregate nominal value of US$5,100,000. The debt securities is issued by Standard Chartered Bank London and the redemption payment on maturity is linked to the average quarterly performance of Standard Chartered Bank London's Asia Risk Control Investable Index. The debt securities bear no interest and the minimum 100% return of the principal investment at maturity was guaranteed by Standard Chartered Bank London. The fair value of the debt securities as at 31 March 2013 was approximately HK$41.2 million; and

(2) debt securities acquired by the Group on 15 July 2011 from Standard Chartered Bank due on 22 July 2016 with aggregate nominal value of US$7,500,000. The debt securities is a principal protected index-linked note and the return is linked to the performance of Standard Chartered Bank London's FX Global Yield Model Index Tranche 1.87, which is based on returns of notional allocation to the index, and the return of interest bearing instruments used to manage cash and protect the Group's principal. The minimum 100% return of the principal investment at maturity was guaranteed by Standard Chartered Bank London. The fair value of the debt securities as at 31 March 2013 was approximately HK$59.7 million.

Standard Chartered Bank has granted short term money market loan facility of HK$140 million to the Group for the purchase of the Treasury Products. The outstanding amount of the short term money market loan was HK$89.0 million as at 31 May 2013. Jiwa International has provided guarantee in favour of Standard Chartered Bank in respect of the short term money market loan. The Treasury Products are also pledged to Standard Chartered Bank in respect of the short term money market loan.

Pursuant to the Management Agreement, Sunny Enterprise has guaranteed to the Company that the Managed Companies shall maintain positive net assets value during the Service Term.

Sunny Enterprise shall designate Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung (or other person(s) agreed by Sunny Enterprise and the Company in writing) to provide the management services and each of the delegates must devote at least 10 Business Days per month in the management services.

Management fee payable during the Service Term

In consideration for Sunny Enterprise providing the above management services, subject to the Managed Companies recording consolidated net profit and that such profit is sufficient to pay for the relevant management fee, the Company agreed to pay a monthly management fee of HK$220,000 to Sunny Enterprise, representing an annual fee of HK$2,640,000, and HK$5,280,000 in aggregate for the entire Service Term. For the three years ended 31 March 2013, the Lau's Family received total emoluments (including Director's fees, salaries, housing, other allowances and benefits in kind) amounting to approximately HK$8.6 million, HK$4.3 million and HK$4.6 million respectively. Apart from the management services stipulated under the Management Agreement as described above, the Lau's Family also managed all other subsidiaries and associated companies of the Group other than those as mentioned in the Management Agreement (i.e. companies/associated companies comprised the Group in the three years ended 31 March 2013 other than the members of the Remaining Group) in their capacities as Directors and chief executives of the Company. The management fee payable under the Management Agreement was determined after arm's length negotiation between the Company and Sunny Enterprise after taking into consideration the past emoluments received by the Lau's Family and the estimated time that the Lau's Family shall devote in the management services. The estimated time devoted by the Lau's Family in the Company's business was approximately 15 to 20 business days per month before the Disposal and the estimated time to be devoted by the Lau's Family pursuant to the Management Agreement will be about 10 business days per month. The estimated time to be devoted by the Lau's Family on the Managed Companies pursuant to the Management Agreement will reduce because the Lau's Family, through Sunny Enterprise as the management company, will only assist in the management of the trading and distribution business, R&D business and the Treasury Products of the Managed Companies. The Lau's Family will no longer be responsible for managing all other subsidiaries and associated companies of the Remaining Group nor will they be responsible for the overall development of the Remaining Group.

Save as disclosed herein, the Lau's Family and its associates (i) have not received any other benefits (monetary or otherwise) for their management services provided to the Group in the three years ended 31 March 2013, and (ii) will not receive any other benefits (monetary or otherwise) under the Management Agreement.

Reasons for and benefits of the Management Agreement

In order for smooth transition of the management of the Remaining Group following completion of the Share Purchase Agreement, the Offeror considers the support by the Lau's Family in the pharmaceutical industry for operating and managing the Remaining Business would be in the interest of the Company and the Shareholders as a whole and thus invited the Lau's Family, being the current executive Directors, to continue their operation roles and functions for the Service Term to assist the management of the Remaining Group. Taking into account the experience of the Lau's Family in managing and operating the Remaining Business, the Directors consider that the entering into of the Management Agreement ensures the management continuity of the Remaining Business during the Service Term.

In view of the foregoing, the Directors (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Management Agreement are on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Lau Kin Tung has executed a personal guarantee in favour of the Grantee and the Company in respect of the relevant obligations of Sunny Enterprise and the JW Purchaser under the Disposal Agreement, the Property Option Deed, the Property Disposal Agreement, the Management Agreement, the Release of Repurchase Obligation and the Release of TTA Guarantee.

SPECIAL DIVIDEND

On 23 May 2013, the Board conditionally proposed and recommended the Special Dividend of HK$0.375 per Share to the Qualifying Shareholders. The distribution of the Special Dividend is subject to (i) the Disposal Completion; (ii) the completion of the Property Disposal; and (iii) approval by the Shareholders of the Special Dividend at the SGM by way of poll. The Dividend Record Date shall fall on a date before the completion of the Share Purchase Agreement and the actual payment of such dividend may be made upon or after the Disposal Completion and the Property Disposal. The Special Dividend will be paid based on the shareholding information on the Dividend Record Date. Any Shareholder who is registered as a member of the Company on the Dividend Record Date and subsequently accepts the Offer would still be entitled to the Special Dividend, if paid. That is, the entitlement of the Special Dividend will be based solely on the register of members of the Company on the Dividend Record Date. The Special Dividend (if paid) will be paid to such Shareholder based on the address of such Shareholder recorded in the register of members of the Company on the Dividend Record Date. The Special Dividend, will be financed by the net proceeds of the Disposal Consideration and the Property Consideration, and the internal resources of the Group. The Company will make further announcement regarding the details of the Dividend Record Date as and when appropriate.

Based on 1,640,000,000 Shares in issue as at the Latest Practicable Date and the Special Dividend of HK$0.375 per Share, the total amount of the Special Dividend will be approximately HK$615 million. It is intended that the amount of Special Dividend payable to the Vendors of approximately HK$439.9 million shall be set-off against the Disposal Consideration payable by the JW Purchaser. Therefore, the JW Purchaser shall pay a net amount of approximately HK$40.1 million for the Disposal. If the Special Dividend does not become unconditional and is not distributed, the Disposal Consideration will be settled by the JW Purchaser in cash from its own internal resources.

Based on the Directors' best knowledge and estimates, the Board considers that the Company will have sufficient distributable reserves for the payment of the Special Dividend immediately after the Disposal Completion and completion of the Property Disposal, after taking into account (i) the Company's available distributable reserves as at 31 March 2013; and (ii) the expected gain on the Disposal and the Property Disposal to be recognised by the Group.

IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

The Disposal

As the applicable percentage ratios of the Disposal exceed 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal transaction of the Company and therefore is subject to announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The JW Purchaser is wholly-owned by the Lau's Family, the members of which are the executive Directors and together are beneficially interested in and control an aggregate of 1,173,102,000 Shares, representing approximately 71.53% of the total issued share capital of the Company as at the Latest Practicable Date. The JW Purchaser is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that the JW Purchaser is wholly-owned by the Lau's Family, and that the Disposal is not extended to all Shareholders, for the purpose of the Offer, the Disposal constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Property Disposal

Sunny Enterprise, being wholly-owned by the Lau's Family, is a connected person of the Company. Accordingly, the Property Disposal constitutes a connected transaction of the Company.

Given that Sunny Enterprise is wholly-owned by the Lau's Family and that the Property Disposal is not extended to all Shareholders, for the purpose of the Offer, the Property Disposal constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Property Option Deed

The option under the Property Option Deed, if exercised, may constitute a notifiable transaction of the Company under Chapter 14 and/or 14A of the Listing Rules. The Company will comply with the relevant Listing Rules requirements upon the exercise of such option.

Given that Sunny Enterprise is wholly-owned by the Lau's Family and the disposal of the Option Property upon the exercise of the option is not extended to all Shareholders, for the purpose of the Offer, the underlying disposal of the Option Property pursuant to the Property Option Deed constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Management Agreement

Following completion of the Share Purchase Agreement and the resignation of each of Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming as executive Directors, they will remain as connected persons of the Company for the 12-month period following their resignation being then ex-Directors pursuant to Chapter 14A of the Listing Rules. Accordingly, the Management Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules during such period.

Given that Sunny Enterprise is wholly-owned by the Lau's Family and that the Management Agreement is not extended to all Shareholders, for the purpose of the Offer, the Management Agreement constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Special Deals are subject to the consent of the Executive. The Executive's consent, if granted, will be conditional upon (i) the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders at the SGM by way of poll. The Vendors and/or their respective associates within the meaning of the Listing Rules; the Offeror and/or its associates, if the Offeror and/or its associates shall have any shareholding interest in the Company and their respective concert parties; and Shareholders who are interested or involved in the Special Deals are required to abstain from voting in respect of the resolutions to approve the Special Deals at the SGM by way of poll. The Vendors and their associates collectively controlled 1,173,102,000 Shares, representing approximately 71.53% of the issued share capital of the Company as at the Latest Practicable Date. The Offeror and/or its associates, who are required to abstain from voting in respect of the resolutions to approve the Special Deals at the SGM, do not control any Shares as at the Latest Practicable Date. Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming have abstained from voting on the Board resolutions approving the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed, the Management Agreement and the transactions contemplated thereunder.

The Company has made an application to the Executive for his consent under Note 4 to Rule 25 of the Takeovers Code in relation to the Special Deals.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders on whether terms of the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the relevant resolutions to be proposed at the SGM to approve the Special Deals. The Independent Board Committee has appointed the Independent Financial Adviser to advise on these aspects.

SGM

A notice of the SGM is set out on pages SGM-1 to SGM-4 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the SGM will be by poll. The following persons are required to abstain from voting in respect of the resolutions to approve the Special Deals at the SGM by way of poll: the Vendors and/or their respective associates within the meaning of the Listing Rules; the Offeror and/or its associates, if the Offeror and/or its associates shall have any shareholding interest in the Company and their respective concert parties; and Shareholders who are interested or involved in the Special Deals.

A form of proxy for the SGM is enclosed herewith. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the form of proxy and return it to the Registrar in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the SGM or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjournment thereof in person should you so wish.

RECOMMENDATIONS

The Board (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) considers that the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (excluding the members of the Independent Board Committee whose views are expressed in the letter from the Independent Board Committee) recommends that the Independent Shareholders should vote in favour of the resolutions to approve the Special Deals to be proposed at the SGM.

Your attention is drawn to (i) the letter of recommendations from the Independent Board Committee which is set out on pages 48 to 49 of this circular; and (ii) the letter of advice from the Independent Financial Adviser which is set out on pages 50 to 84 of this circular. The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers that the terms of the Special Deals are in the interests of the Company and the Shareholders as a whole, and their respective terms are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Special Deals.

The Board also considers that the Special Dividend is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders should vote in favour of the resolutions to approve the Special Dividend to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendices to this circular.

By order of the Board
Jiwa Bio-Pharm Holdings Limited
Chan Hing Ming
Executive Director and Chief Executive Officer

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Special Deals prepared for the purpose of inclusion in 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)

26 July 2013

To the Independent Shareholders

Dear Sir or Madam,

(1) Special deal, very substantial disposal and connected transaction in relation to the disposal of assets by Jiwa Bio-Pharm Holdings Limited;

(2) Special deal and connected transaction in relation to the disposal of a property by Jiwa Bio-Pharm Holdings Limited;

(3) Special deal in relation to the potential disposal of a property by Jiwa Bio-Pharm Holdings Limited pursuant to an option;

(4) Special deal and continuing connected transaction of Jiwa Bio-Pharm Holdings Limited;

(5) Special Dividend; and

(6) Notice of SGM

We refer to the circular of the Company to the Shareholders dated 26 July 2013 (the "**Circular**") in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

* *for identification purpose only*

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Special Deals, details of which are set out in the "Letter from the Board" in the Circular. We wish to draw your attention to the letter of advice from Somerley, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Special Deals as set out on pages 50 to 84 of the Circular, and the letter from the Board set out on pages 13 to 47 of the Circular.

Having considered, among others, the terms of the Special Deals, and the advice and recommendation of the Independent Financial Adviser in relation to the Special Deals and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the Special Deals are in the interests of the Company and the Shareholders as a whole, and their respective terms are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Special Deals.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Jiwa Bio-Pharm Holdings Limited

Mr. Chiu Wai Piu **Mr. Choy Ping Sheung** **Mr. Fung Tze Wa**
Independent Non-executive Directors

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY LIMITED
20th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

26 July 2013

To: the Independent Board Committee and the Independent Shareholders of Jiwa Bio-Pharm Holdings Limited

Dear Sirs,

(1) SPECIAL DEAL, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ASSETS BY JIWA BIO-PHARM HOLDINGS LIMITED (2) SPECIAL DEAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A PROPERTY BY JIWA BIO-PHARM HOLDINGS LIMITED (3) SPECIAL DEAL IN RELATION TO THE POTENTIAL DISPOSAL OF A PROPERTY BY JIWA BIO-PHARM HOLDINGS LIMITED PURSUANT TO AN OPTION (4) SPECIAL DEAL AND CONTINUING CONNECTED TRANSACTION OF JIWA BIO-PHARM HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Special Deals, details of which are set out in the letter from the Board contained in this circular (the "**Circular**") of the Company to the Shareholders dated 26 July 2013, of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the issued share capital of the Company, at the Share Purchase Price. Completion of the Share Purchase Agreement is conditional upon, among other things, the Independent Shareholders having approved by way of poll the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed and the Management Agreement and the respective transactions contemplated thereunder, and the Disposal Agreement and the Property Disposal Agreement having become unconditional in accordance with the terms thereof (save for the condition in relation to the completion of the Share Purchase Agreement). Details of the conditions precedent to the completion of the Share Purchase Agreement are set out in the letter from the Board. Immediately after completion of the Share Purchase Agreement, the Offeror and parties acting in concert with it will own a total of 1,173,102,000 Shares, representing approximately 71.53% of the existing issued share capital of the Company. Under Rules 26.1 of the Takeovers Code, the Offeror will be required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those Shares already acquired or agreed to be acquired by the Offeror and parties acting in concert with it).

Also on 12 March 2013, the Group entered into the following agreements including:

1. the Disposal Agreement pursuant to which JW Purchaser conditionally agreed to acquire and Jiwa Development conditionally agreed to dispose of the Disposal Shares, comprising the entire issued share capital of Jiwa Pharm (including the indirect 49% equity interest in the Kunming Jida Group), at the Disposal Consideration of HK$512,000,000;

2. the Property Disposal Agreement, pursuant to which Jiwa International agreed to sell and Sunny Enterprise agreed to acquire the Property at a consideration of HK$22,000,000;

3. the Property Option Deed, pursuant to which Sunny Enterprise as grantor grants an option to the Grantee, at its sole discretion, to request Sunny Enterprise to purchase from Tech-Medi Development Limited as the Grantee the Option Property; and

4. the Management Agreement, pursuant to which, subject to and from the date the Management Agreement becoming unconditional and effective, the Company agrees to engage Sunny Enterprise as management service provider to provide certain management services to the Managed Companies for a period of two years.

As the applicable percentage ratios of the Disposal exceed 75%, the entering into of the Disposal Agreement constitutes a very substantial disposal transaction of the Company and therefore is subject to announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Each of JW Purchaser and Sunny Enterprise is wholly-owned by the Lau's Family, the members of which are the executive Directors and together are beneficially interested in and control an aggregate of 1,173,102,000 Shares, representing approximately 71.53% of the total issued share capital of the Company as at the Latest Practicable Date. Each of JW Purchaser and Sunny Enterprise is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal and the Property Disposal constitute, and the option under the Property Option Deed if exercised may constitute, connected transactions of the Company.

Following completion of the Share Purchase Agreement and the resignation of each of Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming as executive Directors, they will remain as connected persons of the Company for the 12-month period following their resignation being then ex-Directors pursuant to Chapter 14A of the Listing Rules. Accordingly, the Management Agreement constitutes a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules during such period.

Given that each of JW Purchaser and Sunny Enterprise is wholly-owned by the Lau's Family and that the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed and the Management Agreement are not extended to all Shareholders, for the purpose of the Offer, each of these agreements constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Vendors and/or their respective associates within the meaning of the Listing Rules; the Offeror and/or its associates, if the Offeror and/or its associates shall have any shareholding interest in the Company and their respective concert parties; and Shareholders who are interested or involved in the Special Deals are required to abstain from voting in respect of the resolutions to approve the Special Deals at the SGM by way of poll. Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming have abstained from voting on the Board resolutions approving the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed, the Management Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa, has been formed to advise the Independent Shareholders on whether terms of the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated with the Company and the Offeror or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Special Deals. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror or their respective substantial shareholders or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, the Disposal Agreement, the Property Disposal Agreement, the Property Option Deed, the Management Agreement, annual reports of Company for each of the financial years ended 31 March 2012 and 31 March 2013 (the "**2013 Annual Report**") (collectively, the "**Financial Reports**"), the reviewed financial information of the Disposal Group and the letters from the reporting accountants and the financial adviser of the Company on the reviewed financial information of the Disposal Group as set out in Appendix II of the Circular, the independent property valuation report on the Property as set out in Appendix IV to the Circular, the independent property valuation report on the Option Property as set out in Appendix V to the Circular and the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by Company and have assumed that the information and facts provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. Independent Shareholders will be notified of material changes to such information provided and our opinion, if any, as soon as possible after the Latest Practicable Date and throughout the offer period (as defined under the Takeovers Code). We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and that the opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group in its existing state, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Special Deals, we have taken into account the following principal factors and reasons:

A. THE DISPOSAL AND THE SPECIAL DIVIDEND

1. The Group

The Company is a limited liability company incorporated in Bermuda on 19 June 2002. The Shares have been listed on the Main Board of the Stock Exchange since 14 October 2003. The Group is principally engaged in (i) trading of pharmaceutical products and healthcare products; (ii) investment holding and treasury function; and (iii) research and development of chemical and biological products.

Set out below are the highlights of the financial results of the Group for the three years ended 31 March 2013, details of which are set out in the Financial Reports:

	For the year ended 31 March		
	2013	**2012**	**2011**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	35,648	203,787	175,309
Share of results of associates	35,352	40,737	(94)
Profit for the year attributable to			
— owners of the Company	41,754	70,620	255,663
— non-controlling interests	—	(2)	19,205

Following the deemed disposal of majority stake in Kunming Jida in early 2011, the trading of pharmaceutical and health care products business became the core revenue driver of the Group.

The operations of the Group expanded in the year ended 31 March 2012 ("**FY2012**"). The consolidated turnover of the Group increased by approximately 16.3% from approximately HK$175.3 million for the financial year ended 31 March 2011 ("**FY2011**") to approximately HK$203.8 million for FY2012, due to increase in revenue from trading of pharmaceutical and health care products. Profit attributable to the owners of the Company for FY2012 was approximately HK$70.6 million, compared with approximately HK$255.7 million for FY2011 of which approximately HK$193.9 million was deemed as one-off net gain from the disposal of majority stake in Kunming Jida Group. If such one-off item was excluded, profit attributable to the owners of the Company for FY2012 improved by approximately 14.2% when compared with that for FY2011.

As stated in 2012 annual report of the Company, trading product sales of the Company comprised mainly import prescription drug sold indirectly to Kunming Jida Group. Since Kunming Jida had established its own trading division in late 2011 for direct procurement of drug from suppliers in Europe, the pharmaceutical trading business of the Group has been significantly downsized in the year ended 31 March 2013 ("**FY2013**"). As a result, the operation of the Group trimmed down during FY2013. During FY2013, the Group recorded a consolidated turnover of approximately HK$35.6 million, which represented a decrease of approximately 82.5% as compared with the turnover of approximately HK$203.8 million for FY2012. Profit attributable to the owners of the Company also decreased by approximately 40.8% to approximately HK$41.8 million in FY2013.

As at the Latest Practicable Date, Jiwa Pharm is an indirect wholly-owned subsidiary of the Company and directly holds 49% equity interest of Kunming Jida. Kunming Jida has been a 49% associate of the Group since 30 March 2011, the financial results thereof has been equity-accounted for in the consolidated financial statements of the Group. Based on the 2013 Annual Report, the Group had recognised a share of profits of associates (i.e. mainly the Kunming Jida Group) of approximately HK$40.7 million and HK$35.4 million in the consolidated income statements of the Group for FY2012 and FY2013 respectively.

Set out below is the summary of the consolidated assets and liabilities of the Group as at 31 March 2012 and 2013 respectively, details of which are set out in the Financial Reports:

	As at 31 March	
	2013	**2012**
	(audited)	(audited)
	HK$'000	*HK$'000*
ASSETS		
Investment property	55,000	29,000
Interests in associates	443,816	408,464
Other non-current assets	373	46,972
Total current assets	373,260	448,517
Total assets	872,449	932,953
LIABILITIES AND EQUITY		
Total non-current liabilities	1,602	1,192
Derivative financial liabilities	64,523	53,704
Other current liabilities	190,387	273,474
Total liabilities	256,512	328,370
Equity attributable to		
— owners of the Company	615,943	604,589
— non-controlling interests	(6)	(6)
Total equity	615,937	604,583

The Group has maintained a relatively stable financial position in general as at 31 March 2012 and 2013. The slight decrease by around 6.5% in total assets in 2013 was mainly attributable to, among other things, the decrease in balance of treasury products at fair value through profit or loss. The equity attributable to the owners of the Company stood at approximately HK$615.9 million as at 31 March 2013, representing an enhancement of around 1.9% as compared with the equity attributable to the owners of the Company as at 31 March 2012 of approximately HK$604.6 million. Based on the total number of issued Shares of 1,640,000,000 as at the Latest Practicable Date, the audited net asset value attributable to the owners of the Company as at 31 March 2013 was about HK$0.38 per Share.

As at the Latest Practicable Date, Jiwa Pharm is an indirect wholly-owned subsidiary of the Company and directly holds 49% equity interest of Kunming Jida. Kunming Jida has been a 49% associate of the Group since 30 March 2011, the financial results and position thereof has been equity-accounted for in the consolidated financial statements of the Group. Based on the 2013 Annual Report, the relevant interests in relation to the Kunming Jida Group as stated in the consolidated statements of financial position of the Group as at 31 March 2012 and 2013 amounted to approximately HK$408.5 million and HK$443.8 million respectively.

Following the Disposal Completion, Jiwa Pharm and the Kunming Jida Group will respectively cease to be a subsidiary and associates of the Company. As a result, (i) the financial results of Jiwa Pharm will no longer be consolidated into the consolidated financial statements of the Group; and (ii) the operating performance and financial position of Kunming Jida Group will no longer be equity-accounted for in the consolidated financial statements of the Group. Since (i) the business conducted by Kunming Jida Group has been the non-core business and represented only an investment to the Group since 2011; and (ii) it was stated in the letter from the Board that the Offeror intends to continue the existing businesses of the Remaining Group and has no intention to dispose of or downsize the Remaining Group's existing businesses nor dispose of or inject any of its businesses to the Company immediately after completion of the Offer, the core businesses of the Remaining Group, which are (i) the trading of imported pharmaceutical products in the PRC; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) the R&D 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), and the prospects of the Remaining Group's core businesses are not expected to have material change as a result of the Disposal Completion.

2. Jiwa Pharm and Kunming Jida Group

Jiwa Pharm is principally an investment holding company holding 49% of Kunming Jida as at the Latest Practicable Date. Kunming Jida was owned as to 70% by Jiwa Pharm prior to the completion of the deemed disposal on 30 March 2011. Pursuant to such deemed disposal, Kunming Jida had, among others, placed and issued 30% of its equity to strategic investors. Kunming Jida is currently a 49% owned associate of Jiwa Pharm. As stated in the letter from the Board, Jiwa Pharm does not hold interests in any other companies or hold other assets save for the interest in the Kunming Jida Group.

Kunming Jida is a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability, and has both registered and paid up capital of RMB330.0 million (equivalent to approximately HK$412.5 million). The Disposal Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC. As at the Latest Practicable Date, Kunming Jida is beneficially owned as to (i) 49% by Jiwa Pharm; (ii) 21% by Yunnan Pharm; (iii) 2% by 昆明積眾企業管理股份有限公司(Kunming Jizhong Management Co., Ltd.*); (iv) 20% by Green Grove Investment Ltd.; and (v) 8% by other Independent Third Parties.

* *for identification purpose only*

Set out below are the highlights of the financial results of the Disposal Group for the three years ended 31 March 2013, details of which are set out in Appendix II to the Circular:

	For the year ended 31 March		
	2013	**2012**	**2011**
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	—	—	—
Share of results of associates	45,837	50,689	—
Gain on derecognition of profit guarantee	—	3,289	—
Fair value gain/(loss) on put option	(10,356)	24,252	—
Profit/(loss) before tax	35,592	81,062	(1,119)
Profit for the year from discontinued operations	—	—	206,064
Profit after tax	34,207	84,012	204,945

Following the issue of new equity of Kunming Jida to certain strategic investors in early 2011 (the "**Capital Injection**"), Jiwa Pharm's attributable interests in Kunming Jida decreased from 70% to 49%, and therefore Kunming Jida became an associate of Jiwa Pharm. As a result, the operating results of Kunming Jida had been restated as profit from discontinued operations for FY2011. The Disposal Group recognised a share of results of Kunming Jida Group of approximately HK$50.7 million and approximately HK$45.8 million in the consolidated income statements of the Disposal Group for the years ended 31 March 2012 and 31 March 2013 respectively.

In connection with the Capital Injection, the Disposal Group provided profit guarantee to the Subscribers in relation to the audited net profit after tax of Kunming Jida for each of its two financial years ended 31 December 2011. Further details regarding such profit guarantee were set out in the 2011 Circular. During the year ended 31 March 2012, the profit guarantee period expired and the Disposal Group derecognised the financial liabilities in relation to the profit guarantee and recognised the corresponding balance in the "gain on derecognition of profit guarantee".

Also in conjunction with the Capital Injection, the Company, Jiwa Pharm and the Subscribers entered into the Shareholders' Agreements, pursuant to which the Company has agreed with the Subscribers that if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the date of completion of the Capital Injection, the Subscribers may, within six months from the expiry of such 48 months, request the Company to repurchase their equity interest in Kunming Jida at a purchase price equals to the amount of such Subscribers' capital injection pursuant to the Capital Injection (subject to certain adjustment), plus a compound interest at an annual rate of 10% thereon. The Company has the absolute discretion to satisfy the Repurchase Obligation, either by cash payment or allotment and issue of new Shares to the Subscribers (where the Directors consider appropriate), or a combination of both as the Directors think fit at the relevant time. The Repurchase Obligation has been revalued by an independent valuer at every financial year end and the fair value gain/loss in such regard has been recorded as "fair value gain/loss on put option" in the accounts of the Disposal Group.

As at 31 March 2013, the Disposal Group recorded a fair value loss of approximately HK$10.4 million, as compared to the fair value gain of approximately HK$24.3 million as at 31 March 2012. Due to the gain on derecognition of profit guarantee and the fair value gain relating to the Repurchase Obligation, the Disposal Group recorded profit before and after tax of approximately HK$81.1 million and HK$84.0 million respectively for the financial year ended 31 March 2012. However, following the expiry of the profit guarantee period and because of the fair value loss on the Repurchase Obligation, profit before and after tax of the Disposal Group decreased to approximately HK$35.6 million and HK$34.2 million respectively for the financial year ended 31 March 2013.

Set out below is the summary of the consolidated assets and liabilities of the Disposal Group as at 31 March 2011, 2012 and 2013 respectively, details of which are set out in Appendix II to the Circular:

	As at 31 March		
	2013	**2012**	**2011**
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Total non-current assets —			
Interests in associates	454,301	408,464	391,047
Total current assets	85,901	103,987	67,228
Total assets	540,202	512,451	458,275
LIABILITIES AND EQUITY			
Total non-current liabilities	1,385	975	—
Total current liabilities	146,597	141,151	126,462
Total liabilities	147,982	142,126	126,462
Total equity	392,220	370,325	331,813

Jiwa Pharm's interest in Kunming Jida Group, which represented the entire non-current assets of the Disposal Group, increased from approximately HK$391.0 million as at 31 March 2011 to HK$408.5 million as at 31 March 2012, and further increased to approximately HK$454.3 million as at 31 March 2013 due to the share of profit of associated company less the dividend received. The total liabilities of the Disposal Group increased by approximately 4.2% to approximately HK$148.0 million as at 31 March 2013 mainly due to the fair value loss of the Repurchase Obligation. The consolidated net asset value of the Disposal Group stood at approximately HK$392.2 million as at 31 March 2013, representing an enhancement of around 5.9% as compared with that as at 31 March 2012 of approximately HK$370.3 million.

We also note that the Disposal Consideration of HK$512,000,000 represents a premium of approximately HK$119.8 million (equivalent to approximately 30.5%) over the consolidated net asset value of the Disposal Group as at 31 March 2013.

3. Background to and reasons for the Disposal and the Special Dividend

On 12 March 2013, the Offeror as purchaser and the Vendors entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the issued share capital of the Company. As also disclosed in the letter from the Board, at the request of the Offeror, the Vendors proposed the Disposal to the Company in order to divest its non-core business (being the business of manufacturing and sale of pharmaceutical products in the PRC of the Disposal Group), and to focus its capital and management resources on its core business being (i) trading of imported pharmaceutical products in the PRC; (ii) distribution and sale of healthcare products in local Hong Kong market; (iii) R&D 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)(collectively, the "**Company's Core Business**").

In light of the Disposal, the Company also advised us that as described in details under the section headed "Reasons for and benefits of the Disposal" in the letter from the Board, all Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family. The Company is also of the view that the Disposal is fair and reasonable given that, among other things, (i) based on the advice to the Company by the relevant professional parties after communication with the China Securities Regulatory Commission, if the controlling shareholder of Kunming Jida (i.e. currently being the Company) is a listed company in another overseas stock exchange, there will be significant regulatory hurdle for the Listing Application on the grounds that the relevant regulatory authority does not expect the same operating entity supporting two listing status (being the Company's existing listing status in Hong Kong and the proposed listing of the Kunming Jida Group on the Shenzhen Stock Exchange), whether in the PRC or overseas, hence causing the success of the Listing Application to be highly uncertain; (ii) if the Company were to dispose its shareholding to other investors rather than the Lau's Family (who currently controlled Kunming Jida indirectly through the Company), a change in control of Kunming Jida would be resulted which, based on the advice available to the Company from the advisers advising the proposed listing of Kunming Jida, will likely to hinder the listing application of Kunming Jida; and (iii) the Company also considers that it would not make commercial sense for an independent investor to take up the interest in Kunming Jida and bear the Repurchase Obligation at the same time given that Kunming Jida can only proceed with its listing exercise at least three years after any changes in control of Kunming Jida, and to accept the uncertainties involved with respect to the Listing Application and the future operations of the Kunming Jida Group.

In addition, on 23 May 2013, the Board resolved to conditionally propose and recommend the Special Dividend of HK$0.375 per Share to the Qualifying Shareholders as contemplated under the Closing Conditions under the Share Purchase Agreement subject to (i) the Disposal Completion; (ii) the completion of the Property Disposal; and (iii) the approval by the Shareholders of the Special Dividend at the SGM by way of poll. The Company intends to use the net proceeds from the Disposal for the payment of the Special Dividend to the Shareholders. As such, the Disposal may provide an opportunity to the Shareholders to realise part of their investments in the Company by receiving the Special Dividend. Moreover, the Disposal is one of the conditions leading to not only the Special Dividend but also the Offer, and assuming the successful operation of the Disposal together with the Offer that follows, Shareholders will be provided with the choice to elect for a cash exit of HK$0.2378 per Share under the Offer. As stated in the letter from the Board, the Special Dividend, if become unconditional, will be distributed based on the shareholding information on the Dividend Record Date, which shall fall on a date before the completion of the Share Purchase Agreement. **Any Shareholder who is registered as a member of the Company on the Dividend Record Date will be entitled to the Special Dividend whether they accept the Offer or not.**

However, if the Disposal is not approved by the Independent Shareholders, the Share Purchase Agreement will not complete, and Jiwa Pharm and the Kunming Jida Group will remain as a subsidiary and an associate of the Company respectively. As mentioned earlier in the section headed "Jiwa Pharm and Kunming Jida Group" above, pursuant to the Shareholders' Agreements, if Kunming Jida does not obtain a listing on a stock exchange within 48 months from the date of completion of the Capital Injection, the Subscribers may, within six months from the expiry of such 48 months, request the Company to repurchase their equity interest in Kunming Jida at a purchase price equals to the amount of such Subscribers' capital injection pursuant to the Capital Injection (subject to certain adjustment), plus a compound interest at an annual rate of 10% thereon. As discussed in the letter from the Board, during the course of preparation for the Listing Application on the Shenzhen

Stock Exchange, the Company has been advised by the relevant professional parties after communication with the China Securities Regulatory Commission that if the controlling shareholder of Kunming Jida (i.e. currently being the Company) is a listed company in another overseas stock exchange, there will be significant regulatory hurdle for the Listing Application on the grounds that the relevant regulatory authority does not expect the same operating entity supporting two listing status (being the Company's existing listing status in Hong Kong and the proposed listing of the Kunming Jida Group on the Shenzhen Stock Exchange), whether in the PRC or overseas, hence causing the success of the Listing Application to be highly uncertain. As provided by the Company, if the Listing Application is not successful, the Repurchase Obligation would be triggered and according to the terms of the Shareholders' Agreements, the Company would have to repurchase the Subscribers' equity interest in Kunming Jida at a consideration amounting to, as disclosed in the 2011 Circular, the then maximum monetary value of approximately RMB403.4 million (equivalent to approximately HK$504.3 million) by 2015 by way of cash or the issue of new Shares to the Subscriber (at (i) the weighted average closing price per Shares during the trading days in last three calendar months immediate prior to the triggering of the Repurchase Obligation; or (ii) HK$0.65, whichever is higher), or a combination of both. It is expected that if the Repurchase Obligation is to be satisfied in cash, the Company would be subject to enormous pressure on its working capital given the Group's cash and cash equivalents only amounted to approximately HK$94.1 million as at 31 March 2013, and/or there could be a potential dilution effect to the shareholdings of the existing Shareholders as a result of the issue of new Shares for satisfying the Repurchase Obligation. Also, if the Disposal is not approved by the Independent Shareholders and accordingly, the Special Dividend will not be paid and the Offer will not proceed.

Having considered that, in particular, (i) the uncertainty on the success of the Listing Application if, among other things, the Disposal does not proceed and the Kunming Jida Group remains as an associate of the Group, which may eventually trigger the Repurchase Obligation and accordingly, the possible adverse impacts on the Group's working capital and/or potential dilution effect on the shareholdings of the Shareholders as discussed above; and (ii) if the Disposal is not approved by the Independent Shareholders and accordingly, the Special Dividend will not be paid, we consider it reasonable for the Company to enter into the Disposal Agreement and concur with the view of the Directors that the Disposal represents an opportunity to the Shareholders to realise part of their investments in the Company. Furthermore, since (i) the Vendors proposed the Disposal to the Company at the request of the Offeror who was not interested in the Company's investment in Kunming Jida; and (ii) all the Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family, JW Purchaser (or any other party(ies) that is associated with the Lau's Family) seems to be the most appropriate counter party for the Company to dispose of the Disposal Shares.

4. Key terms of the Disposal Agreement

a. Conditions precedent

Disposal Completion is conditional upon, among other things, the Share Purchase Agreement having become unconditional (save for the condition in respect of the Disposal Completion). Details of the conditions precedent to the Disposal Completion are set out in the section headed "The Disposal Agreement" in the letter from the Board.

We note that it is one of the conditions precedent to the Disposal Agreement that the Company, JW Purchaser and other shareholders of Kunming Jida executed the Release of Repurchase Obligation, pursuant to which and subject to the Disposal Completion, the Company's obligation under the Shareholders' Agreements (including the Repurchase Obligation) will be novated to JW Purchaser. As disclosed in the 2011 Circular, the then maximum monetary value under the Repurchase Obligation estimated by the Directors would be approximately RMB403.4 million (equivalent to approximately HK$504.3 million). Based on the 2013 Annual Report, the Repurchase Obligation has been recorded and classified as derivative financial liabilities in the audited consolidated statement of financial position of the Group, the fair value of which amounted to approximately HK$64,060,000 as at 31 March 2013. In addition, as a condition precedent to the Disposal Agreement, the obligation of the Company under the TTA Guarantee shall be released and discharged. The Company, JW Purchaser and Jida Biotech executed the Release of TTA Guarantee pursuant to which and subject to, among others, the Disposal Completion, the Company shall be released from all and any obligations under the TTA Guarantee, which will be assumed by JW Purchaser. Following the execution of the Release of TTA Guarantee, in case of Jida Biotech's failure of obtaining the requisite registration certificates of the relevant pharmaceutical products as well as the certification of "Good Manufacturing Practice" by the relevant PRC government authority by 31 December 2016, Jida Biotech may request JW Purchaser to repurchase the product technology and repay the full consideration that had already been paid by Jida Biotech. As provided by the Company, as at the Latest Practicable Date, approximately RMB40.0 million out of the total consideration of RMB111.0 million, being the phase 1 payment under the Technology Transfer Agreement, has been paid by Jida Biotech to Base Affirm.

In view of the above, as part and parcel of the Disposal Agreement, JW Purchaser will assume these additional potential liabilities up to a maximum monetary amount of approximately RMB514.4 million in total, being the sum of the monetary value under the Repurchase Obligation of approximately RMB403.4 million and the maximum obligation under the TTA Guarantee of approximately RMB111.0 million. We also understand that Mr. Lau Kin Tung ("**Mr. Lau**", as a guarantor) has entered into a deed of personal guarantee dated 12 March 2013 (the "**Guarantee Deed**") pursuant to which, Mr. Lau irrevocably, unconditionally and absolutely guarantees in favour of the Company, among other things, punctual performance by JW Purchaser of all JW Purchaser's obligations and liabilities under the Disposal Agreement, the Release of Repurchase Obligation and the Release of TTA Guarantee.

b. Disposal Consideration

The Disposal Consideration is HK$512,000,000. In respect of the total Disposal Consideration, HK$480,000,000 shall be settled as follows:

(i) HK$40,090,000 shall be payable upon Disposal Completion; and

(ii) the remaining balance of HK$439,910,000 (plus interest thereon at the rate of 5% per annum commencing from the date of Disposal Completion until the date this second installment is fully paid) shall be payable on or before the 20th Business Days after the Disposal Completion Date.

The balance of HK$32,000,000 in respect of the total Disposal Consideration shall be subject to the hold-back arrangement. Such Hold-back Amount is the estimated tax amount payable by Jiwa Development (subject to final assessment by the relevant tax authority in the PRC) in connection with the Disposal and statutory filings required by Circular 698.

Pursuant to terms of the Disposal Agreement, JW Purchaser and Jiwa Development agreed that JW Purchaser shall pay for and on behalf of Jiwa Development from the Hold-back Amount any tax finally assessed against Jiwa Development by the relevant tax authority in the PRC in connection with the Disposal and statutory filings required by Circular 698. In the event that the tax finally assessed against Jiwa Development by the relevant tax authority in the PRC is less than HK$32,000,000, JW Purchaser shall pay the difference between HK$32,000,000 and the tax amount to Jiwa Development. If the relevant tax authority does not determine the tax amount on or before the second anniversary of the Disposal Completion Date, JW Purchaser shall release the Hold-back Amount to Jiwa Development. In the event that the tax amount is more than HK$32,000,000, JW Purchaser undertakes to Jiwa Development that it shall assume and pay for and on behalf of Jiwa Development the excess tax amount to the relevant tax authority in PRC. The Disposal Agreement does not provide a mechanism whereby JW Purchaser will be reimbursed by Jiwa Development as a result thereof. Such arrangement is, therefore, considered favourable to the Company.

According to the terms of the Disposal Agreement, the second installment of the Dispsoal Consideration of HK$439,910,000 shall only be payable on or before the 20th Business Days after the Disposal Completion Date, and an interest rate of 5% per annum will be charged by the Company commencing from the date of Disposal Completion until the date this second installment is fully paid. In order to assess the fairness and reasonableness of the interest rate of 5% per annum payable by JW Purchaser, we have reviewed the Company's existing average effective borrowing rate and we noted that the interest rate of 5% per annum payable by JW Purchaser is considerably higher than the average effective interest rate of the Group's bank borrowings as at 31 March 2013 of around 1.526% per annum. In addition, as disclosed in the letter from the Board, it is intended that the amount of possible Special Dividend payable to the Vendors of approximately HK$439.9 million (calculated on the basis of 1,173,102,000 Shares held by the Vendors and the Special Dividend of HK$0.375 per Share) shall be set-off against the Disposal Consideration payable by JW Purchaser. We also understand that the Disposal Shares shall be subject to the Share Charge and shall be released, subject to receipt of the full payment of the second installment of the Disposal Consideration, to JW Purchaser by executing a deed of release in such terms as agreed between JW Purchaser and Jiwa Development immediately after the second installment has been paid by JW Purchaser to Jiwa Development. On the above basis, we consider the arrangement regarding the settlement of the Disposal Consideration fair and reasonable.

The Disposal Consideration of HK$512,000,000 represents a premium of approximately HK$119.8 million (equivalent to approximately 30.5%) over the consolidated net asset value of the Disposal Group as at 31 March 2013.

c. Peer comparison

As mentioned above, Jiwa Pharm is an investment holding company and its principally asset is its 49% interest in Kunming Jida Group which is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC. In such circumstances, we have identified the following 4 companies listed (the "**Comparable Companies**") on the Stock Exchange which are (i) principally engaged in business that is similar to Kunming Jida Group being the manufacturing and sale of chemical pharmaceutical products in the PRC; (ii) are profit-making for the latest reported full financial year; and (iii) have a market capitalisation within a range of not more than HK$1,030 million, being the range of 0% to 200% of the theoretical market capitalisation of the Disposal Group based on the Disposal Consideration and we consider the Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above. We note that Jiwa Pharm is not listed on any stock exchange while the Comparable Companies are listed companies. However, since the operational data of private companies are not available in the public domain, we consider using the Comparable Companies engaged in the same business in the same geographical area as that of the Disposal Group and selected based on the above criteria and, accordingly their price earnings ratios for comparison purposes, could still provide a meaningful reference for the information of Shareholders in addition to our other analysis for assessing the fairness of the consideration for the Disposal Shares.

The table below set out the price earnings ratio (the "**P/E Ratio**") of each of the Comparable Companies and the Disposal Group.

Company name	**Closing price**	**Market capital-isation**	**Latest earnings**	**P/E Ratio**
	(Note 1)	*(Note 1)*	*(Note 1)*	*(Note 2)*
	HK$	*HK$ million*	*HK$ million*	*times*
Lansen Pharmaceutical Holdings Ltd. (Stock code: 503)	2.38	987.7	109.2	9.0
Shenzhen Neptunus Interlong Bio-Technique Co. Ltd. (Stock code: 8329)	0.47	788.7	30.4	26.0
Jilin Province Huinan Changlong Bio-pharmacy Co. Ltd. (Stock code: 8049)	1.20	672.3	73.4	9.2
Essex Bio-Technology Ltd. (Stock code: 1061)	1.02	567.9	39.0	14.6
			Max	26.0
			Min	9.0
			Average	14.7
Disposal Group		**512.0**	**34.2**	**15.0**
		(Note 3)		*(Note 4)*

Notes:

1. The closing share price and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on their respective closing share price and number of issued shares as at the Latest Practicable Date. The latest published audited consolidated profits attributable to equity holders are extracted from the respective latest annual reports of the Comparable Companies.

2. The P/E Ratios of the Comparable Companies are calculated based their market capitalisation as at the Latest Practicable Date and their latest published audited consolidated profits attributable to equity holders.

3. Being the Disposal Consideration of HK$512,000,000.

4. The P/E Ratio of the Disposal Group is calculated based the theoretical market capitalisation of the Disposal Group and the unaudited consolidated profits attributable to owners of Jiwa Pharm for the year ended 31 March 2013.

As shown in the above table, the P/E Ratios of the Comparable Companies ranged from approximately 9.0 times to 26.0 times, with an average of approximately 14.7 times. We note that the P/E Ratio of approximately 15.0 times of the Disposal Group based on the Disposal Consideration is within the range of the Comparable Companies, and is also higher than the average of the P/E Ratios of around 14.7 times of the Comparable Companies despite that the Disposal Group is unlisted and Jiwa Pharm, being the largest shareholder of Kumming Jida, owns only a non-controlling stake of 49% in the Kunming Jida Group where Jiwa Pharm has no absolute control on the Kumming Jida Group.

Having considered all the factors discussed above in the section "The Disposal and the Special Dividend", in particular, that:

(i) it is reasonable for the Company to enter into the Disposal Agreement given (a) the uncertainty on the success of the Listing Application if, among other things, the Disposal does not proceed and the Kunming Jida Group remains an associate of the Group, which may trigger the Repurchase Obligation and accordingly, the possible adverse impacts on the Group's working capital and/or potential dilution effect on the shareholdings of the Shareholders as a result of the settlement by the Group of the Repurchase Obligation; (b) that if the Disposal is not approved by the Independent Shareholders and accordingly, the Special Dividend will not be paid; (c) that the Disposal was proposed at the request of the Offeror in order to divest the Company's non-core business, and to focus its capital and management resources on the Company's Core Business; and (d) that all Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family;

(ii) the Disposal Consideration of HK$512,000,000 represents a premium of approximately HK$119.8 million (equivalent to approximately 30.5%) over the consolidated net asset value of the Disposal Group as at 31 March 2013; and

(iii) as discussed in the sub-section headed "Conditions precedent" above, as part and parcel of the Disposal Agreement, JW Purchaser will assume, and the Remaining Group will be released of, the additional potential liabilities up to a maximum monetary amount of approximately RMB514.4 million in total, being the sum of the monetary value under the Repurchase Obligation of approximately RMB403.4 million and the maximum obligation under the TTA Guarantee of approximately RMB111.0 million,

we consider the terms of the Disposal Agreement (including the Disposal Consideration) fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Financial effect of the Disposal and the Special Dividend

a. Earnings

Following the Disposal Completion, Jiwa Pharm and the Kunming Jida Group will respectively cease to be a subsidiary and associates of the Company. As a result, the results of Jiwa Pharm will not be consolidated into, whilst the share of the results of the Kunming Jida Group will not be accounted for under equity method in, the consolidated accounts of the Group following the Disposal Completion.

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to the Circular which is prepared on the assumption as if the Disposal had been completed on 1 April 2012, the Group is expected to recognise a net gain from Disposal of approximately HK$103.5 million, which represents the Disposal Consideration of HK$512.0 million less (i) the carrying value of interests in the Disposal Group of approximately HK$370.3 million as at 1 April 2012; and (ii) the estimated PRC capital gain tax of approximately HK$32.0 million; and (iii) the estimated legal and professional fee and other related transaction expenses of approximately HK$6.2 million. The actual net gain or loss from the Disposal will vary and depend on, among other things, the carrying value of the Group's interest in the Disposal Group as at Disposal Completion Date.

b. Net asset value

As at 31 March 2013, equity attributable to owners of the Company was approximately HK$615.9 million. Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to the Circular which is prepared on the assumption as if the Disposal had been completed and the Special Dividend had been paid as at 31 March 2013, the net assets of the Group would (i) increase by approximately HK$92.0 million as a result of the Disposal Completion; and (ii) decrease by approximately HK$615 million as a result of the payout of the Special Dividend.

c. Working capital

As set out in the letter from the Board, the Disposal Consideration, after deducting HK$32,000,000 in respect of the total Disposal Consideration which is subject to the hold-back arrangement, amounts to HK$480,000,000 and is payable in cash. As at 31 March 2013, the Group had cash and cash equivalents of approximately HK$94.1 million and net working capital (being current assets less current liabilities) of approximately HK$118.4 million. Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to the Circular which is prepared on the assumption as if (i) the Disposal had been completed on 31 March 2013, the cash and cash equivalents of the Group would increase by approximately HK$480.0 million as a result of the receipt of the first and the second installments of the Disposal Consideration in aggregate of HK$480.0 million following the Disposal Completion; and (ii) the Special Dividend has been paid as at 31 March 2013, the cash and cash equivalents of the Group would decrease by approximately HK$615.0 million as a result of the payout of the Special Dividend. According to the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposal and the Property Disposal (both being the conditions precedent to the payout of the Special Dividend) had been completed and the Special Dividend had been paid as at 31 March 2013, the cash and cash equivalents and the working capital of the Group would become approximately HK$56.9 million and HK$59.8 million respectively.

6. Discussion

Having considered the above, we are of the view that the entering into of the Disposal Agreement is in the interest of the Company and its Shareholders as a whole, and the terms of the Disposal Agreement (including the Disposal Consideration) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

B. THE PROPERTY DISPOSAL

1. Background to and reasons for the Property Disposal

On 12 March 2013, Jiwa International and Sunny Enterprise entered into the Property Disposal Agreement, pursuant to which Jiwa International agreed to sell and Sunny Enterprise agreed to acquire the Property at a consideration of HK$22,000,000.

The Property, which is situated at No. 5 on the 29th floor of Tower One of Lippo Centre, No. 89 Queensway, Hong Kong, is a non-residential property which was acquired by the Group in May 2012 at the cost of HK$20,070,000. The Property is an investment property of the Group and is currently leased to a tenant, being an Independent Third Party at a monthly rental of HK$54,000 for a term of tenancy of two years commenced in March 2013. As disclosed in the letter from the Board, at the request of the Offeror, the Vendors proposed the Property Disposal to the Group in order to divest its investment in non-core assets, and to focus its capital and management resources on the Company's Core Business.

As stated in the letter from the Board, it is expected that the net proceeds from the Property Disposal would be approximately HK$22 million. Subject to the Special Dividend becoming unconditional, the Company intends to apply the net proceeds from the Property Disposal to finance the payment of the Special Dividend. We concur with the views of the Directors consider that the entering into of the Property Disposal Agreement may provide the Shareholders an opportunity to realise their investment in the Company in the form of the Special Dividend.

2. Key terms of the Property Disposal Agreement

a. Condition precedent

Completion of the Property Disposal Agreement is conditional upon, among other things, the completion of the Share Purchase Agreement and the Disposal Agreement taking place pursuant to the terms thereunder, and shall take place contemporaneously with the completion of the Share Purchase Agreement and the Disposal Agreement. Details of the conditions precedent to the completion of the Property Disposal are set out in the sub-section namely "Conditions precedent" under the section headed "The Property Disposal Agreement" in the letter from the Board.

Pursuant to the Guarantee Deed, among other things, Mr. Lau irrevocably, unconditionally and absolutely guarantees in favour of the Company, among other things, the punctual performance by Sunny Enterprise of all its obligations and liabilities under the Property Disposal Agreement.

b. Consideration

The consideration for the Property Disposal is HK$22,000,000 which shall be paid by Sunny Enterprise in cash on completion of the Property Disposal.

As discussed above, the market value of the Property was valued at HK$22,000,000 as at 30 April 2013 by Roma Appraisals Limited ("**Roma Appraisals**"). Details of the valuation report on the Property issued by Roma Appraisals are set out in Appendix IV to the Circular. We have reviewed the valuation report on the Property and discussed with Roma Appraisals regarding the methodology of, and bases and assumptions adopted to arrive at the valuation. We note that Roma Appraisals has valued the property by reference to sales evidences as available on the market and where appropriate on the basis of capitalization of the net income provided by the Group, and has allowed outgoings and made provisions for reversionary income potential. Such valuation methodology is, in our opinion, commonly used and a reasonable approach in establishing the market value of the Property.

Given that the consideration for the Property Disposal is equivalent to the market value as appraised by Roma Appraisals, we consider that the consideration is fair and reasonable.

3. Financial effect of the Property Disposal

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to the Circular which is prepared on the assumption as if the Property Disposal had been completed on 2 May 2012 (being the date on which the Property was acquired by the Group from an Independent Third Party), a gain of approximately HK$972,000, being the Property Consideration of approximately HK$22,000,000 less the acquisition cost (including the carrying value of Property and the relevant transaction cost) of the Property as at 2 May 2012 of approximately HK$21,028,000. Any actual gain or loss from the Property Disposal will depend on the fair value of the Property upon completion of the Property Disposal.

Upon completion of the Property Disposal, the Property will cease to be an investment property of the Group. Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to the Circular which is prepared on the assumption as if the Property Disposal had been completed on 31 March 2013, it is expected that there would be no material impacts on the net assets of the Group as the Group's non-current assets would decrease by HK$22,000,000 while the Group's cash and cash equivalents would increase by approximately HK$22,000,000, as a result of the completion of the Property Disposal.

On Such basis, we are of the view that the Property Disposal would not have material adverse effect on the Group's overall financial position and results immediately upon completion of the Property Disposal.

4. Discussion

Having considered the above, we are of the view that the entering into of the Property Disposal Agreement is in the interest of the Company and its Shareholders as a whole, and the terms of the Property Disposal Agreement (including the consideration for the Property Disposal) are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

C. THE PROPERTY OPTION DEED

1. Background to and reasons for the entering into the Property Option Deed

On 12 March 2013, Sunny Enterprise (a wholly-owned subsidiary of JW Purchaser) as the grantor and Tech-Medi Development Limited (a wholly-owned subsidiary of Jiwa Development) as the grantee entered into the Property Option Deed, pursuant to which Sunny Enterprise grants an option to the Grantee, at its sole discretion, to request Sunny Enterprise to purchase from the Grantee the Option Property. The option is exercisable within the 25th and 30th months after the date of completion of the Share Purchase Agreement.

The Option Property is located at No. 6 on the 29th floor of Tower One of Lippo Centre, No. 89 Queensway, Hong Kong. The Option Property is an office premise and has a saleable area of approximately 108.5 square metres. The Option Property is currently leased by the Grantee to the Tenant (a wholly-owned subsidiary of Kunming Jida) at a monthly rental of HK$70,000 for a term of tenancy of two years commencing in February 2012 as the office of the Kunming Jida Group.

As disclosed in the letter from the Board, at the request of the Offeror, the Vendors proposed the Property Option Deed to the Group to avail the Group an option for further divestment its investment in non-core assets at the current market value of the Property of HK$33,000,000 or the then market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is the higher. As further disclosed in the letter from the Board, in the event that the disposal of the Option Property could not maximise the interest of the Shareholders by then, the Grantee can opt not to serve the option notice. We concur with the view of the Directors that, in effect, the entering of the Property Option Deed provides a downside protection to the Group for its investment in the Option Property.

2. Key terms of the Property Option Deed

a. Conditions precedent

Completion of the Property Option Deed is conditional upon, among other things, the completion of the Share Purchase Agreement and the Disposal Agreement taking place pursuant to the respective terms thereunder. Details of the conditions precedent to the completion of the Property Option Deed are set out in the sub-section namely "Conditions precedent" under the section headed "The Property Option Deed" in the letter from the Board. Pursuant to the Guarantee Deed. Mr. Lau irrevocably, unconditionally and absolutely guarantees in favour of Tech-Medi Development Limited, among other things, the punctual performance by Sunny Enterprise of all its obligations and liabilities under the Property Option Deed.

b. Consideration

Pursuant to the Property Option Deed, Sunny Enterprise grants an option at no consideration to the Grantee, at its sole discretion, to request Sunny Enterprise to purchase from the Grantee the Option Property at a purchase price of HK$33,000,000 or the market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is the higher.

As discussed above, the market value of the Option Property was valued at HK$33,000,000 as at 30 April 2013 by Roma Appraisals. Details of the valuation report on the Property issued by Roma Appraisals are set out in Appendix V to the Circular. We have reviewed the valuation report on the Option Property and discussed with the Roma Appraisals regarding the methodology of, and bases and assumptions adopted for the valuations to arrive at the valuation. We note that Roma Appraisals has valued the property by reference to sales evidences as available on the market and where appropriate on the basis of capitalization of the net income provided by the Group, and has allowed outgoings and made provisions for reversionary income potential. Such valuation methodology is, in our opinion, commonly used and a reasonable approach in establishing the market value of the Option Property.

Given that the purchase price of the Option Property Disposal shall be equivalent to the market value HK$33,000,000 as appraised by Roma Appraisals or the market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is the higher, we concur with the view of the Directors that the entering of the Property Option Deed can serve as a downside protection to the Group for its investment in the Option Property, which is in the interest of the Company and the Shareholders as a whole.

3. Financial effect of the Property Option Deed

As disclosed in the sub-section headed "Financial effect of the Property Option Deed" under the section headed "The Property Option Deed" in the letter from the Board, the Property Option Deed will be settled through the delivery of the Option Property, accordingly, the option is not considered as a financial instrument and thus there would be no financial effects on the grant of the Property Option Deed.

4. Discussion

Having considered the above, we are of the view that the entering into of the Property Option Deed is in the interest of the Company and its Shareholders as a whole, and the terms of the Property Option Deed are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

D. THE MANAGEMENT AGREEMENT

1. Background to and reasons for the entering into of the Management Agreement

On 12 March 2013, the Company and Sunny Enterprise entered into the Management Agreement, pursuant to which, subject to the Management Agreement becoming unconditional and effective, the Company agrees to engage Sunny Enterprise as a management service provider to provide certain management services to the Managed Companies for a period of two years.

As disclosed in the letter from the Board, the Offeror considers the support by the Lau's Family in the pharmaceutical industry for operating and managing the Remaining Business would be in the interest of the Company and the Shareholders as a whole and thus invited the Lau's Family, being the current executive Directors, to continue their operation roles and functions for the Service Term to assist the management of the Group. Taking into account the experience of the Lau's Family in managing and operating the Remaining Business, the Directors consider that the entering into of the Management Agreement allows the Group to ensure the management continuity of the Remaining Business during the Service Term.

Completion of the Management Agreement is conditional upon, among other things, the completion of the Share Purchase Agreement and the Disposal Agreement taking placing pursuant to the respective terms thereunder. Details of the conditions precedent to the completion of the Management Agreement are set out in the sub-section namely "Conditions precedent" under the section headed "The Management Agreement" in the letter from the Board.

2. Key terms of the Management Agreement

Details of the management services to be provided by Lau's Family under the Management Agreement are set out in the sub-section namely "Conditions precedent" under the section headed "The Management Agreement" in the letter from the Board. As provided under the Management Agreement, in consideration for providing the management services, the Company agreed to pay a monthly management fee of HK$220,000 to Sunny Enterprise, representing an annual fee of HK$2,640,000 (the "**Annual Management Fee**"). The Management Agreement also provides that Sunny Enterprise shall designate Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau (the

"**Designated Persons**") (or other person(s) agreed by Sunny Enterprise and the Company in writing) to provide the management services. As disclosed in the letter from the Board, the estimated time devoted by the Lau's Family in the Company's business was approximately 15 to 20 business days per month before the Disposal and the estimated time to be devoted by the Lau's Family pursuant to the Management Agreement will be about 10 business days per month. As disclosed in the letter from the Board, the estimated time to be devoted by the Lau's Family on the Managed Companies pursuant to the Management Agreement will reduce because the Lau's Family, through Sunny Enterprise as the management company, will only assist in the management of the trading and distribution, R&D business and the Treasury Products of the Managed Companies and will no longer be responsible for managing all other subsidiaries and associated companies of the Remaining Group nor will they be responsible for overall development of the Remaining Group.

We have reviewed the Financial Reports and we noted that the Designated Persons received total emoluments (including Director's fees, salaries, housing, other allowances and benefits in kind) amounting to approximately HK$4.3 million and HK$4.6 million respectively for each of the two years ended 31 March 2013, with an average of approximately HK$4.5 million per year. On the basis that there are roughly 20 Business Days per month on average, both of the remuneration in 2013 (the "**2013 Remuneration**") and the historical annual remuneration of the Designated Persons for the two years ended 31 March 2013 (the "**Average Historical Annual Remuneration**") calculated on a 10 Business Days per month basis, would be around HK$2.3 million. The Annual Management Fee represents a premium of approximately 14.8% over the 2013 Remuneration and the Average Historical Annual Remuneration.

As provided by the terms of the Management Agreement, we also note that, other than the provision of ordinary management services, Sunny Enterprise has taken up additional obligations under the Management Agreement including:

a. as provided by the terms of the Management Agreement, the management fee payable to Sunny Enterprise is subject to the Managed Companies recording consolidated net profit which is sufficient to pay for the relevant management fee;

b. Sunny Enterprise may need to compensate the Company on a dollar-for-dollar basis in certain specified circumstances where the redeemed amount (net of relevant fees and costs) of the Treasury Products is less than HK$100,600,000 (which is equivalent to the total market value of the Treasury Products as at 31 December 2012). This provision therefore provides extra downside protection to the Remaining Group for its investment in the Treasury Products;

c. Sunny Enterprise is obliged to procure loans from other sources to Jiwa International, or to immediately redeem the Treasury Products and compensate the Company in a similar manner as described in item b above, in the case that Standard Chartered Bank refuses to provide any loan or is only willing to provide loans of less than HK$89,000,000;

d. Sunny Enterprise has guaranteed to the Company that the Managed Companies shall maintain positive net assets value during the Service Term; and

e. Pursuant to the Guarantee Deed, Mr. Lau irrevocably, unconditionally and absolutely guarantees in favour of the Company, among other things, the punctual performance by Sunny Enterprise of all its obligations and liabilities under the Management Agreement.

Despite that the Annual Management Fee represents a premium of approximately 14.8% over the 2013 Remuneration and the Average Historical Annual Remuneration, having considered the above and, in particular, that (i) the support from Lau's Family through the arrangement under the Management Agreement is expected to facilitate a smooth transition of the management of the Remaining Group following the completion of the Share Purchase Agreement which is considered essential to the operational stability of the Group; and (ii) other than the provision of ordinary management services, Sunny Enterprise has taken up additional obligations under the Management Agreement as discussed above which are considered as further downside protections to the Remaining Group, we are of the opinion that the terms of the Management Agreement (including the Annual Management Fee) are fair and reasonable as far as the Company and the Shareholders are concerned.

3. Discussion

Having considered the above, we are of the view that the entering into of the Management Agreement is in the interest of the Company and its Shareholders as a whole, and the terms of the Management Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

CONCLUSIONS AND RECOMMENDATIONS

In summary, in reaching our conclusions and recommendations, we have considered the above principal factors and reasons, in particular:

1. The Disposal

As discussed under the section headed "The Disposal and the Special Dividend" above:

- the Disposal was proposed at the request of the Offeror in order to divest its non-core business, and to focus its capital and management resources on the Company's Core Business, and all Subscribers have indicated that they do not expect the ultimate single largest equity holder of Kunming Jida to be changed to any parties other than the Lau's Family;

- the Disposal Consideration of HK$512,000,000 represents a premium of approximately HK$119.8 million (equivalent to approximately 30.5%) over the consolidated net asset value of the Disposal Group as at 31 March 2013;

- as part and parcel of the Disposal Agreement, JW Purchaser will assume, and the Remaining Group will be released of, the additional potential liabilities up to a maximum monetary amount of approximately RMB514.4 million in total, being the sum of the monetary value under the Repurchase Obligation of approximately RMB403.4 million and the maximum obligation under the TTA Guarantee of approximately RMB111.0 million; and

- if the Disposal is not approved by the Independent Shareholders and accordingly, the Special Dividend will not be paid.

2. The Property Disposal

As discussed in details under the section headed "The Property Disposal" above, among other things:

- the consideration for the Property Disposal is equivalent to the market value as appraised by Roma Appraisals; and
- the Property Disposal is not expected to have material adverse effect on the Group's overall financial position and results immediately upon completion of the Property Disposal.

3. The Property Option Deed

As discussed in details under the section headed "The Property Option Deed" above, among other things:

- the purchase price of the Option Property Disposal shall be equivalent to the market value of HK$33,000,000 as appraised by Roma Appraisals or the market value of the Option Property at the time of valuation to be determined by a property valuer determined by the Grantee within three months prior to the service of an option notice, whichever is the higher; and
- there would be no adverse financial effects on the grant of the Property Option Deed.

4. The Management Agreement

As discussed in details under the section headed "Management Agreement" above, among other things:

- the support from Lau's Family through the arrangement under the Management Agreement is expected to facilitate a smooth transition of the management of the Remaining Group following the completion of the Share Purchase Agreement which is considered essential to the operational stability of the Group; and

- other than the provision of ordinary management services, Sunny Enterprise has taken up additional obligations under the Management Agreement as discussed in details in sub-heading namely "Key terms of the Management Agreement" under the section headed "The Management Agreement" which are considered as further downside protections to the Remaining Group.

Having taken into account the above principal factors and reasons, we consider that the terms of the Special Deals are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the entering into of the Special Deals, while not in the ordinary and usual course of business of the Company because of its "one-off" nature, is nevertheless in the interest of the Company and its Shareholders as a whole. We therefore recommend, and advise the independent Board Committee to recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Special Deals.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED

Kenneth Chow	**Lyan Tam**
Managing Director - Corporate Finance	*Director*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 March 2011, 2012 and 2013 have been set out on pages 28 to 97, 23 to 105 and 28 to 101 of the annual reports of the Group for the three years ended 31 March 2011, 2012 and 2013 approved on 24 June 2011, 24 May 2012 and 11 June 2013, respectively. They can be accessed on the website of the Company (www.jiwa.com.hk) and the website of the Stock Exchange (www.hkexnews.hk). The independent auditors' report for all of the Group's consolidated financial statements for each of the three years ended 31 March 2011, 2012 and 2013 are set out on pages 26 to 27, 21 to 22 and 26 to 27 of the annual reports of the Group for the three years ended 31 March 2011, 2012 and 2013, respectively.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had secured bank borrowings of approximately HK$168.3 million. The secured bank borrowings are secured by certain investment property, bank deposits and treasury products with carrying amounts in aggregate of approximately HK$189.6 million.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into HK$ at the approximate exchange rates prevailing as at the close of business on 31 May 2013.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2013, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

No material change

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2013 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's present internal resources, present available facilities, the net proceeds to be received from the Disposal and the Property Disposal and the payment of the Special Dividend, and in the absence of unforeseen circumstances, the Remaining Group will, following the Disposal Completion, have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited consolidated accounts of the Group were made up, up to and including the Latest Practicable Date.

5. TRADING AND FINANCIAL PROSPECTS OF THE REMAINING GROUP

After the Disposal Completion, the principal business of the Remaining Group will remain as trading of imported pharmaceutical products in the PRC, distribution and sale of healthcare products in local Hong Kong market, R&D of chemical and biological products, and investment holding and treasury function such as, among others, entering into currency forward contracts and making premium deposits. The Remaining Group has business presence in Hong Kong and the PRC (where the products are sold) and Europe (where the suppliers are located). The Remaining Group's revenue is predominantly derived from the PRC. The top ten customers of the Remaining Group are import and export companies located in the PRC. The top ten suppliers of the Remaining Group are manufacturers of pharmaceutical bulk materials mainly located in Italy and Switzerland.

For the trading of pharmaceutical and healthcare products business, the Remaining Group, with reference to marketing research, studies the PRC markets for the selected potential foreign patented drugs and will process the dossier preparation for applying import drug permit in the PRC if feasibility study passed. The Remaining Group mainly solicits European pharmaceutical suppliers for certain patented drugs in specialised medical area such as gastro-intestinal and musculo-skeletal categories. The Remaining Group then solicits the PRC pharmaceutical distributors with the import license of foreign drugs for the distribution to the PRC market. Most of the Remaining Group's pharmaceutical products are sold to two distributors located in Guangdong Province, the PRC, and certain of its products are sold to the end users directly, which were PRC based companies. The Remaining Group also distributes healthcare products to a sales agent and have direct sales to members of Tech Medi club, which is a membership programme operated by Tech-Medi Development Limited and currently has over a thousand of registered members.

The business model of the Remaining Group will be consistent with that operated by the Group since the Group's commencement of the trading business of imported pharmaceutical products since 1989 and during which the Group had established very long term business relationships with the European pharmaceutical suppliers and the PRC pharmaceutical distributors with the proper import license of foreign drugs. Thus, with such extensive experience and knowledge and the supports of the Lau's Family pursuant to the Management Agreement, the Remaining Group will continue to have the expertise and competitive strength in the PRC market for foreign patented drugs and in the dossier preparation for the application of import drug permit in the PRC. The general manager and manager of the trading department of the Group, who will continue to work for the Remaining Group, had over 20 years' experience in the trading operation. They have extensive experience in handling the market demands of the PRC pharmaceutical distributors, organising production schedules of the European pharmaceutical suppliers and the shipping arrangement for the import from Europe to Hong Kong and/or the Macao Special Administrative Region of the PRC and the re-export to the PRC.

The Remaining Group is ardently looking at trading opportunities in different regions and industries, building on its market network in Europe, ASEAN and the PRC, as well as the extensive experience of its management in trading business. The Remaining Group will explore new pharmaceutical product opportunities from European countries to enhance the existing pharmaceutical products profile for sale to existing PRC distributors. It will also extend the trading business by soliciting the European pharmaceutical suppliers for new patented drugs in specialised medical area mainly in gastro-intestinal and musculo-skeletal categories and trading other pharmaceutical related products such as medical instrument and skincare products.

For the R&D business, the Remaining Group industrialises and commercialises chemical and pharmaceutical products. The general manager of the R&D department has over 20 years' experience in the pharmaceutical industry and holds a bachelor of science degree in pharmaceutical studies and master degree in pharmaceutical studies. The project manager of the R&D department also has over 20 years' experience in the pharmaceutical industry and holds a certificate in pharmacology and pharmaceutical management. The management of the Remaining Group is optimistic towards the business and continuously propelling the existing projects as well as putting continuous efforts in identifying R&D projects with potentials. The existing projects include the (i) GSH production technology project for liver disease under the Technology Transfer Agreement, (ii) D-7ACA production technology project, which is about the development of the technology of an intermediate for anti-biotic products and studying of the application of technology to certain downstream anti-biotic products, and (iii) glucosamine product project, which is for the treatment and prevention of Osteoarthrits and is in the process of application to Hong Kong Health Department for relevant license for commercialisation of the drug, The Remaining Group will seek strategic partner for co-operation in new R&D projects. It will seek customers for the industrialisation and commercialisation of the existing successful R&D projects.

For investment and treasury management, the Remaining Group manages the excess short term cash fund to purchase treasury products with relatively higher yield return but limited risk exposure under the Remaining Group's treasury management policy. With the management services provided by Sunny Enterprise pursuant to the Management Agreement, the Remaining Group is with sufficient expertise in operating its principal business.

Over the past year, the management of the Group has ardently explored investment projects and deployed professional teams for analysis of potential return and risks in a number of industries. The Company has consistently upheld the practice of meticulous management as it progressed on the route of business diversification. Looking into the future, the Remaining Group will continuously seek business development and opportunities in the three major areas of trading and distribution, R&D and investment. The Remaining Group will continuously seek and evaluate various strategic investment opportunities. Given the co-existence of risk and opportunity, the Remaining Group will continue to strengthen its corporate governance, excel in risk management efforts, and balance the investment risks of different industries and projects as it strives for optimisation of its industry value and continued enhancement of Shareholder's return.

The Directors will monitor the Remaining Group's working capital requirements from time to time by performing budget planning and periodic performance review, and consider the Remaining Group will have sufficient resources to fund the working capital requirements of its business plan for at least the next twelve months from the date of this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the Remaining Group for the three years ended 31 March 2011, 2012 and 2013.

For the year ended 31 March 2011

Business review

During the year ended 31 March 2011, the Remaining Group has been focusing on the trading of pharmaceutical products and health care products principally relating to gastro-intestinal and musculo-skeletal products, revenue from which amounted to approximately HK$175.3 million, representing an increase of approximately 7.2% when compared with that of approximately HK$163.5 million for the year ended 31 March 2010.

The European pharmaceutical products distributed by the Remaining Group as an agent were mainly reduced glutathione for injection (Gluthion) and diacerein capsules (Artrodar). The increase in the revenue for the year under review as compared to the previous year was mainly due to the growth of the PRC market.

Financial review

For the year ended 31 March 2011, the Remaining Group recorded revenue of approximately HK$175.3 million, representing an increase of approximately 7.2% when compared with that of approximately HK$163.5 million for the year ended 31 March 2010. There would be no adjustment to the gross profit of the Group as a result of the Disposal, therefore, the gross profit of the Remaining Group for the year ended 31 March 2011 amounted to approximately HK$48.2 million, which is the same as the audited gross profit of the Group for the year as disclosed in the Company's annual report for the year ended 31 March 2011, with a gross profit margin of approximately 27.5%. There were no significant change in the gross profit margin during the year.

There would be no adjustment to the profit of the Group as a result of the Disposal, therefore, the profit of the Remaining Group for the year ended 31 March 2011 amounted to approximately HK$19.2 million with a net profit margin of approximately 11.0%, which is the same as the audited profit for the year from continuing operations of the Group as disclosed in the Company's annual report for the year ended 31 March 2011. The profit of the Remaining Group for the year ended 31 March 2011 decreased when compared with that of the year ended 31 March 2010 mainly due to the appreciation of Euro ("EUR") during the period.

There were no other significant fluctuations for the relevant year on the Remaining Group's balance sheet items.

Liquidity, financial resources and capital structure

As at 31 March 2011, the Remaining Group held cash and cash equivalents, which were mainly denominated in HK$ and US$ of approximately HK$9.4 million. Net current assets amounted to approximately HK$235.8 million. Net bank borrowing less free cash and bank balances amounted to approximately HK$49.6 million, representing approximately 18.0% the Remaining Group's total equity. The balances of bank borrowings as at 31 March 2011 which were due for repayment within one year and due for repayment after one year with a repayment on demand clause but within five years amounted to approximately HK$117.0 million and HK$18.5 million respectively, and were denominated in HK$ and US$. The Remaining Group's borrowings are entirely on floating rate basis.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group's exposure to currency risk aroused from its overseas sales and purchases, which are primarily dominated in RMB, EUR, Swiss franc ("CHF") and US$. These were not the functional currencies of the group entities to which these transactions relate. As HK$ is pegged to US$, the Remaining Group did not have any significant exposure to currency risk resulting from transactions conducted in US$. The Remaining Group reviewed its foreign currency exposure regularly and would consider hedging significant foreign currency exposure should the need arise. To mitigate the Remaining Group's exposure to foreign currency risk, cash flows in foreign currencies were monitored and forward foreign exchange contracts and other derivative instruments were entered into in accordance with the Remaining Group's risk management policies. The policies to manage foreign currency risk had been followed by the Remaining Group since prior years and are considered to be effective.

Charge on group assets

As at 31 March 2011, bank loans amounted to approximately HK$20,250,000 (2010: HK$100,316,000) were secured by certain assets of the Remaining Group having a net book value of approximately HK$6,719,000 (2010: HK$128,838,000). In addition, bank loans amounted to HK$77,755,000 (2010: Nil) were secured by the Remaining Group's pledged bank deposits amounted HK$76,455,000 (2010: Nil).

Contingent liabilities

As at 31 March 2011, the Remaining Group has issued corporate guarantees to banks amounting to approximately HK$88,767,000 with respect to bank borrowings of the associates of the Remaining Group. As at 31 March 2011, the outstanding balances of the bank borrowings were HK$94,650,000. The Remaining Group was not liable to any material legal proceedings in relation to the provision for such corporate guarantee.

Material acquisition and disposal

The Remaining Group had (i) disposed of the entire equity interest in Jiangsu Jiwa Rintech Pharmaceutical Company Limited and Yunnan Jiwa Pharm Logistics Company Limited and (ii) diluted its shareholding in Kunming Jida from 70% to 49% during the year ended 31 March 2011.

Employees and remuneration policy

As at 31 March 2011, the Remaining Group's staff consists of approximately 10 employees in Hong Kong and approximately 15 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Remaining Group's salary and bonus system.

Gearing ratio

As at 31 March 2011, the Remaining Group's gearing ratio was approximately 18.0% representing a percentage of net bank borrowing over shareholders' equity, and the net current assets was approximately HK$235,779,000.

For the year ended 31 March 2012

Business review

During the year ended 31 March 2012, the Remaining Group has been focusing on the trading of pharmaceutical products and health care products principally relating to gastro-intestinal and musculo-skeletal products, revenue from which amounted to approximately HK$203.8 million, representing an increase of approximately 16.3% when compared with that of approximately HK$175.3 million for the year ended 31 March 2011.

The European pharmaceutical products distributed by the Remaining Group as an agent were mainly reduced glutathione for injection (Gluthion) and diacerein capsules (Artrodar). The increase in the revenue for the year under review compared to the previous year was mainly due to the growth of the PRC market.

Financial review

For the year ended 31 March 2012, the Remaining Group recorded revenue of approximately HK$203.8 million, representing an increase of approximately 16.3% when compared with that of approximately HK$175.3 million for the year ended 31 March 2011. There would be no adjustment to the gross profit of the Group as a result of the Disposal, therefore, the gross profit of the Remaining Group for the year ended 31 March 2012 amounted to approximately HK$35.3 million, which is the same as the audited gross profit of the Group for the year as disclosed in the Company's annual report for the year ended 31 March 2012, with a gross profit margin of approximately 17.3%, whereas the same were approximately HK$48.2 million and 27.5% respectively for the year ended 31 March 2011. The decrease in the gross profit margin by approximately 10.2% for the year ended 31 March 2012 when compared with that of the year ended 31 March 2011 was mainly due to the appreciation of EUR during the year.

By deducting the profit of the Disposal Group for the year ended 31 March 2012 of approximately HK$84.0 million from the audited profit from continuing operation of the Group for the same year of approximately HK$70.6 million, the Remaining Group would have made a loss of approximately HK$13.4 million, mainly due to impairment of other receivables and one-off written off in the interests in associated companies in the aggregate amount of approximately HK$30.1 million.

During the year ended 31 March 2012, the Remaining Group acquired some unlisted debt securities and recorded at fair value of approximately HK$161.0 million as at 31 March 2012, which represented various debt securities with redemption amount being indexed to (i) the value of equity instruments in the principal amount of US$5,100,000 protected at maturity (being 17 June 2016) and US$2,600,000 protected at maturity (being 30 June 2016) by Standard Chartered Bank London, (ii) the London Interbank Offered Rate in the principal amount of US$5,500,000 protected at maturity (being 15 July 2016) by the Hongkong and Shanghai Banking Corporation Limited, and (iii) exchange rates of a basket of currencies in the principal amount of US$7,500,000 protected at maturity (being 20 July 2016) by Standard Chartered Bank London (the "2012 Treasury Products"). There was approximately HK$0.4 million fair value loss being recognised by the Remaining Group in respect of the 2012 Treasury Products for the year ended 31 March 2012. The Remaining Group expected the 2012 Treasury Products could contribute an overall investment return of 6% to 8% annually in the future.

Save for the unlisted debt securities, there were no other significant fluctuations for the relevant year on the Remaining Group's balance sheet items.

Liquidity, financial resources and capital structure

As at 31 March 2012, the Remaining Group held cash and cash equivalents, which were mainly denominated in HK$, RMB and US$ of approximately HK$58.4 million. Net current assets amounted to approximately HK$158.5 million. Net bank borrowing less free cash and bank balances amounted to approximately HK$100.8 million, representing approximately 43% the Remaining Group's total equity. The balances of bank borrowings as at 31 March 2012 which were due for repayment within one year and due for repayment after one year with a repayment on demand clause but within two years amounted to approximately HK$165.9 million and HK$20.4 million respectively, and were denominated in HK$ and US$. The Remaining Group's borrowings are entirely on floating rate basis.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group's exposure to currency risk aroused from its overseas sales and purchases, which are primarily dominated in RMB, EUR, CHF and US$. These were not the functional currencies of the group entities to which these transactions relate. As HK$ is pegged to US$, the Remaining Group did not have any significant exposure to currency risk resulting from transactions conducted in US$. The Remaining Group reviewed its foreign currency exposure regularly and would consider hedging significant foreign currency exposure should the need arise. To mitigate the Remaining Group's exposure to foreign currency risk, cash flows in foreign currencies were monitored and forward foreign exchange contracts and other derivative instruments were entered into in accordance with the Remaining Group's risk management policies. The policies to manage foreign currency risk had been followed by the Remaining Group since prior years and are considered to be effective.

Charge on group assets

As at 31 March 2012, bank loans amounting to approximately HK$15,250,000 (2011: HK$20,250,000) were secured by the investment property (2011: leasedhold land and buildings) of the Remaining Group having a net book value of approximately HK$29,000,000 (2011: HK$6,719,000). In addition, bank loans amounting to HK$28,001,000 (2011: HK$77,755,000) were secured by the Remaining Group's pledged bank deposits of HK$27,067,000 (2011: HK$76,455,000). The bank loans amounting to approximately HK$127,000,000 (2011: Nil) were secured by the Remaining Group's treasury products of HK$141,427,000 (2011: Nil).

Contingent liabilities

As at 31 March 2012, the Remaining Group has issued corporate guarantees to banks amounting to approximately HK$150,323,000 with respect to bank borrowings of the associates of the Remaining Group. As at 31 March 2012, the outstanding balances of the bank borrowings were HK$33,323,000. The Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

Material acquisition and disposal

The Remaining Group had no material acquisition and disposal during the year ended 31 March 2012.

Employees and remuneration policy

As at 31 March 2012, the Remaining Group's staff consists of approximately 10 employees in Hong Kong and approximately 15 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Remaining Group's salary and bonus system.

Gearing ratio

As at 31 March 2012, the Remaining Group's gearing ratio was approximately 43.0% representing a percentage of net bank borrowing over shareholders' equity, and the net current assets was approximately HK$158,503,000.

For the year ended 31 March 2013

Business review

During the year ended 31 March 2013, the Remaining Group has been focusing on the trading of pharmaceutical products and health care products principally relating to gastro-intestinal and musculo-skeletal products, revenue from which amounted to approximately HK$35.6 million, representing a decrease of approximately 82.5% when compared with that of approximately HK$203.8 million for the year ended 31 March 2012.

The European pharmaceutical products distributed by the Remaining Group as an agent were mainly reduced glutathione for injection (Gluthion) and diacerein capsules (Artrodar). The decrease in the revenue for the year under review as compared to the previous year was mainly due to the downsizing of the trading business of the group.

Financial review

For the year ended 31 March 2013, the Remaining Group recorded revenue of approximately HK$35.6 million, representing a decrease of approximately 82.5% when compared with that of approximately HK$203.8 million for the year ended 31 March 2012. Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to this circular, there would be no adjustment to the gross profit of the Group as a result of the Disposal, therefore, the gross profit of the Group (excluding the Disposal Group) for the year ended 31 March 2013 amounted to approximately HK$7.9 million, which is the same as the audited gross profit of the Group for the year as disclosed in the Company's annual report for the year ended 31 March 2013, with a gross profit margin of approximately 22.2%, whereas the same were approximately HK$35.3 million and 17.3% respectively for the year ended 31 March 2012. The increase in the gross profit margin by approximately 4.9% for the year ended 31 March 2013 when compared with that of the year ended 31 March 2012 was mainly due to the depreciation of EUR during the year.

Based on the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix III to this circular, assuming Disposal Completion took place on 1 April 2012, the Group (excluding the Disposal Group) would have recorded net profit of approximately HK$119.8 million for the year ended 31 March 2013.

During the year ended 31 March 2013, the Remaining Group disposed of certain unlisted debt securities and recorded the Treasury Products at fair value of approximately HK$100.9 million as at 31 March 2013, which represented a decrease of approximately 37.3% in the Remaining Group's investment in unlisted debt securities as compared with that as at 31 March 2012. There was approximately HK$2.9 million fair value gain being recognised by the Remaining Group in respect of its unlisted debt securities for the year ended 31 March 2013. The Remaining Group expected the Treasury Products could contribute an overall investment return of 6% to 8% annually in the future.

Save for the unlisted debt securities, there were no other significant fluctuations for the relevant year on the Remaining Group's balance sheet items.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Remaining Group held cash and cash equivalents, which were mainly denominated in HK$, RMB and US$ of approximately HK$94.0 million. Net current assets amounted to approximately HK$179.0 million. Net bank borrowing less free cash and bank balances amounted to approximately HK$4.9 million, representing approximately 2.2% the Remaining Group's total equity. The balances of bank borrowings as at 31 March 2013 which were due for repayment within one year and due for repayment after one year with a repayment on demand clause amounted to approximately HK$99.7 million and HK$9.0 million respectively, and were denominated in HK$ and US$. The Remaining Group's borrowings are entirely on floating rate basis.

Exposure on foreign exchange fluctuations and treasury policy

The Remaining Group's exposure to currency risk aroused from its overseas sales and purchases, which are primarily dominated in RMB, EUR, CHF and US$. These were not the functional currencies of the group entities to which these transactions relate. As HK$ is pegged to US$, the Remaining Group did not have any significant exposure to currency risk resulting from transactions conducted in US$. The Remaining Group reviewed its foreign currency exposure regularly and would consider hedging significant foreign currency exposure should the need arise. To mitigate the Remaining Group's exposure to foreign currency risk, cash flows in foreign currencies were monitored and forward foreign exchange contracts and other derivative instruments were entered into in accordance with the Remaining Group's risk management policies. The policies to manage foreign currency risk had been followed by the Group and the Remaining Group since prior years and are considered to be effective.

Contingent liabilities

As at 31 March 2013, the Remaining Group has issued corporate guarantees to banks amounting to approximately HK$217,000,000 (2012: HK$150,323,000) with respect to bank borrowings of the associates of the Remaining Group. As at 31 March 2013, the outstanding balances of the bank borrowings were HK$157,000,000 (2012: HK$33,323,000).

The Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

Charges on the group assets

As at 31 March 2013, bank loans amounting to approximately HK$9,585,000 (2012: HK$15,250,000) were secured by the investment property (2012: investment property) of the Remaining Group having a net book value approximately HK$22,000,000 (2012: HK$29,000,000). In additions, bank loans amounting to HK$10,140,000 (2012: HK$28,001,000) were secured by the Remaining Group's pledged bank deposits amounting HK$9,777,000 (2012: HK$27,067,000). The bank loans amounted to approximately HK$89,000,000 (2012: HK$127,000,000) were secured by the Remaining Group's treasury products amounting HK$100,888,000 (2012: HK$141,427,000).

Material acquisition and disposal

On 21 September 2012, one of the Remaining Group's wholly owned subsidiaries, Jiwa Pharm & Chemicals Limited, entered into a conditional sale and purchase agreement with Kunming Jida to dispose its entire 100% equity interests in Jida Biotech for a cash consideration of RMB19 million (equivalent to approximately HK$23.8 million). The Directors consider that the Remaining Group has lost its controls over Jida Biotech. Jida Biotech is incorporated in the PRC and is principally engaged in manufacturing and trading of pharmaceutical products in the PRC. The disposal was completed on 24 September 2012.

On 23 July 2012, one of the Remaining Group's wholly owned subsidiaries, Base Affirm, entered into a technology transfer agreement with Jida Biotech, pursuant to which an aggregate consideration of RMB111 million (equivalent to approximately HK$138.8 million) is payable by Jida Biotech upon satisfaction of the certain pre-conditions set for each of the three phases. The technology has been transferred to Jida Biotech and phase one of the arrangement has been completed on 28 September 2012.

Employees and remuneration policy

As at 31 March 2013, the Remaining Group's staff consists of approximately 12 employees in Hong Kong and approximately 2 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Remaining Group's salary and bonus system.

Gearing ratio

As at 31 March 2013, the Remaining Group's gearing ratio was approximately 2.2% representing a percentage of net bank borrowing over shareholders' equity, and the net current assets was approximately HK$179,048,000.

1. FINANCIAL INFORMATION OF THE DISPOSAL GROUP

The Company's auditor was engaged to review the financial information of the Disposal Group for the three years ended 31 March 2011, 2012 and 2013 (the "**Financial Information of the Disposal Group**") set out on pages II-1 to II-7 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

Unaudited condensed consolidated statements of comprehensive income

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations			
Revenue	—	—	—
Less: Cost of sales	—	—	—
Gross profit	—	—	—
Other income	—	1,854	6,038
Administrative expenses	(91)	(2)	(10)
Other operating expenses	(1,028)	(3)	—
Fair value gain/(loss) on derivative financial instruments not qualify as hedges, net	—	2,174	(4,478)
Fair value gain/(loss) on put option	—	24,252	(10,356)
Gain on derecognition of profit guarantee	—	3,289	—
Operating (loss)/profit	(1,119)	31,564	(8,806)
Finance costs	—	(1,191)	(1,439)
Share of results of associates	—	50,689	45,837

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/Profit before income tax	(1,119)	81,062	35,592
Income tax credit/(expense)	—	2,950	(1,385)
(Loss)/Profit for the year from continuing operations	(1,119)	84,012	34,207
Discontinued operations			
Profit for the year from discontinued operations	206,064	—	—
Profit for the year	204,945	84,012	34,207
Other comprehensive income/ (loss), including reclassification adjustment			
Release of translation reserve upon disposal of a subsidiary	(20,999)	—	—
Exchange gain on translation of financial statements of foreign operations	5,841	—	—
Total comprehensive income for the year	189,787	84,012	34,207
Profit for the year attributable to:			
Owners of Jiwa Pharms	185,738	84,012	34,207
Non-controlling interests	19,207	—	—
	204,945	84,012	34,207
Total comprehensive income for the year:			
Owners of Jiwa Pharms	168,828	84,012	34,207
Non-controlling interests	20,959	—	—
	189,787	84,012	34,207

Unaudited condensed consolidated statements of financial position

	As at 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates	391,047	408,464	454,301
	391,047	408,464	454,301
Current assets			
Deposits, prepayments and other receivables	840	1,694	253
Amounts due from group companies	1,497	—	15,266
Amounts due from associates	64,811	37,071	3,043
Derivative financial assets	—	2,174	—
Tax recoverable	—	—	426
Pledged bank deposits	—	62,941	66,875
Cash and cash equivalents	80	107	38
	67,228	103,987	85,901
Current liabilities			
Bank borrowings	—	69,820	69,820
Amounts due to group companies	5,900	8,889	—
Accrued expenses and other payables	1,043	70	—
Dividend payable	—	—	12,312
Tax payable	12,681	8,668	—
Derivative financial liabilities	106,838	53,704	64,465
	126,462	141,151	146,597
Net current liabilities	(59,234)	(37,164)	(60,696)
Non-current liabilities			
Deferred tax liabilities	—	975	1,385
Net assets	331,813	370,325	392,220
EQUITY			
Share capital	1,000	1,000	1,000
Reserves	330,813	369,325	391,220
Total equity	331,813	370,325	392,220

Unaudited condensed consolidated statements of changes in equity

	Equity attributable to owners of Jiwa Pharm									
	Share capital HK$'000 (Unaudited)	General reserve fund HK$'000 (Unaudited)	Enterprise expansion fund HK$'000 (Unaudited)	Translation reserve HK$'000 (Unaudited)	Asset revaluation reserve HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
At 1 April 2010	1,000	12,722	57	16,910	(320)	2,830	160,921	194,120	76,747	270,867
Dividend relating to 2009	—	—	—	—	—	—	—	—	(5,294)	(5,294)
Release of NCI's portion of translation of reserve	—	—	—	—	—	—	8,865	8,865	(8,865)	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(83,547)	(83,547)
Transactions with owners	—	—	—	—	—	—	8,865	8,865	(97,706)	(88,841)
Profit for the year	—	—	—	—	—	—	185,738	185,738	19,207	204,945
Other comprehensive income/(loss), including reclassification adjustment:										
Exchange gain on translation of financial statements of foreign operations	—	—	—	4,089	—	—	—	4,089	1,752	5,841
Release of translation reserve upon disposal of a subsidiary	—	—	—	(20,999)	—	—	—	(20,999)	—	(20,999)
Total comprehensive income for the year	—	—	—	(16,910)	—	—	185,738	168,828	20,959	189,787
Dividend declared	—	—	—	—	—	—	(40,000)	(40,000)	—	(40,000)
Appropriation of reserve	—	4,609	—	—	—	—	(4,609)	—	—	—
Disposal of a subsidiary	—	(17,331)	(57)	—	320	(2,830)	19,898	—	—	—
At 31 March and 1 April 2011	1,000	—	—	—	—	—	330,813	331,813	—	331,813
Profit for the year/Total comprehensive income for the year	—	—	—	—	—	—	84,012	84,012	—	84,012
Dividend declared	—	—	—	—	—	—	(45,500)	(45,500)	—	(45,500)
At 31 March and 1 April 2012	1,000	—	—	—	—	—	369,325	370,325	—	370,325
Profit for the year/Total comprehensive income for the year	—	—	—	—	—	—	34,207	34,207	—	34,207
Dividend declared	—	—	—	—	—	—	(12,312)	(12,312)	—	(12,312)
At 31 March 2013	1,000	—	—	—	—	—	391,220	392,220	—	392,220

Unaudited condensed consolidated statements of cash flows

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities			
(Loss)/Profit before income tax			
Continuing operations	(1,119)	81,062	35,592
Discontinued operations	217,834	—	—
	216,715	81,062	35,592
Adjustments for:			
Amortisation of intangible assets	612	—	—
Amortisation of land use right	(576)	—	—
Depreciation of property, plant and equipment	10,543	—	—
Fair value (gain)/loss on derivative financial instruments not qualify as hedges, net	—	(2,174)	2,579
Fair value (gain)/loss on put option	—	(24,252)	10,356
Gain on derecognition of profit guarantee	—	(3,289)	—
Gain on disposal of a subsidiary	(138,465)	—	—
Interest income	(89)	(1,751)	(1,900)
Interest expense	2,969	1,191	1,439
Loss on disposals of property, plant and equipment	12	—	—
Share of results of associates	—	(50,689)	(45,837)
Operating profit before working capital changes	91,721	98	2,229
Decrease in inventories	38,061	—	—
Increase in accounts receivable	(24,521)	—	—
(Increase)/Decrease in deposits, prepayments and other receivables	(4,078)	(854)	1,441
(Increase)/Decrease in amounts due from group companies	(1,103)	525	(15,266)
Decrease in amounts due from associates	—	61,984	34,028
Decrease in accounts payable	(33,144)	—	—
Decrease in amounts due to group companies	(21,867)	(68,104)	(8,889)
Increase/(Decrease) in accrued expenses and other payables	271,685	(973)	(70)

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Net cash from/(used in) operations	316,754	(7,324)	13,473
Hong Kong profits tax paid	—	—	(863)
Taxation outside Hong Kong paid	(11,580)	(88)	(9,206)
Net cash generated from/(used in) operating activities	305,174	(7,412)	3,404
Cash flows from investing activities			
Purchases of property, plant and equipment	(5,006)	—	—
Payments for acquisition of intangible assets	(376)	—	—
Payments for construction in progress	(3,983)	—	—
Increase in pledged deposits	—	(62,941)	—
Net cash outflow from disposal of a subsidiary	(290,112)	—	—
Interest received	89	1,751	1,900
Net cash (used in)/generated from investing activities	(299,388)	(61,190)	1,900
Cash flows from financing activities			
Proceeds from borrowings	34,180	69,820	—
Repayments of borrowings	(45,585)	—	—
Interest paid	(2,969)	(1,191)	(1,439)
Net cash (used in)/generated from financing activities	(14,374)	68,629	(1,439)
Net (decrease)/increase in cash and cash equivalents	(8,588)	27	3,865
Cash and cash equivalents at the beginning of the year	8,862	80	107
Effect of foreign exchange rate changes	(194)	—	(3,934)
Cash and cash equivalents at the end of the year	80	107	38

Notes to the Financial Information of the Disposal Group

1. General

Jiwa Pharm is a limited liability company incorporated in Hong Kong. The principal activity of Jiwa Pharm is an investment holding. Jiwa Pharm had 49% direct equity interests in Kunming Jida which has four wholly-owned subsidiaries, namely Wuxi Jida Pharmaceutical Company Limited, Kunming Jida Pharmaceutical Distribution Company Ltd., Yunnan Jida Biotech Limited, and Jida Pharm (HK) Trading Co., Limited.

2. Basis of preparation and presentation of the unaudited condensed consolidated Financial Information of the Disposal Group

The Financial Information of the Disposal Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules and solely for the purpose of inclusion in this circular in connection with the Disposal.

The amounts included in the Financial Information of the Disposal Group has been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of its consolidated financial statements for the year ended 31 March 2013, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Financial Information of the Disposal Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, and that it should be read in connection with the relevant published annual financial statements of the Company.

In preparing the Financial Information of the Disposal Group, the Directors have given careful consideration to the future liquidity of the Disposal Group. The Financial Information of the Disposal Group was prepared based on the assumption (the "**Assumption**") that the Disposal Group would be operated as a going concern in the foreseeable future notwithstanding that the Disposal Group had net current liabilities of HK$60,696,000 as at 31 March 2013. The Directors are satisfied that the Disposal Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future as the ultimate holding company of the Disposal Group has agreed to provide adequate funds to the Disposal Group until the date of Disposal. In addition, upon completion of the Disposal, JW Purchaser has agreed to provide continued financial support to the Disposal Group to ensure the Disposal Group to meet its financial obligations as and when they fall due in the foreseeable future. In view of these undertakings to provide financial support, the Directors are of the view that the use of the Assumption in preparing the Financial Information of the Disposal Group is appropriate.

2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE REVIEWED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

The following is the text of a report in connection with the Financial Information of the Disposal Group received from the reporting accountants, BDO Limited, Certified Public Accountants, for incorporation in this circular.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

The Directors
Jiwa Bio-Pharm Holdings Limited
2904, Tower One
Lippo Centre
89 Queensway
Central
Hong Kong

Dear Sirs,

REPORT ON REVIEW OF FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Introduction

We have reviewed the financial information set out on pages II-1 to II-7 which comprises the consolidated statements of financial position of Jiwa Pharmaceuticals Limited as of 31 March 2011, 2012 and 2013 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended and explanatory notes (the "**Financial Information of the Disposal Group (as defined below)**"). The Financial Information of the Disposal Group has been prepared solely for the purpose of inclusion in the circular to be issued by Jiwa Bio-Pharm Holdings Limited (the "**Company**") in connection with the disposal of the entire issued share capital of Jiwa Pharmaceuticals Limited (including the 49% direct equity interests in Kunming Jida Pharmaceutical Company Limited and its four wholly-owned subsidiaries, namely Wuxi Jida Pharmaceutical Company Limited, Kunming Jida Pharmaceutical Distribution Company Ltd., Yunnan Jida Biotech Limited, and Jida Pharm (HK) Trading Co., Limited) (the "**Disposal Group**") in accordance with the Main Board Listing Rule 14.68(2)(a)(i)(A).

The directors of the Company are responsible for the preparation and presentation of the Financial Information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the Financial Information of the Disposal Group and Main Board Listing Rule 14.68(2)(a)(i). The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Financial Information of the Disposal Group that is free from material misstatement, whether due to fraud or error. The Financial Information of the Disposal Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this Financial Information of the Disposal Group based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of the Financial Information of the Disposal Group consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information of the Disposal Group for the three years ended 31 March 2011, 2012 and 2013 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information of the Disposal Group.

REPORT ON MATTERS UNDER RULE 10 OF THE CODES ON TAKEOVERS AND MERGERS AND SHARE REPURCHASES (THE "CODE")

We are engaged by the Company to report on the Financial Information of the Disposal Group in accordance with Rule 10 of the Code.

Based on our work done, the Financial Information of the Disposal Group for the three years ended 31 March 2011, 2012 and 2013, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumption as set out in note 2 to the Financial Information of the Disposal Group.

Yours faithfully
BDO Limited
Certified Public Accountants
Hong Kong

26 July 2013

3. LETTER FROM THE FINANCIAL ADVISER ON THE REVIEWED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

The following is the text of a letter, prepared for inclusion in this circular, from Quam Capital Limited, the financial adviser to the Company, in connection with the Financial Information of the Disposal Group.

Quam Capital Limited
A Member of The Quam Group

26 July 2013

The Board of Directors
Jiwa Bio-Pharm Holdings Limited
2904, Tower One
Lippo Centre
89 Queensway
Central
Hong Kong

Dear Sirs,

We refer to the unaudited condensed consolidated financial information of the Disposal Group for the years ended 31 March 2011, 2012 and 2013 (the "**Financial Information of the Disposal Group**") as set out in Appendix II to the circular of the Company dated 26 July 2013 (the "**Circular**"). Terms used herein shall have the same meanings as those defined in the Circular unless otherwise stated.

The Financial Information of the Disposal Group has been prepared by the Directors in accordance with Rule 14.68(2)(a)(i) of the Listing Rules and the basis set out in note 2 to the Financial Information of the Disposal Group. The reporting accountants, BDO Limited, has reviewed the Financial Information of the Disposal Group in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

We have reviewed the Financial Information of the Disposal Group as set out in Appendix II to the Circular and discussed with the Directors the basis of preparation set out in note 2 to the Financial Information of the Disposal Group. We have reviewed the review report of BDO Limited dated 26 July 2013 (the "**Review Report**") on the Financial Information of the Disposal Group which stated that its review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. According to the Review Report, nothing has come to reporting accountants' attention that causes them to believe that the Financial Information of the Disposal Group is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information of the Disposal Group. The Review Report also stated that the Financial Information of the Disposal Group for the three years ended 31 March 2013, so for as the accounting policies and calculations are concerned, has been properly compiled on the basis and assumptions as set out in note 2 to the Financial Information of the Disposal Group.

On the basis of the foregoing, the basis of preparation of the Financial Information of the Disposal Group by the Directors and our discussion with the Directors thereon, and the accounting policies and calculations adopted by the Directors and reviewed by BDO Limited, we are of the opinion that the Financial Information of the Disposal Group, for which the Directors are solely responsible, has been prepared after due care and consideration.

Our opinion has been given for the sole purpose of compliance with Rule 10 of the Takeovers Code and for no other purpose.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The unaudited pro forma financial information of the Remaining Group, comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal.

Immediately after the completion of the Disposal, the Group will cease to have any equity interest in the Disposal Group. Accordingly, the results of the Disposal Group will no longer be consolidated into the financial statements of the Group after the completion of the Disposal.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular. The unaudited pro forma financial information of the Remaining Group included those transactions which are considered to be integral to the Disposal and does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information of the Remaining Group.

Unaudited Pro Forma Consolidated Statement of Financial Position

The unaudited pro forma consolidated statement of financial position of the Remaining Group (the "**Unaudited Pro Forma Consolidated Statement of Financial Position**") has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the date reported on (i.e. 31 March 2013).

The Unaudited Pro Forma Consolidated Statement of Financial Position is based on the audited consolidated statement of financial position of the Group as at 31 March 2013 which is extracted from the Company's annual report for the year ended 31 March 2013, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been actually completed on 31 March 2013 or at any future date.

Unaudited Pro Forma Consolidated Statement of Financial Position

	Consolidated statement of financial position of the Group as at 31 March 2013			Pro forma adjustments				Pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 1)*	*(Note 2b)*	*(Note 3b)*	*(Note 4)*	*(Note 9)*	*(Note 12)*	(Unaudited)
ASSETS AND LIABILITIES								
Non-current assets								
Property, plant and equipment	373	–	–	–	–	–	–	373
Investment properties	55,000	–	–	(22,000)	–	–	–	33,000
Interests in associates	443,816	(454,301)	–	–	–	–	10,485	–
	499,189	(454,301)	–	(22,000)	–	–	10,485	33,373
Current assets								
Accounts receivable	8,282	–	–	–	–	–	–	8,282
Deposits, prepayments and other receivables	10,634	(253)	–	–	–	–	–	10,381
Amounts due from group companies	–	(15,266)	–	–	15,266	–	–	–
Amounts due from associates	81,873	(3,043)	–	–	(78,830)	–	–	–
Treasury products at fair value through profit or loss	100,888	–	–	–	–	–	–	100,888
Tax recoverable	873	(426)	–	–	–	–	–	447
Pledged bank deposits	76,652	(66,875)	–	–	–	–	–	9,777
Cash and cash equivalents	94,058	(38)	480,000	22,000	75,876	(615,000)	–	56,896
Total current assets	373,260	(85,901)	480,000	22,000	12,312	(615,000)	–	186,671

	Consolidated statement of financial position of the Group as at 31 March 2013	Pro forma adjustments						Pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 1)*	*(Note 2b)*	*(Note 3b)*	*(Note 4)*	*(Note 9)*	*(Note 12)*	(Unaudited)
Current liabilities								
Bank borrowings	178,545	(69,820)	—	—	—	—	—	108,725
Accounts and bills payable	7,727	—	—	—	—	—	—	7,727
Accrued expenses and other payables	2,283	—	6,224	—	—	—	—	8,507
Amount due to an group company	—	(12,312)	—	—	12,312	—	—	—
Tax payable	1,832	—	—	—	—	—	—	1,832
Derivative financial liabilities	64,523	(64,465)	—	—	—	—	—	58
Total current liabilities	254,910	(146.597)	6,224	—	12,312	—	—	126,849
Net current assets	118,350	60,696	473,776	22,000	—	(615,000)	—	59,822
Total assets less current liabilities	617,539	(393,605)	473,776	—	—	(615,000)	10,485	93,195
Non-current liabilities								
Deferred tax liabilities	1,602	(1,385)	—	—	—	—	—	217
Net assets	615,937	(392,220)	473,776	—	—	(615,000)	10,485	92,978
Equity								
Share capital	16,250	—	—	—	—	—	—	16,250
Reserves	599,693	(392,220)	473,776	—	—	(615,000)	10,485	76,734
Equity attributable to owners of the Company	615,943	(392,220)	473,776	—	—	(615,000)	10,485	92,984
Non-controlling interests	(6)	—	—	—	—	—	—	(6)
Total equity	615,937	(392,220)	473,776	—	—	(615,000)	10,485	92,978

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

The unaudited pro forma consolidated statement of comprehensive income (the "**Unaudited Pro Forma Consolidated Statement of Comprehensive Income**") of the Remaining Group have been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the commencement of the period being reported on (i.e. 1 April 2012).

The Unaudited Pro Forma Consolidated Statement of Comprehensive Income is prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2013 which is extracted from the Company's annual report for the year ended 31 March 2013, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

The Unaudited Pro Forma Consolidated Statement of Comprehensive Income has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Remaining Group had the Disposal been actually completed on 1 April 2012 or for any future period.

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Consolidated statement of comprehensive income of the Group for the year ended 31 March 2013			Pro forma adjustments					Pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 2a)*	*(Note 3a)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 12)*	(Unaudited)
Revenue	35,648	–	–	–	–	–	–	–	35,648
Cost of sales	(27,720)	–	–	–	–	–	–	–	(27,720)
Gross profit	7,928	–	–	–	–	–	–	–	7,928
Other income	6,278	–	–	(1,970)	–	–	(1,707)	–	2,601
Administrative expenses	(12,891)	–	–	10	(2,640)	4,847	–	–	(10,674)
Other operating expenses	(4,476)	–	–	–	–	–	–	–	(4,476)
Other gains and losses	19,557	103,451	(972)	10,766	–	–	–	–	132,802
Operating profit	16,396	103,451	(972)	8,806	(2,640)	4,847	(1,707)	–	128,181
Finance costs	(4,435)	–	–	1,439	–	–	–	–	(2,996)
Share of results of associates	35,352	–	–	(45,837)	–	–	–	10,485	–
Profit before income tax	47,313	103,451	(972)	(35,592)	(2,640)	4,847	(1,707)	10,485	125,185
Income tax expense	(5,559)	–	–	1,385	–	–	–	–	(4,174)
Profit for the year	41,754	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	121,011
Other comprehensive income:									
Release of translation reserve upon disposal of a subsidiary	(1,002)	–	–	–	–	–	–	–	(1,002)
Other comprehensive income for the year	(1,002)	–	–	–	–	–	–	–	(1,002)
Total comprehensive income for the year	40,752	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	120,009
Profit for the year attributable to:									
Owners of the Company	41,754	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	121,011
Non-controlling interests	–	–	–	–	–	–	–	–	–
Profit for the year	41,754	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	121,011
Total comprehensive income for the year attributable to:									
Owners of the Company	40,752	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	120,009
Non-controlling interests	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	40,752	103,451	(972)	(34,207)	(2,640)	4,847	(1,707)	10,485	120,009

Unaudited Pro Forma Consolidated Statement of Cash Flows

The unaudited pro forma consolidated statement of cash flows of the Remaining Group (the "**Unaudited Pro Forma Consolidated Statement of Cash Flows**") has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the commencement of the period being reported on (i.e. 1 April 2012).

The Unaudited Pro Forma Consolidated Statement of Cash Flows is prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 which is extracted from the Company's annual report for the year ended 31 March 2013, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

The Unaudited Pro Forma Consolidated Statement of Cash Flows has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Group had the Disposal been actually completed on 1 April 2012 or for any future period.

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Consolidated statement of cash flows of the Group for the year ended 31 March 2013	Pro forma adjustments											Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 2a)*	*(Note 3a)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	(Unaudited)
Cash flows from operating activities													
Profit before income tax	47,313	103,451	(972)	–	(35,592)	(2,640)	4,847	(1,707)	–	–	–	10,485	125,185
Adjustments for:													
Interest income	(2,417)	–	–	–	1,900	–	–	–	–	–	–	–	(517)
Interest expense	4,435	–	–	–	(1,439)	–	–	–	–	–	–	–	2,996
Depreciation of property, plant and equipment	472	–	–	–	–	–	–	–	–	–	–	–	472
Share–based employee compensation	2,027	–	–	–	–	–	–	–	–	–	–	–	2,027
Amortisation of land use rights	247	–	–	–	–	–	–	–	–	–	–	–	247
Gain on disposals of property, plant and equipment	(80)	–	–	–	–	–	–	–	–	–	–	–	(80)
Gain on disposals of subsidiary and intangible assets	(23,529)	–	–	–	–	–	–	–	–	–	–	–	(23,529)
Gain on disposal of the Disposal Group	–	(103,451)	–	–	–	–	–	–	–	–	–	–	(103,451)
Fair value loss on derivative financial instruments not qualify as hedges, net	6,218	–	–	–	(2,579)	–	–	–	–	–	–	–	3,639
Fair value loss on Put option	10,356	–	–	–	(10,356)	–	–	–	–	–	–	–	–
Fair value gain on treasury products at fair value through profit or loss	(2,893)	–	–	–	–	–	–	–	–	–	–	–	(2,893)
Fair value gain on investment properties	(4,972)	–	972	–	–	–	–	–	–	–	–	–	(4,000)
Impairment of other receivables	12,013	–	–	–	–	–	–	–	–	–	–	–	12,013
Write back of impairment on other receivables	(7,500)	–	–	–	–	–	–	–	–	–	–	–	(7,500)
Share of results of associates	(35,352)	–	–	–	45,837	–	–	–	–	–	–	(10,485)	–
Operating profit before changes in working capital	6,338	–	–	–	(2,229)	(2,640)	4,847	(1,707)	–	–	–	–	4,609

	Consolidated statement of cash flows of the Group for the year ended 31 March 2013						Pro forma adjustments						Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 2a)*	*(Note 3a)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	(Unaudited)
Decrease in inventories	586	–	–	–	–	–	–	–	–	–	–	–	586
Decrease in accounts receivable	50,844	–	–	–	–	–	–	–	–	–	–	–	50,844
Decrease in deposits, prepayments and other receivables	10,035	–	–	–	(1,441)	–	–	1,707	–	–	–	–	10,301
(Increase)/Decrease in amounts due from group companies	–	–	–	(15,266)	15,266	–	–	–	–	–	–	–	–
(Increase)/Decrease in amounts due from associates, net	(6,167)	–	–	56,178	(34,028)	–	–	–	–	–	–	–	15,983
Increase in accounts and bills payable	3,503	–	–	–	–	–	–	–	–	–	–	–	3,503
(Decrease)/Increase in amounts due to group companies	–	–	–	(8,889)	8,889	–	–	–	–	–	–	–	–
Decrease in accrued expenses and other payables	(3,159)	–	–	–	70	2,640	(4,847)	–	–	–	–	–	(5,296)
Net cash generated from operations	61,980	–	–	32,023	(13,473)	–	–	–	–	–	–	–	80,530
Hong Kong profits tax paid, net	(834)	–	–	–	863	–	–	–	–	–	–	–	29
Taxation outside Hong Kong paid	(10,052)	–	–	–	9,206	–	–	–	–	–	–	–	(846)
Net cash generated from operating activities	51,094	–	–	32,023	(3,404)	–	–	–	–	–	–	–	79,713

	Consolidated statement of cash flows of the Group for the year ended 31 March 2013	Pro forma adjustments											Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 2a)*	*(Note 3a)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	(Unaudited)
Cash flows from investing activities													
Payments for purchase of property, plant and equipment	(112)	–	–	–	–	–	–	–	–	–	–	–	(112)
Proceeds received from disposals of property, plant and equipment	80	–	–	–	–	–	–	–	–	–	–	–	80
Payments for construction in progress	(2,152)	–	–	–	–	–	–	–	–	–	–	–	(2,152)
Payments for acquisition of an investment property	(21,028)	–	–	–	–	–	–	–	–	–	–	–	(21,028)
Proceeds received from disposals of investment properties	–	–	–	–	–	–	–	–	–	–	22,000	–	22,000
Net cash inflow on disposal of a subsidiary and intangible assets	46,875	–	–	–	–	–	–	–	–	473,776	–	–	520,651
Proceeds received from disposal of treasury products at fair value through profit or loss	63,037	–	–	–	–	–	–	–	–	–	–	–	63,037
Payments for purchase of land use rights	(1,981)	–	–	–	–	–	–	–	–	–	–	–	(1,981)
Decrease in pledged bank deposits	8,847	–	–	–	–	–	–	–	–	–	–	–	8,847
Interest received	2,417	–	–	–	(1,900)	–	–	–	–	–	–	–	517
Settlement of derivative financial assets	(1,736)	–	–	–	–	–	–	–	–	–	–	–	(1,736)
Net cash generated from investing activities	94,247	–	–	–	(1,900)	–	–	–	–	473,776	22,000	–	588,123

	Consolidated statement of cash flows of the Group for the year ended 31 March 2013	Pro forma adjustments											Pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Note 2a)*	*(Note 3a)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 12)*	(Unaudited)
Cash flows from financing activities													
Proceeds from issuance of share capital	2,700	–	–	–	–	–	–	–	–	–	–	–	2,700
Proceeds from bank borrowings	10,000	–	–	–	–	–	–	–	–	–	–	–	10,000
Repayments of bank borrowings	(87,526)	–	–	–	–	–	–	–	–	–	–	–	(87,526)
Interest paid	(4,435)	–	–	–	1,439	–	–	–	–	–	–	–	(2,996)
Dividends paid to owners of the Company	(34,125)	–	–	–	–	–	–	–	(615,000)	–	–	–	(649,125)
Net cash used in financial activities	(113,386)	–	–	–	1,439	–	–	–	(615,000)	–	–	–	(726,947)
Net increase in cash and cash equivalents	31,955	–	–	32,023	(3,865)	–	–	–	(615,000)	473,776	22,000	–	(59,111)
Translation differences	3,571	–	–	–	–	–	–	–	–	–	–	–	3,571
Cash and cash equivalents at 1 April 2012	58,532	–	–	–	–	–	–	–	–	–	–	–	58,532
Cash and cash equivalents at 31 March 2013	94,058	–	–	32,023	(3,865)	–	–	–	(615,000)	473,776	22,000	–	2,992

Notes to the Unaudited Pro Forma Financial Information

1. Immediately after the disposal of the Disposal Shares, the Group will cease to have any equity interest in the Disposal Group. The adjustment represents the deconsolidation of the assets and liabilities of Jiwa Pharm as at 31 March 2013 as if the Disposal had been completed on 31 March 2013. Jiwa Pharm had 49% direct equity interests in Kunming Jida which had four wholly-owned subsidiaries, namely Wuxi Jida Pharmaceutical Company Limited, Kunming Jida Pharmaceutical Distribution Company Ltd., Yunnan Jida Biotech Limited, and Jida Pharm (HK) Trading Co., Limited.

2. The adjustment represents the estimated gain on the disposal of the Disposal Shares which is calculated on the basis of the consideration of HK$512,000,000 after deduction for (i) carrying value of interests in the Disposal Group; and (ii) the estimated PRC capital gain tax and relevant commission and legal and professional fee for the Disposal.

   The calculation for the estimated gain on disposal of the Disposal Shares as if the disposal of the Disposal Shares had been completed on the following dates is summarised below:

	(a)	(b)
As if the disposal of the Disposal Shares completed on:	**1 April 2012**	**31 March 2013**
	HK'000	*HK$'000*
Consideration for the disposal of the Disposal Shares	512,000	512,000
Less: PRC capital gain tax	(32,000)	(32,000)
	480,000	480,000
Less: Carrying value of interests in the Disposal Group	(370,325)	(392,220)
Less: Commission and legal and professional fee	(6,224)	(6,224)
Estimated gain on the disposal of the Disposal Shares	103,451	81,556

   Since the actual carrying amounts of the assets and liabilities of the Disposal Group on completion of the disposal of the Disposal Shares will be different from the amounts used in the preparation of the unaudited Pro Forma Financial Information, the actual gain or loss on the disposal of the Disposal Shares may be significantly different from the estimated amount shown above.

3. The adjustment reflects the estimated gain on the Property Disposal. The calculation for the estimated gain on the Property Disposal as if the disposal had been completed on the following dates is summarised below:

	(a)	(b)
As if the Property Disposal completed on:	***2 May 2012**	**31 March 2013**
	HK'000	*HK$'000*
Consideration for the Property Disposal	22,000	22,000
Less: Acquisition cost of the Property (including transaction cost of HK$958,000)/ Carrying value of the Property	(21,028)	(22,000)
Estimated gain on the Property Disposal	972	—

   * The Property was acquired by the Group from an Independent Third Party on 2 May 2012 at HK$20,070,000.

4. The adjustment reflects the settlement of the amounts due from associates, and amounts due from/(to) group companies by the Disposal Group of HK$78,830,000, HK$15,266,000 and HK$12,312,000 respectively as if the Share Purchase had been completed on 1 April 2012.

5. Immediately after the disposal of the Disposal Shares, the Group will cease to have any equity interest in the Disposal Group. The adjustment represents the deconsolidation of the results of the Disposal Group for the year ended 31 March 2013 as if the Disposal had been completed on 1 April 2012.

6. In accordance with the Management Agreement, the Company will engage Sunny Enterprises as management service provider to provide certain management services to the Managed Companies for a period of two years. The adjustment represents the estimated cash outflow of HK$2,640,000 for the management fee for the period from 1 April 2012 to 31 March 2013 to Sunny Enterprise as if the Share Purchase had been completed on 1 April 2012.

7. The adjustment reflects the reversal of the amount of Directors' remuneration as if the Share Purchase had been completed on 1 April 2012 and they had tendered their unconditional and irrevocable resignation from their office of Directors in accordance with the Share Purchase Agreement.

8. The adjustment reflects the reversal of handling fee included in other income of the Group arising from providing corporate guarantees to banks with respect of banking facilities granted by banks of the Disposal Group as if the Disposal had been completed on 1 April 2012.

9. The adjustment reflects the payout of the Special Dividend of HK$615,000,000 as at 31 March 2013.

10. The adjustment represents the estimated net cash inflow of HK$473,776,000 arising from (i) the disposal of the Disposal Shares at cash consideration of HK$512,000,000 after deducting (ii) the Hold-back Amount of HK$32,000,000 for the PRC capital tax and (iii) the relevant commission and legal and professional fee for the Disposal amounting to HK$6,224,000 as if the Disposal had been completed on 1 April 2012.

11. The adjustment represents the estimated net cash inflow of HK$22,000,000 arising from the Property Disposal at cash consideration of HK$22,000,000 as if the Property Disposal had been completed on 1 April 2012.

12. The adjustment represents the unrealised gains of HK$2,228,000 and HK$8,257,000 on the sales of pharmaceutical and healthcare products and the transfer of intangible assets by Base Affirm to Jida Biotech respectively which were eliminated against the carrying amount of the interests in associates on the consolidated financial statements of the Group for the year ended 31 March 2013 but not in the Financial Information of the Disposal Group as these transactions were not reflected in the Financial Information of the Disposal Group. The amounts of HK$2,228,000 and HK$8,257,000 represented 49% of the unrealised profit on the sales of pharmaceutical and healthcare products and the gain on transfer of the intangible assets on the disposal date (i.e. 28 September 2012) respectively, the calculations of the unrealised gains are summarised below:

	HK$'000
Sales of pharmaceutical healthcare products	18,189
Cost of sales	(13,642)
Gross profit	4,547

	HK$'000
Fair value of the intangible assets at the date of disposal	51,853
Carrying value of the intangible assets at the date of disposal	(29,994)
	21,859
PRC tax provided for selling of technical know-how	(5,009)
Gain on disposal of the intangible assets at the date of disposal	16,850

13. Except for note 6 which is expected to have a continuing effect on the Remaining Group, adjustments in the remaining notes are not expected to have a continuing effect on the Remaining Group.

B. REPORTING ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report from the reporting accountants, BDO Limited, Certified Public Accountants, on the unaudited pro forma financial information of the Remaining Group, for inclusion in this circular.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

The Directors
Jiwa Bio-Pharm Holdings Limited
2904, Tower One
Lippo Centre
89 Queensway
Central
Hong Kong

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiwa Bio-Pharm Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2013, the pro forma consolidated statement of comprehensive income for the year ended 31 March 2013, the pro forma consolidated statement of cash flow for the year ended 31 March 2013, and related notes as set out on pages III-1 to III-12 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in the section headed "Unaudited Pro Forma Financial Information of the Remaining Group" in Appendix III of the investment circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the entire issued share capital of Jiwa Pharmaceuticals Limited (including the 49% direct equity interests in Kunming Jida Pharmaceutical Company Limited and its four wholly-owned subsidiaries, namely Wuxi Jida Pharmaceutical Company Limited, Kunming Jida Pharmaceutical Distribution Company Ltd., Yunnan Jida Biotech Limited, and Jida Pharm (HK) Trading Co., Limited) (the "**Disposal Group**") (the "**Disposal**") on the Group's financial position as at 31 March 2013 and the Group's financial performance and cash flows for the year ended 31 March 2013 as if the Disposal had taken place at 31 March 2013 and 1 April 2012 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 March 2013, on which an audit has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— The related pro forma adjustments give appropriate effect to those criteria; and

— The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
BDO Limited
Certified Public Accountants
Hong Kong

26 July 2013

Set out below are the text of letter and valuation certificate prepared by Roma Appraisals Limited, the independent property valuer, on the market values of the Property as at 8 March 2013 and 30 April 2013 for the purpose of inclusion in this circular.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail: info@romagroup.com
http://www.romagroup.com

26 July 2013

Jiwa Bio-Pharm Holdings Limited
2904, Tower One,
Lippo Centre,
89 Queensway,
Central, Hong Kong

Dear Sir/Madam,

Re: Office 5 on 29th Floor, Tower One of Lippo Centre, No.89 Queensway, Hong Kong

In accordance with your instructions for us to value the property held by Jiwa Bio-Pharm Holdings Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property as at 8 March 2013 and 30 April 2013 (the "**Dates of Valuation**") for the purpose of incorporation in the circular of the Company dated 26 July 2013.

1. BASIS OF VALUATION

Our valuations of the property are our opinion of the market values of the concerned property which we would define as intended to mean "the estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by reference to sales evidences as available on the market and where appropriate on the basis of capitalization of the net income provided by the Group. We have allowed outgoings and made provisions for reversionary income potential.

3. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out land search at Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor area, age of building and all other relevant matters which can affect the values of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor area of the property under consideration but we have assumed that the floor area shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

Our valuations are prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and in compliance with the requirements of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases published by Securities and Futures Commission.

7. REMARKS

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the property include profits tax on the profit from the sale at rates of 16.5% for the property in Hong Kong.

As at the date of this circular, the Group has entered into the Property Disposal Agreement for the disposal of the property. The abovementioned tax liabilities will be crystallized upon the completion of the Property Disposal Agreement.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Alan W K Lee
BCom(Property) MFin
MHKIS RPS(GP) AAPI CPV CPV(Business)
Associate Director

Note: Mr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 9 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

VALUATION CERTIFICATE

Property held by the Group for investment purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Values in Existing State
Office 5 on 29th Floor, Tower One of Lippo Centre, No.89 Queensway, Hong Kong 9/100th of 1021/102750th equal and undivided shares of and in Inland Lot No. 8615.	Lippo Centre comprises 2 high-rise office towers, which are erected upon a four-storey retail podium plus two basement levels, completed in 1987. The property comprises an office unit with a saleable area of about 780 sq.ft. (or about 72.5 sq.m.) on the 29th Floor of Tower one, which is a 40-storey office tower, of the subject development. Inland Lot No.8615 is held under Conditions of Sale No.UB11720 for a term of 75 years commencing on 15 February 1984 renewable for 75 years.	The property is subject to a tenancy agreement for a term of 2 years commencing on 15 March 2013 and expiring on 14 March 2015 at a monthly rent of HK$53,520 exclusive of rates, government rent, management fees and other outgoings.	as at 30 April 2013 HK$22,000,000 as at 8 March 2013 HK$22,000,000

Notes:

1. The registered owner of the property is Jiwa International Limited vide Memorial No.12070902310023 dated 15 June 2012 with a consideration of HK$20,070,000.

2. The property is subject to the following material encumbrances:

   (a) Mortgage in favour of Nanyang Commercial Bank, Limited vide Memorial No.12070902310037 dated 15 June 2012; and

   (b) Agreement for Sale and Purchase in favour of Sunny Enterprise Limited vide Memorial No. 13041002330051 dated 12 March 2013 at a consideration of HK$22,000,000.

3. Jiwa International Limited is a wholly-owned subsidiary of the Company.

4. The property lies within an area zoned "Commercial" under Central District Outline Zoning Plan No. S/H4/13.

5. The Government Rent of the whole development of the property is HK$1,000 per annum.

6. Our inspection was performed by Mr. Alan Lee on 7 March 2013.

Set out below are the text of letter and valuation certificate prepared by Roma Appraisals Limited, the independent property valuer, on the market values of the Option Property as at 1 April 2012, 8 February 2013, 31 March 2013 and 30 April 2013 for the purpose of inclusion in this circular.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail: info@romagroup.com
http://www.romagroup.com

26 July 2013

Jiwa Bio-Pharm Holdings Limited
2904, Tower One,
Lippo Centre,
89 Queensway,
Central, Hong Kong

Dear Sir/Madam,

Re: Office 6 on 29th Floor, Tower One of Lippo Centre, No.89 Queensway, Hong Kong

In accordance with your instructions for us to value the property held by Jiwa Bio-Pharm Holdings Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property as at 1 April 2012, 8 February 2013, 31 March 2013 and 30 April 2013 (the "**Dates of Valuation**") for the purpose of incorporation in the circular of the Company dated 26 July 2013.

1. BASIS OF VALUATION

Our valuations of the property are our opinion of the market values of the concerned property which we would define as intended to mean "the estimated amount for which a property should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by reference to sales evidences as available on the market and where appropriate on the basis of capitalization of the net income provided by the Group. We have allowed outgoings and made provisions for reversionary income potential.

3. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out land search at Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor area, age of building and all other relevant matters which can affect the values of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor area of the property under consideration but we have assumed that the floor area shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

Our valuations are prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and in compliance with the requirements of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases published by Securities and Futures Commission.

7. REMARKS

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the property include profits tax on the profit from the sale at rates of 16.5% for the property in Hong Kong.

As at the date of this circular, the Group advised that it has no current intention to sell the property but will review the circumstances from time to time to safeguard the best interest of the Group and shareholders of the Company.

Unless otherwise stated, all monetary amounts stated in our valuations are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Alan W K Lee
BCom(Property) MFin
MHKIS RPS(GP) AAPI CPV CPV(Business)
Associate Director

Note: Mr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 9 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

VALUATION CERTIFICATE

Property held by the Group for investment purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Values in Existing State
Office 6 on 29th Floor, Tower One of Lippo Centre, No.89 Queensway, Hong Kong 14/100th of 1021/102750th equal and undivided shares of and in Inland Lot No. 8615.	Lippo Centre comprises 2 high-rise office towers, which are erected upon a four-storey retail podium plus two basement levels, completed in 1987. The property comprises an office unit with a saleable area of about 1,168 sq.ft. (or about 108.5 sq.m.) on the 29th Floor of Tower one, which is a 40-storey office tower, of the subject development. Inland Lot No.8615 is held under Conditions of Sale No.UB11720 for a term of 75 years commencing on 15 February 1984 renewable for 75 years.	The property is subject to a tenancy agreement for a term of 2 years commencing on 1 February 2012 and expiring on 31 January 2014 at a monthly rent of HK$70,000 exclusive of rates, government rent, management fees and other outgoings.	as at 30 April 2013 HK$33,000,000 as at 31 March 2013 HK$33,000,000 as at 8 February 2013 HK$33,000,000 as at 1 April 2012 HK$29,000,000

Notes:

1. The registered owner of the property is Tech-Medi Development Limited vide Memorial No. 13041002330063 dated 11 March 2013.

2. Tech-Medi Development Limited is an indirect wholly-owned subsidiary of the Company.

3. The property lies within an area zoned “Commercial” under Central District Outline Zoning Plan No. S/H4/13.

4. The Government Rent of the whole development of the property is HK$1,000 per annum.

5. Our inspection was performed by Mr. Alan Lee on 7 March 2013.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000
Issued and fully paid:		
1,640,000,000	Shares in issue as at the Latest Practicable Date	16,400,000

All the existing Shares in issue are fully paid and rank pari passu in all respects including all rights as to voting, dividends and interests in capital.

There has been no alteration to the authorised share capital of the Company since 31 March 2013 and up to the Latest Practicable Date.

Since 31 March 2013 and up to the Latest Practicable Date, the Company had issued 15,000,000 Shares under the share options scheme adopted on 24 September 2003.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Personal interests	Family interests	Corporate interests	Total number of Shares held	Approximate percentage of issued capital as at the Latest Practicable Date
Lau Yau Bor	96,390,000 *(Note 1)*	116,712,000 *(Note 2)*	840,000,000 *(Note 4)*	1,053,102,000 *(Note 7)*	64.21%
Lau Kin Tung	15,000,000	—	105,000,000 *(Note 5)*	120,000,000 *(Note 7)*	7.32%
Chan Hing Ming	41,712,000 *(Note 1)*	936,390,000 *(Note 3)*	75,000,000 *(Note 6)*	1,053,102,000 *(Note 7)*	64.21%

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 Madam Chan Hing Ming, the spouse of Mr. Lau Yau Bor, and 41,712,000 Shares are held by Madam 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 Mr. Lau Yau Bor, the spouse of Madam Chan Hing Ming, and 96,390,000 Shares are held by Mr. 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 Mr. Lau Yau Bor.

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

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

7. On 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as Vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. Immediately after completion of the Share Purchase Agreement, the Vendors will no longer hold any Shares.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Interests in the Shares and underlying Shares

Name of substantial Shareholders	Capacity	Total interests (long position)	Total interests (short position)	Percentage of total issued Shares (long position)	Percentage of total issued Shares (short position)
LAUs Holdings Co. Ltd.	Beneficial owner	840,000,000	—	51.22%	—
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	—	6.40%	—
U-Home Group International Limited *(Note 1)*	Beneficial owner	1,173,102,000	1,650,000,000	71.53%	100.61%
Zhou Xuzhou *(Note 1)*	Beneficial owner	1,173,102,000	1,650,000,000	71.53%	100.61%

Note:

1. On 12 March 2013, Mr. Lau Yau Bor, Mr. Lau Kin Tung, Madam Chan Hing Ming, LAUs Holding Co. Ltd., MINGS Development Holdings Limited and WHYS Holding Co. Ltd. as Vendors, and the Offeror as purchaser entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell or procure the sale of an aggregate of 1,173,102,000 Sale Shares owned by them and the Offeror agreed to acquire such Sale Shares, representing approximately 71.53% of the issued share capital of the Company as at the Latest Practicable Date, at the Share Purchase Price. Immediately after completion of the Share Purchase Agreement, the Vendors will no longer hold any Shares.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as stated above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under Section 336 of the SFO, no other persons were recorded to hold any long or short positions in the shares or underlying shares of the equity derivatives of the Company.

(c) Other interests

(1) As at the Latest Practicable Date, Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung are the executive Directors, and JW Purchaser and Sunny Enterprise are wholly owned by the Lau's Family. JW Purchaser is a party to the Disposal Agreement, the Release of Repurchase Obligation and the Release of TTA Guarantee and Sunny Enterprise is a party to the Property Disposal Agreement, the Property Option Deed and the Management Agreement, details of which are set out in the paragraph headed "Material contracts" in this Appendix.

In addition, as at the Latest Practicable Date, Jiwa Investment Limited is wholly owned by Mr. Lau Yau Bor and Madam Chan Hing Ming. Jiwa International Limited, a wholly-owned subsidiary of the Company, renewed three tenancy agreements, namely the Albany Tenancy Agreement, the Robinson Tenancy Agreement and the Lippo Tenancy Agreement (as defined in the CCT Announcement), on 17 September 2012 for two years commencing from 1 September 2012 to 31 August 2014 (both days inclusive) at an annual rental of HK$1,272,000, HK$888,000 and HK$1,296,000, respectively. Jiwa Investment Limited is the landlord under the Albany Tenancy Agreement and the Robinson Tenancy Agreement and Mr. Lau Yau Bor is the landlord under the Lippo Tenancy Agreement. Further details of the continuing connected transactions aforesaid are set out in the announcement of the Company dated 17 September 2012 (the "**CCT Announcement**").

Save for Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group taken as a whole.

(2) Save for Mr. Lau Yau Bor, Madam Chan Hing Ming and Mr. Lau Kin Tung, none of the Directors had since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

5. COMPETING INTERESTS

As at the Latest Practicable Date, save for the Management Agreement (the details of which are disclosed on pages 39 to 43 of this circular), to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

(a) the Disposal Agreement entered into between Jiwa Development and the JW Purchaser on 12 March 2013 in relation to the proposed disposal of the entire issued share capital of the Disposal Group by the Company for a consideration of HK$512,000,000. For details of the terms and principal contents of the Disposal Agreement, please refer to the "Letter from the Board" on pages 22 to 33 of this circular;

(b) the Management Agreement entered into between the Company and Sunny Enterprise on 12 March 2013 for the provision of management services to the Group. Subject to and from the date the Management Agreement becoming unconditional and effective, the Company agrees to engage Sunny Enterprise as management service provider to provide certain management services to the Managed Companies for a period of two years. For details of the terms and principal contents of the Management Agreement, please refer to the "Letter from the Board" on pages 39 to 43 of this circular;

(c) the Property Disposal Agreement entered into between Jiwa International and Sunny Enterprise on 12 March 2013 in relation to the sale and purchase of the non-residential property located at the 2905, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong for a consideration of HK$22,000,000. For details of the terms and principal contents of the Property Disposal Agreement, please refer to the "Letter from the Board" on pages 33 to 36 of this circular;

(d) the Property Option Deed entered into between Sunny Enterprise and Tech-Medi Development Limited on 12 March 2013 in relation to an option to require Sunny Enterprise to purchase from Tech-Medi Development Limited a non-residential property located at 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong. For details of the terms and principal contents of the Property Option Deed, please refer to the "Letter from the Board" on pages 36 to 38 of this circular;

(e) the Release of TTA Guarantee, being the deed of release made among the Company, the JW Purchaser and Jida Biotech on 2 July 2013 pursuant to which the Company shall be released from all and any obligations under the TTA Guarantee, which will be assumed by the JW Purchaser;

(f) the Release of Repurchase Obligation, being (i) the deed of novation made among the Company, JW Purchaser and certain shareholders of Kunming Jida on 28 June 2013 and (ii) the amended and restated shareholder's agreement made among the Company, JW Purchaser, Jiwa Pharm, Green Grove Investment Ltd., Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming on 28 June 2013 in relation to, among others, the release of the Repurchase Obligation under the respective Shareholders' Agreements; and

(g) the Technology Transfer Agreement entered into between Base Affirm and Jida Biotech on 23 July 2012 in relation to the transfer of certain technology to a key pharmaceutical product from Base Affirm to Jida Biotech at an aggregate consideration of HK$135,400,000. For details of the terms and principal contents of the Technology Transfer Agreement, please refer to the Company's announcement dated 21 September 2012.

8. EXPERTS

The following are the qualifications of the professional advisers who have given opinions or advice which are contained in this circular:

Names	**Qualifications**
BDO Limited ("**BDO**")	Certified Public Accountants
Somerley	Licensed by the SFC for carrying out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Roma Appraisals Limited ("**Roma Appraisals**")	Independent property valuer
Quam Capital Limited ("**Quam Capital**")	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of BDO, Somerley, Roma Appraisals and Quam Capital:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 March 2013, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. CONSENTS

Haitong Capital, the financial adviser to the Offeror, and Haitang Securities, making the Offer on behalf of the Offeror, have given and have not withdrawn their consents to the publication of their names for the purpose of incorporation in this circular.

Each of BDO, Somerley, Roma Appraisals and Quam Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and letters (if any), as the case may be, and references to its name in the form and context in which they respectively appear.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Shek Man Fai, who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at Room 2904, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company, at Room 2904, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day (other than Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix;

(c) the letters of consent referred to in paragraph headed "Consents" in this Appendix;

(d) the annual reports of the Company for each of the two years ended 31 March 2013;

(e) the letter from Somerley to the Independent Board Committee and the Independent Shareholders dated 26 July 2013, the text of which is set out on pages 50 to 84 of this circular;

(f) the letter from the Independent Board Committee to the Independent Shareholders dated 26 July 2013, the text of which is set out on pages 48 to 49 of this circular;

(g) the letter from BDO on the unaudited pro forma financial information of the Remaining Group dated 26 July 2013, the text of which is set out in Appendix III to this circular;

(h) the letter from BDO on the Financial Information of the Disposal Group dated 26 July 2013, the text of which is set out in Appendix II to this circular;

(i) the letter from Quam Capital on the Financial Information of the Disposal Group dated 26 July 2013, the text of which is set out in Appendix II to this circular;

(j) the valuation report on the Property issued by Roma Appraisals dated 26 July 2013, the text of which is set out in Appendix IV to this circular;

(k) the valuation report on the Option Property issued by Roma Appraisals dated 26 July 2013, the text of which is set out in Appendix V to this circular; and

(l) a copy of this circular.

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)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Jiwa Bio-Pharm Holdings Limited (the "**Company**") will be held at Rooms 3 and 4, United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 14 August 2013 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the sale and purchase agreement dated 12 March 2013 (the "**Disposal Agreement**") entered into between the Company, through Jiwa Development Company Limited ("**Jiwa Development**") as Vendor, and Goldvault Limited (the "**JW Purchaser**") as purchaser regarding the proposed disposal of the entire issued share capital of Jiwa Pharmaceuticals Limited ("**Jiwa Pharm**") at a consideration of HK$512,000,000 (a copy of which is marked "A" and tabled before the Meeting and initialled by the chairman of the meeting for identification purposes and details of which are described in the circular of the Company dated 26 July 2013 (the "**Circular**"), a copy of which is marked "B" and tabled before the Meeting and initialled by the chairman of the meeting for identification purposes) and all transactions contemplated thereunder which constitute a special deal under Rule 25 of the Hong Kong Code on Takeovers and Merger (the "**Takeovers Code**") be hereby approved, confirmed and ratified and **THAT** any one director of the Company (a "**Director**"), or any two Directors if the affixation of the common seal is necessary, be hereby authorised to execute any other documents for and on behalf of the Company, and to sign all documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Disposal Agreement and the transactions contemplated thereunder which constitute the special deal, or deemed by him/ them to be necessary or desirable to give effect to the matters and resolutions herein resolved."

* *for identification purpose only*

2. "**THAT** the sale and purchase agreement dated 12 March 2013 (the "**Property Disposal Agreement**") entered into between Jiwa International Limited ("**Jiwa International**") as vendor and Sunny Enterprise Limited ("**Sunny Enterprise**") as purchaser in relation to the sale and purchase of a non-residential property located at the 2905, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong (the "**Property**") at a consideration of HK$22,000,000 (a copy of which is marked "C" and tabled before the Meeting and initialled by the chairman of the meeting for identification purposes and details of which are disclosed in the Circular) and all transactions contemplated thereunder which constitute a special deal under Rule 25 of the Takeovers Code be hereby approved, confirmed and ratified and **THAT** any one Director, or any two Directors if the affixation of the common seal is necessary, be hereby authorised to execute any other documents for and on behalf of the Company, and to sign all documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Property Disposal Agreement and the transactions contemplated thereunder which constitute the special deal, or deemed by him/ them to be necessary or desirable to give effect to the matters and resolutions herein resolved."

3. "**THAT** the property option deed dated 12 March 2013 (the "**Property Option Deed**") entered into between Sunny Enterprise Limited ("**Sunny Enterprise**") as grantor and Tech-Medi Development Limited as grantee ("**Tech-Medi**"), pursuant to which an option was granted to Tech-Medi, at its sole discretion, to require Sunny Enterprise to purchase from Tech-Medi a non-residential property located at the 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong (a copy of which is marked "D" and tabled before the Meeting and initialled by the chairman of the meeting for identification purposes and details of which are disclosed in the Circular) and all transactions contemplated thereunder which constitute a special deal under Rule 25 of the Takeovers Code be hereby approved, confirmed and ratified and **THAT** any one Director, or any two Directors if the affixation of the common seal is necessary, be hereby authorised to execute any other documents for and on behalf of the Company, and to sign all documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Property Option Deed and the transactions contemplated thereunder which constitute the special deal, or deemed by him/ them to be necessary or desirable to give effect to the matters and resolutions herein resolved."

4. "**THAT** the management agreement dated 12 March 2013 (the "**Management Agreement**") entered into between the Company and Sunny Enterprise Limited ("**Sunny Enterprise**") for the provision of management services to the Company and its subsidiaries by Sunny Enterprise (a copy of which is marked "E" and tabled before the Meeting and initialled by the chairman of the meeting for identification purposes and details of which are disclosed in the Circular) and all transactions contemplated thereunder which constitute a special deal under Rule 25 of the Takeovers Code be hereby approved, confirmed and ratified and **THAT** any one Director, or any two Directors if the affixation of the common seal is necessary, be hereby authorised to execute any other documents for and on behalf of the Company, and to sign all documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Management Agreement and the transactions contemplated thereunder which constitute the special deal, or deemed by him/ them to be necessary or desirable to give effect to the matters and resolutions herein resolved."

5. "**THAT** the proposed declaration and payment of Special Dividend (as defined in the circular dated 26 July 2013) be hereby approved and authorised and **THAT** the Directors be hereby authorised to effect the payment of the Special Dividend and to do all acts and things and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the payment of the Special Dividend."

By Order of the Board
Jiwa Bio-Pharm Holdings Limited
Chan Hing Ming
Executive Director and Chief Executive Officer

Hong Kong, 26 July 2013

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or if he is the holder of two or more shares, more than one person as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid.

3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.