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**If you have sold or transferred** all your shares in Jiwa Bio-Pharm Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **JIWA BIO-PHARM HOLDINGS LIMITED**

**積華生物醫藥控股有限公司<sup>\*</sup>**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2327)**

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

**Financial adviser to the Company**



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## DEFINITIONS

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*In this circular, 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

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## DEFINITIONS

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“Facility Providers”	<p>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:</p> <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

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## DEFINITIONS

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“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
“Latest Practicable Date”	20 April 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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 circular, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“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 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 and US\$ in this circular 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.*



**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*)

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Mr. Chiu Wai Piu

Mr. Choy Ping Sheung

Mr. Fung Tze Wa

*Head office and principal place  
of business in Hong Kong:*

2906, Tower One

Lippo Centre

89 Queensway

Central

Hong Kong

23 April 2012

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the announcement of the Company dated 19 March 2012 in respect of, the provision of the Guarantees comprising the Loan Guarantee and the Facility Guarantee, pursuant to the Loan Agreement and the Facility Agreements respectively.

The purpose of this circular is to provide you with (i) details regarding the Guarantees comprising the Loan Guarantee and the Facility Guarantee; and (ii) other information as required by the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 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



## LETTER FROM THE BOARD

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.

Date	: April 2012	April 2012	April 2012	April 2012	April 2012	April 2012	April 2012
Facility Providers	: 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 Limited	Industrial and Commercial Bank of China (Asia) Limited	興業銀行股份有限公司 (Industrial Bank Co., Ltd.)
Purpose/nature of the Facilities	: 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 revolving demand loan for general working capital	Trade related finance 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 revolving loan facilities for general working capital	Trade related facilities for issuing letter of credits and trust receipts etc.; and revolving loan facilities for general working capital	Revolving loan facilities for general working capital.
Maximum amount of exposure (HK\$)	: 15,000,000	20,000,000	20,000,000	40,000,000	15,000,000	10,000,000	50,000,000
Interest rates (subject to general market adjustment from time to time during the tenure)	: 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 finance 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	

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## LETTER FROM THE BOARD

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<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 as at the Latest Practicable Date (HK\$)</b>	: Nil	Nil	Nil	Nil	Nil	Nil	Nil

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 Latest Practicable Date, 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.

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

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

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date, 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. Kunming Jida's new key products are being entered into the fast growing phase, its core market is targeted at hospitals of the county level or above in the PRC, Kunming Jida will forcefully step up the marketing capability for the key hospitals in order to speed up its market expansion. During the recent years, Kunming Jida has proactively explored the international market; and the export sales of cephalosporin antibiotic products and reduced glutathione for injection to the ASEAN market have continued to grow. Kunming Jida has also started to work on registration of the pharmaceutical bulk products in India, Taiwan, Brazil and Turkey. 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

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## LETTER FROM THE BOARD

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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.

During the course of negotiation with the Lender and Facility Providers, the Company has been requested to provide corporate guarantees in favour of each of them because of its listing status on the Main Board of the Stock Exchange. Other than Industrial Bank Co., Ltd., all the other six Facility Providers (including Nanyang Bank as the Lender) are licensed banks in Hong Kong which generally do not accept corporate guarantees or personal guarantees to be provided by other equity holders of Kunming Jida on the grounds that Yunnan Pharm is a domestic enterprise in the PRC, while the other equity holders comprise a US private equity fund and some other individuals. Such individual equity holders are generally regarded as having relatively unsound financial background when compared to that of the Company. Notwithstanding such facts, according to the Facility Agreements, Jiwa Int'l (i.e. being one of the Facility Borrowers and a wholly-owned subsidiary of the Group principally engaged in the trading of pharmaceutical products), will also be eligible for utilising the aggregate amount of the Banking Facilities up to the

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## LETTER FROM THE BOARD

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maximum of HK\$170.0 million, because which 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. Based on the above, the Board considered that the Company's provision for a 100% corporate guarantee over the Loan and the Banking Facilities is appropriate and justifiable for the mutual benefits of the Group and Kunming Jida Group; while it is currently estimated that the Banking Facilities will be utilised by the Group itself frequently during their tenure.

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 is fair and reasonable and in the interests of the Company and the Shareholders as a whole, even though the Company provides for a 100% corporate guarantee over the Loan and the Banking Facilities which is not proportionate to its equity holding of 49% in Kunming Jida Group.

### 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.

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## LETTER FROM THE BOARD

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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 Guarantees 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 Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, LAUs Holdings Co., Ltd. has issued a written shareholder's approval on 16 March 2012 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.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information in respect of the Company set out in the appendices to this circular.

Yours faithfully,

For and on behalf of the Board

**Jiwa Bio-Pharm Holdings Limited**

**Lau Kin Tung**

*Vice Chairman and Executive Director*

**1. FINANCIAL INFORMATION**

Details of the financial information of the Group for each of the three financial years ended 31 March 2011 respectively and for the six months ended 30 September 2011 have been set out in the Company's annual reports for each of the three financial years ended 31 March 2011 and its interim report for the six months ended 30 September 2011 dated 22 June 2009, 16 July 2010, 24 June 2011 and 24 November 2011 respectively. All of these financial statements have been published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.jiwa.com.hk](http://www.jiwa.com.hk).

**2. FINANCIAL EFFECT OF THE GUARANTEES****Earnings**

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.

**Assets and liabilities**

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.

### **3. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

Following completion of the Group's structural re-organisation and a deemed disposal of 21% equity interest in Kunming Jida in early 2011 with net cash proceeds generated therefrom amounted to over HK\$200 million, the Group has been actively working on various investment projects during the year with an aim to materialise multi-directional development and boost shareholders' return. Meanwhile, the Group's profit was still mainly derived from its core existing business of trading of pharmaceutical products and share of profit with Kunming Jida Group. During the year, the Group's trading of pharmaceutical products has been operating profitably.

In the Group's aggressive pursuit for a diversified business development and investment opportunities, the management is committed to capitalise existing investment opportunities and market trends, riding on its profound understanding of the PRC economy and culture as well as its experience in the operation of the capital market. The Group will devote more resources in business expansion, looking for investment projects with high potentials on the premise of effective risk control. The Group has identified some opportunities and is in discussion for various possible acquisitions and investments, but all of which are still at their preliminary stages.

Despite Kunming Jida Group becoming a jointly controlled entity of the Company following the said structural re-organisation, as its single largest equity holder with 49% equity holding therein, the Group will push for its listing plan on a stock exchange of the PRC. Meanwhile, in order to boost satisfactory return generated from pharmaceutical projects, the Group will continue to optimise the resource allocation for pharmaceutical projects and further materialise its actual value through the listing plan of Kunming Jida Group.

Looking ahead to the Twelfth Five-Year Planning promulgated by the PRC Government recently, she will implement various measures to further promote the New Medical Reform and input immense resources to continuously enhance the medical benefits for the low-protection group of the new agricultural cooperation and inhabitants of cities and towns. With the initiation and implementation of the New Medical Reform by the PRC Government, it is expected that the demand for the Group's trading of pharmaceutical products will continue to grow in the PRC market.

**4. INDEBTEDNESS**

As at the close of business on 29 February 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had secured and unsecured bank borrowings of approximately HK\$244.1 million and HK\$16.0 million respectively. The secured bank borrowings are secured by bank deposits, other financial assets and a mortgage over the Group's leasehold land and buildings with carrying amounts in aggregate of approximately HK\$241.4 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 29 February 2012, 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 or finance lease commitments, guarantees or other material contingent liabilities.

**5. WORKING CAPITAL**

The Directors are of the opinion that in the absence of unforeseeable circumstances, taking into account of the internal resources of the Group and the available banking facilities, the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

**6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the latest audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

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

(a) Long Positions in Shares and underlying Shares

Name of Directors	Personal interests	Family interests	Corporate interests	Total number of Shares held	Interest in underlying shares pursuant to share options	Aggregate interest	% of total issued shares
Lau Yau Bor	95,832,000 (Note 1)	116,712,000 (Note 2)	840,000,000 (Note 4)	1,052,544,000	—	1,052,544,000	65.38%
Lau Kin Tung	—	—	105,000,000 (Note 5)	105,000,000	30,000,000	135,000,000	6.52%
Chan Hing Ming	41,712,000 (Note 1)	935,832,000 (Note 3)	75,000,000 (Note 6)	1,052,544,000	—	1,052,544,000	65.38%

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 Chan Hing Ming, the spouse of Lau Yau Bor, 41,712,000 Shares are held by 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 Lau Yau Bor, the spouse of Chan Hing Ming, 95,832,000 Shares are held by 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 Lau Yau Bor.
- 5. These Shares are held by WHYS Holding Co. Ltd., the entire issued share capital of which is held by Lau Kin Tung.
- 6. These Shares are held by MINGS Development Holdings Limited, the entire issued share capital of which is held by Chan Hing Ming.

(b) Interest in options to subscribe for Shares

Pursuant to the Company’s share option scheme, the Company has granted to certain Directors options to subscribe for Shares, details of such options outstanding as at the Latest Practicable Date were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price	Number of	Approximate
				Shares subject to outstanding options as at the Latest Practicable Date	percentage of the issued share capital of the Company as at the Latest Practicable Date
Lau Kin Tung	14 April 2008	14 April 2008 to 13 April 2013	0.18	15,000,000	0.93%
Lau Kin Tung	19 October 2010	19 October 2010 to 18 October 2015	0.58	15,000,000	0.93%

(c) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following person (other than the directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as at the Latest Practicable Date which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

*Interests in issued Shares*

Name of substantial shareholders	Capacity	Total interests	Approximate percentage of total issued shares
LAUs Holdings Co. Ltd.	Beneficial owner	840,000,000	52.17%
WHYS Holding Co. Ltd.	Beneficial owner	105,000,000	6.52%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange, and none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of his/her associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed pursuant to rule 8.10 of the Listing Rules other than those businesses to which the Directors were appointed to represent the interests of the Company and/or the Group.

**6. MATERIAL CONTRACTS**

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

- (a) the capital injection agreement dated 16 February 2011 entered into between, among others, the Company and Green Grove Investment Ltd in relation to the investment of RMB183,710,000 by Green Grove Investment Ltd. for a 20% equity interest in Kunming Jida;
- (b) the capital injection agreement dated 16 February 2011 entered into between, among others, the Company, Panda BT Limited, Mr. Yang Jian Xin and Mr. Li Hong Xiang in relation to the investment of RMB50,070,000, RMB23,210,000 and RMB18,570,000 by each of Panda BT Limited, Mr. Yang Jian Xin and Mr. Li Hong Xiang for a 5.5%, 2.5% and 2.0% equity interest in Kunming Jida, respectively;

- (c) the shareholder agreement dated 16 February 2011 entered into between, among others, the Company, Jiwa Pharmaceuticals Limited and Green Grove Investment Ltd. regulating, among others, the repurchase obligations of the Company with respect to the relevant investor's interest in Kunming Jida if Kunming Jida does not achieve a listing within 48 months after the completion of the capital injection;
- (d) the shareholder agreement dated 16 February 2011 entered into between, among others, the Company, Jiwa Pharm, Panda, Mr. Yang Jian Xin and Mr. Li Hong Xiang regulating, among others, the repurchase obligations of the Company with respect to the relevant investor's interest in Kunming Jida if Kunming Jida does not achieve a listing within 48 months after the completion of the capital injection;
- (e) the agreement dated 16 February 2011 entered into among the Company, Jiwa Rintech Holdings Limited, Kunming Jida and 江蘇積華靈大製藥有限公司 (Jiangsu Jiwa Rintech Pharmaceutical Company Limited) ("Jiangsu Jiwa") in relation to the disposal of the 100% equity interest in Jiangsu Jiwa by the Company to the Kunming Jida; and
- (f) the agreement dated 16 February 2011 entered into among the Company, Jiwa Pharm & Chemicals Limited ("Jiwa P&C"), Kunming Jida and 雲南積華醫藥物流有限公司 (Yunnan Jiwa Pharm Logistics Company Limited) ("Yunnan Jiwa") in relation to the disposal of 93% effective equity interest owned by Jiwa P&C in Yunnan Jiwa by the Group to the Kunming Jida.

## 7. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2011 (being the date to which the latest published audited accounts of the Company were made up), 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.

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement which is significant in relation to the business of the Group.

**8. GENERAL**

- (a) The secretary of the Company is Ms. Yue Pui Kwan, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England.
- (b) The registered office of the Company is at Clarendon house, 2 Church Street, Hamilton HM11, Bermuda; while the principal place of business of the Company in Hong Kong is 2906, Tower One, Lippo Centre, 89 Queensway, Central.
- (c) The Hong Kong branch share transfer office of the Company is Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of the Company at 2906, Tower One, Lippo Centre, 89 Queensway, Central, Hong Kong during normal business hours on any business day up to and including 7 May 2012:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the annual reports of the Company for the two financial years ended 31 March 2011; and
- (d) this circular.