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**JIWA BIO-PHARM HOLDINGS LIMITED**  
**積華生物醫藥控股有限公司 \***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2327)**

**MAJOR TRANSACTIONS  
RELATING TO  
PROVISION OF FINANCIAL ASSISTANCE TO  
AFFILIATED COMPANIES**

**PROVISION OF THE LOAN GUARANTEE**

On 19 March 2012, the Company (as the guarantor for the Loan), Kunming Jida (as the Loan Borrower) and the Nanyang Bank (as the Lender) entered into the Loan Agreement, pursuant to which the Company entered into the Loan Guarantee in favour of Nanyang Bank to secure 100% of the principal amount and interest payable under the Loan granted to Kunming Jida under the Loan Agreement.

**PROVISION OF THE FACILITY GUARANTEE**

At the same time, it is expected that the Company (as a guarantor for the Banking Facilities), Jiwa Int'l (as one of the Facility Borrowers), the Kunming Jida Group (as one of the Facility Borrowers only) and the seven commercial banks (collectively, referred as Facility Providers) will enter into each of the seven Facility Agreements, which are in the process of negotiation and finalisation and currently expected to be entered into among all the relevant parties thereof by end of April 2012, pursuant to which the Company as a Facility Borrower will also enter into the Facility Guarantees in favour of each of the Facility Providers to secure 100% of the aggregate facility amount and the interest payable from time to time up to the maximum extent of HK\$170.0 million under the Banking Facilities granted to the Facility Borrowers, comprising the Group together with Kunming Jida Group, under the Facility Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

For the provision of Loan Guarantee, as the applicable percentage ratios exceed 5% but are less than 25%, it constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the announcement requirement thereunder.

For the provision of Facility Guarantees, as the applicable percentage ratios exceed 25% but are less than 100%, it also constitutes a major transaction for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the announcement and shareholders' approval requirements thereunder.

However, the provision of the Loan Guarantee and the Facility Guarantees are regarded as a series of transactions in relation to the financial assistance provided by the Group to the Kunming Jida Group and therefore the Guarantees, comprising the Loan Guarantee and the Facility Guarantees, should be aggregated and regarded as one transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the applicable percentage ratios following aggregation exceed 25% but are less than 100%, the provision of Loan Guarantee in aggregation to the Facility Guarantee constitute major transactions for the Company under Chapter 14 of the Listing Rules and is conditional on the approval of the Shareholders. Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Guarantees may be obtained by written Shareholders' approval without the need of convening a general meeting.

Mr. Lau Yau Bor, being the Chairman and an executive director of the Company, is currently holding 935,832,000 Shares, of which 840,000,000 Shares are being held through LAUs Holdings Co., Ltd., the total shareholding represents approximately 58.13% of the issued share capital of the Company, as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, LAUs Holdings Co., Ltd. has issued a written shareholder's approval to approve the Guarantees and accordingly, no extraordinary general meeting will be convened by the Company to approve the Guarantees.

Furthermore, as the provision of the Guarantees by the Company also constitutes a financial assistance to affiliated companies of the Company under Rule 13.16 of the Listing Rules, and the details of which are disclosed herein in compliance with Rule 13.16 of the Listing Rules.

## **GENERAL**

A circular in relation to further details of the Guarantees is expected to be despatched to the Shareholders as soon as practicable for the Shareholders' information on or around 12 April 2012.

## **1. PROVISION OF THE LOAN GUARANTEE**

On 19 March 2012, the Company (as the guarantor for the Loan), Kunming Jida (as the Loan Borrower) and the Nanyang Bank (as the Lender) entered into the Loan Agreement, pursuant to which the Company entered into the Loan Guarantee in favour of Nanyang Bank to secure 100% of the principal amount and interest payable under the Loan granted to Kunming Jida under the Loan Agreement.

The Loan bears an interest rate of 5% per annum, which is the prevailing prime lending rate offered by the Nanyang Bank and is repayable within the subsequent 60 months immediately after the first draw down date currently expected to be in April 2012. The Loan Borrower will bear all costs and expenses directly incurred in and/or involved for the Loan Agreement.

The full amount of the Loan at HK\$117.0 million is (i) firstly secured by the landed properties currently owned by Kunming Jida with independent valuation of not less than RMB200.0 million (equivalent to approximately HK\$243.9 million) concluded by an authorised and qualified property valuer appointed by the Lender; and (ii) then further secured by the Loan Guarantee provided by the Company in favour of the Lender. The Guarantee will last for a period equivalent to the terms of the Loan under the Loan Agreement.

The purposes of the Loan are to finance the Loan Borrower's (i) repayment of existing bank loans with aggregate principal amount of approximately US\$3.75 million (equivalent to HK\$29.25 million); (ii) payment for erection of new factory buildings and the ancillary production facilities at Kunming, Yunnan Province, the PRC; and (iii) the general working capital of the Kunming Jida Group.

## **2. PROVISION OF THE FACILITY GUARANTEE**

At the same time, it is expected that the Company (as a guarantor for the Banking Facilities), Jiwa Int'l (as one of the Facility Borrowers), the Kunming Jida Group (as one of the Facility Borrowers only) and the following seven commercial banks (collectively, referred as the Facility Providers) will enter into each of the seven Facility Agreements, which are in the process of negotiation and finalisation and currently expected to be entered into among all the relevant parties thereof by end of April 2012, pursuant to which the Company as a Facility Borrower will also enter into the Facility Guarantees in favour of each of the Facility Providers to secure 100% of the aggregate facility amount and the interest payable from time to time up to the maximum extent of HK\$170.0 million under the Banking Facilities granted to the Facility Borrowers, comprising the Group together with Kunming Jida Group, under the Facility Agreements. Practically, the aggregate amount of the Banking Facilities of not more than HK\$170.0 million will be commonly shared, without limit at either side, by the Facility Borrowers for draw down among the member companies of the Group and the Kunming Jida Group from time to time; while the Company will solely provide the Facility Guarantees to

each of the Facility Providers. Details of each of the seven Facility Agreements are set out below.

<b>Date</b>	April 2012	April 2012	April 2012	April 2012	April 2012	April 2012	April 2012
<b>Facility Providers</b>	Bank of China (Hong Kong) Limited	Hang Seng Bank Limited	Nanyang Commercial Bank, Ltd.	Standard Chartered Bank (Hong Kong) Limited	The Hong Kong and Shanghai Banking Corporation	Industrial and Commercial Bank of China (Asia) Limited	興業銀行股份有限公司 (Industrial Bank Co., Ltd.)
<b>Purpose/nature of the Facilities</b>	Trade related facilities for issuing letter of credits and trust receipts etc.; and revolving loan for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and revolving loan for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and short term money demand loan for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and short term money market loan for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and short term money market loan for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and short term money market loan for general working capital	Revolving loan facilities for general working capital
<b>Maximum amount of exposure (HK\$)</b>	15,000,000	20,000,000	20,000,000	40,000,000	15,000,000	10,000,000	50,000,000
<b>Interest rates (subject to general market adjustment from time to time during the tenure)</b>	HIBOR or LIBOR plus 2.25% per annum for HK\$ or US\$ trade related facilities respectively	HK\$ prime lending rate or other currency board rate per annum for HK\$ or other currency trade related facilities respectively	HK\$ prime lending rate or US\$ prime lending rate per annum for HK\$ or US\$ trade related facilities respectively	HIBOR or LIBOR plus 2.5% per annum for HK\$ or US\$ trade related facilities respectively	HIBOR or LIBOR plus 2.0% per annum for HK\$ or US\$ trade related facilities respectively	HIBOR or LIBOR plus 2.5% per annum for HK\$ or US\$ trade related facilities respectively	One-year lending rate for RMB term loan as prescribed by The People's Bank of China, plus 30% margin
	HIBOR plus 2.25% per annum for HK\$ revolving term loan		HIBOR plus 2.5% per annum for HK\$ revolving term loan		HIBOR plus 2.25% per annum for HK\$ revolving term loan	HIBOR plus 2.75% per annum for HK\$ revolving term loan	

<b>Method of repayment</b>	All the above seven Banking Facilities are to be repaid by the Facility Borrowers during the interest period as chosen for each advance, or in full on demand by the Facility Provider						
<b>Date of maturity</b>	All the above seven Banking Facilities will be matured at end of the said interest period, or when demand is made by the Facility Provider for repayment						
<b>Security given</b>	The Facility Guarantee	The Facility Guarantee	The Facility Guarantee	The Facility Guarantee	The Facility Guarantee	The Facility Guarantee	The Facility Guarantee
	A Legal Charge over the Group's property located at Unit 2906, Tower 1, Lippo Centre, Admiralty, Hong Kong						
<b>Facilities utilised</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
as at the date of this announcement (HK\$)							

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Facility Providers and its ultimate beneficial owners are Independent Third Parties.

## INFORMATION ON KUNMING JIDA

Kunming Jida is a sino-foreign owned enterprise established under the laws of the PRC on 14 August 1993 with limited liability. As at the date of this announcement, Kunming Jida is beneficially owned as to (i) 49% by the Group; (ii) 21% by Yunnan Pharm; and (iii) 30% by certain of its employees and other Independent Third Parties. Kunming Jida is therefore a 49% owned jointly controlled entity of the Company. Kunming Jida Group is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC.

## INFORMATION ON THE GROUP

The Group is principally engaged in the research, manufacturing, sales and trading of pharmaceutical and health care products; manufacturing and sales of plants.

## REASONS FOR AND BENEFITS OF THE GUARANTEES

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

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

In view of Kunming Jida's business expansion and development plan, the Loan is advanced by the Nanyang Bank to Kunming Jida for the purpose of financing it in the (i) repayment of its existing bank loans with aggregate principal amount of approximately US\$3.75 million (equivalent to HK\$29.25 million); (ii) payment of erection of new factory buildings and the ancillary production facilities at Kunming, Yunnan Province, the PRC; and (iii) the general working capital of the Kunming Jida Group.

As a consequence of the current extremely volatile market condition and the widely anticipated adverse economic environment globally resulting from the European sovereign debt crisis so as to the tightening credit environment in the PRC and Hong Kong, Kunming Jida has been experiencing difficulty in obtaining loan financing with a satisfactory funding size at a favourable interest rate. Given the current interest rate of (i) 5% per annum offered by the Nanyang Bank to the Loan Borrower with a condition of the provision of the Loan Guarantee by the Company; and (ii) HIBOR or LIBOR plus 2.0% to 2.75% per annum respectively, as the case maybe, offered by the Facility Providers with a condition of the provision of the Facility Guarantees by the Company, the Directors consider that the provision of the Guarantees is in the interests of the Kunming Jida Group, the Group and their shareholders as a whole; while the terms of which are on normal commercial terms and fair and reasonable.

The Board believes that the Loan, at a lower cost of funding, will enhance the long-term business development and profitability of the Kunming Jida Group which in return is in line with the investment strategy of the Group to take part and develop in the manufacturing and sale of pharmaceutical products in the PRC; while the Group considers of great potential and prospect in the PRC. Since the operating and financial results of the Kunming Jida Group will be equity-accounted for in the consolidated financial statements of the Group, its possible future improved operating and financial performance could ultimately be reflected therein.

The Directors confirm that it has been a common practice in the PRC and Hong Kong that the lending banks require the provision of corporate guarantee or other forms of securities from a borrower's shareholder(s), especially in the case when no tangible assets can be pledged to the lending banks. Pursuant to the Loan Agreement, the pledged assets given by Kunming Jida consisted of certain landed properties with the net asset value at approximately RMB200.0 million as at 9 March 2012. The Directors believe that with the said landed properties provided by Kunming Jida to the Nanyang Bank as collateral in first resort, the Company itself would very unlikely expose to a significant risk for repayment of the Loan after default of repayment by Kunming Jida.

In addition, the Board has also prudently considered the potential risks involved in the entering into of the Loan Agreement as well as the Facility Agreements. In light of the fact that Kunming Jida Group is currently a 49% owned jointly controlled entity of the Company; while the Group is the single largest equity holder thereof and is accordingly able to exercise significant influence over the operating and financial policies thereof, the Board considers that the benefits of providing the Guarantees under the Loan Agreement and the Facility Agreements override the potential risks that the Company might expose to.

Given as aforesaid, the Directors consider that the Loan Agreement and Facility Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties to the Loan Agreement and the Facility Agreements, and that the terms and conditions of the Loan Agreement and Facility Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the above, the Directors are of the view that the provision of the Guarantees, comprising the Loan Guarantee and the Facility Guarantees pursuant to the Loan Agreement and the Facility Agreements respectively are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE GUARANTEES**

The Company has prudently estimated its probable financial exposure and available funding resources for the provision of the Guarantees, where necessary. The Directors confirm that the provision of the Guarantees will not pose immediate cash flow pressure on the Group. The provision of Guarantees will generate immediate handling income of HK\$2,296,000 per annum (being calculated as 0.8% of the total amount of the Guarantees), which, though not very material, would be advantageous to earnings of the Group.

The Company currently expects that there would be no material adverse impact on the Group in respect of the provision of the Guarantees, other than the immaterial transaction costs associated with the Guarantees. On such basis, the provision of the Guarantees itself, comprising the Loan Guarantee and the Facility Guarantees, pursuant to the Loan Agreement and the Facility Agreements respectively will have no material adverse impact on the earnings, cash flow and financial position of the Group. The Directors currently expect that the provision of Guarantees would ultimately

and effectively enhance the return and value of the Group's investment in Kunming Jida, but the quantification of such impact will depend on the future performance of the Kunming Jida Group in the longer term.

The Guarantees will become contingent liabilities of the Group. The maximum exposure under the Guarantees represents approximately 27.0% of the total assets of the Group as at 30 September 2011 based on the Company's interim report for the six months ended 30 September 2011. Given the fact that Kunming Jida is a 49% owned jointly controlled entity of the Company where it can exercise significant influence over the operating and financial policies thereof, the Directors consider that the realisation of the contingent liabilities would be remote, after taking into account the operating performance and financial position of the Kunming Jida Group, and the long-term business prospects of the pharmaceutical industry.

## **IMPLICATIONS UNDER THE LISTING RULES**

For the provision of Loan Guarantee, as the applicable percentage ratios exceed 5% but are less than 25%, it constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the announcement requirement thereunder.

For the provision of Facility Guarantees, as the applicable percentage ratios exceed 25% but are less than 100%, it also constitutes a major transaction for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the announcement and shareholders' approval requirements thereunder.

However, the provision of the Loan Guarantee and the Facility Guarantees are regarded as a series of transactions in relation to the financial assistance provided by the Group to the Kunming Jida Group and therefore the Guarantees, comprising the Loan Guarantee and the Facility Guarantees, should be aggregated and regarded as one transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As the applicable percentage ratios following aggregation exceed 25% but are less than 100%, the provision of Loan Guarantee in aggregation to the Facility Guarantee constitute major transactions for the Company under Chapter 14 of the Listing Rules and is conditional on the approval of the Shareholders. Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Guarantees may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Guarantees; and (ii) written approval has been obtained from one or a closely allied group of shareholders who together hold more than 50% in nominal value of the issued share capital of the Company having the right to attend and vote at general meetings.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interests in the Guarantees. As such, no Shareholder would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Guarantees.

Mr. Lau Yau Bor, being the Chairman and an executive director of the Company, is currently holding 935,832,000 Shares, of which 840,000,000 Shares are being held through LAUs Holdings Co., Ltd., the total shareholding represents approximately 58.13% of the issued share capital of the Company, as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, LAUs Holdings Co., Ltd. has issued a written shareholder's approval to approve the Guarantees and accordingly, no extraordinary general meeting will be convened by the Company to approve the Guarantees.

Furthermore, as the provision of the Guarantees by the Company also constitutes a financial assistance to affiliated companies of the Company under Rule 13.16 of the Listing Rules, and the details of which are disclosed herein in compliance with Rule 13.16 of the Listing Rules.

## **GENERAL**

A circular in relation to further details of the Guarantees is expected to be despatched to the Shareholders as soon as practicable for the Shareholders' information on or around 12 April 2012.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Banking Facility(ies)”	the banking facilities in an aggregate principal amount of not more than HK\$170.0 million granted and/or to be granted by the Facility Providers to the Facility Borrower(s) pursuant to the Facility Agreements
“Board”	the board of Directors
“Company”	Jiwa Bio-Pharm Holdings Limited (Stock Code: 2327), a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Facility Agreement(s)”	each of the seven facility agreements currently expected to be dated before 30 April 2012 entered into by the Company, the Facility Borrowers and each of the Facility Providers whereby the Company provided the Facility Guarantee to each of them

“Facility Borrower(s)”	the Company, Kunming Jida and/or any of their subsidiaries to be formed from time to time and be granted the Banking Facilities pursuant to each of the Facility Agreements
“Facility Guarantee(s)”	the corporate guarantee(s) to be provided by the Company in respect of the Banking Facilities in favour of each of the Facility Providers under each of the Facility Agreements
“Facility Providers”	collectively, the following seven licensed commercial banks in Hong Kong and/or the PRC providing the Banking Facilities to the Facility Borrower(s) pursuant to each of the seven Facility Agreements separately in accordance with relevant terms and conditions set out therein:
	<ol style="list-style-type: none"> <li>1. Bank of China (Hong Kong) Limited,</li> <li>2. Hang Seng Bank Limited,</li> <li>3. Nanyang Commercial Bank, Ltd.,</li> <li>4. Standard Chartered Bank (Hong Kong) Limited,</li> <li>5. The Hong Kong and Shanghai Banking Corporation Limited,</li> <li>6. Industrial and Commercial Bank of China (Asia) Limited, and</li> <li>7. 興業銀行股份有限公司 (Industrial Bank Co., Ltd.)</li> </ol>
“Group”	the Company and its subsidiaries
“Guarantees”	collectively, the Loan Guarantee and the Facility Guarantee
“HIBOR”	Hong Kong Inter-bank Offered Rate
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the Company or any of its subsidiaries or the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or any of their respective associates
“Jiwa Int’l”	Jiwa International Limited, a company incorporated in Hong Kong with limited liability on 16 October 1987 and a wholly-owned subsidiary of the Company and is principally engaged in the trading of pharmaceutical products

“Kunming Jida” or “Loan Borrower”	昆明積大製藥有限公司 (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 the Group; (ii) 21% by Yunnan Pharm; and (iii) 30% by certain of its employees and other Independent Third Parties
“Kunming Jida Group”	Kunming Jida and its subsidiaries
“Lender” or “Nanyang Bank”	Nanyang Commercial Bank, Ltd., a licensed commercial bank in Hong Kong
“LIBOR”	London Inter-bank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in a sum of HK\$117.0 million made by Nanyang Bank to Kunming Jida Group under the Loan Agreement
“Loan Agreement”	the loan agreement dated 19 March 2012 entered into among the Company, Kunming Jida and Nanyang Bank in relation to the Loan
“Loan Guarantee”	the irrevocable corporate guarantee to be given by the Company in respect of the Loan pursuant to the Loan Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the existing share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America

“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 currently holding 21% equity interest in Kunming Jida as at the date of this announcement

“%”

per cent.

\* The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

*For the purpose of illustration only, amounts denominated in RMB and US\$ in this announcement have been translated into HK\$ at the rates of RMB0.82 = HK\$1 and US\$1.00 = HK\$7.80. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

By order of the Board

**Jiwa Bio-Pharm Holdings Limited**

**Lau Kin Tung**

*Vice Chairman and Executive Director*

Hong Kong, 19 March 2012

*As at the date of this announcement, the executive Directors are Mr. Lau Yau Bor, Mr. Lau Kin Tung and Madam Chan Hing Ming; and the independent non-executive Directors are Mr. Chiu Wai Piu, Mr. Choy Ping Sheung and Mr. Fung Tze Wa.*

*This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website for at least seven days from the day of its posting and on the website of the Company at [www.jiwa.com.hk](http://www.jiwa.com.hk).*