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WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED

武夷國際藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1889)

DISCLOSEABLE TRANSACTION:

FORMATION OF JV COMPANY AND PROVISION OF FINANCIAL ASSISTANCE

The Board is pleased to announce that, on 4 November 2016, Fuzhou Sanai, a wholly-owned subsidiary of the Company entered into the Cooperation Agreement with Huifeng in respect of, among others, the formation of the JV Company, the provision of Financial Assistance and the cooperation regarding the planting, processing, production and sales of Perillas and Perilla seeds. The JV Company will be principally engaged in the planting, processing, production and sales of Perillas and Perilla seeds based in Antu County of Jiling Province of the PRC. Pursuant to the Cooperation Agreement, following the formation of the JV Company, the Parties undertake to provide shareholders' loans to the JV Company in an aggregate sum of approximately RMB306,900,000 (exclusive of the Capital Commitment).

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Commitment and the Financial Assistance pursuant to the Cooperation Agreement (on an aggregate basis) are more than 5% but less than 25%, the formation of the JV Company and the provision of Financial Assistance contemplated (on an aggregate basis) under the Cooperation Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are summarized below:

Date: 4 November 2016

Parties: (1) Huifeng, a company established in the PRC with limited liability and is principally engaged in the planting, processing and sales of Changbaishan Ginseng and corn drying; and

(2) Fuzhou Sanai, a wholly-owned subsidiary of the Company established in the PRC with limited liability and is principally engaged in the development, manufacturing, marketing and sales of pharmaceutical products.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Huifeng and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons.

Subject matter

Pursuant to the Cooperation Agreement, Fuzhou Sanai and Huifeng agree to form the JV Company to invest in the sales and plantation of Perillas and Perilla seeds and its processed products. The Parties intend to plant and sell Perillas and Perilla seeds yielded from plantation base with a site area of 6,000 hectares based in Antu County of Jiling Province of the PRC in the first year, and to subsequently increase the scale of plantation and sale of Perillas and Perilla seeds yielded from plantation base up to 10,000 hectares in three years (the “**Project**”). The Parties may also invest in the construction of productive enterprises for in-depth processing of Perillas and Perilla oil during the second or the third year of cultivation in the future.

Capital commitment and provision of Financial Assistance

The JV Company is a limited company established in the PRC and is held as to 51% by Huifeng and 49% by Fuzhou Sanai. The total registered capital of the JV Company is RMB10,000,000, of which Huifeng and Fuzhou Sanai shall contribute 51% (representing RMB5,100,000) and 49% (representing RMB4,900,000, the “**Capital Commitment**”) in cash respectively.

Pursuant to the Cooperation Agreement, following the formation of the JV Company, the Parties undertake to provide shareholders' loans to the JV Company in an aggregate sum of approximately RMB306,900,000 (exclusive of the Capital Commitment) for the purpose of financing the Project. Huifeng and Fuzhou Sanai shall advance RMB117,300,000 and RMB112,700,000 in cash respectively. According to the mutual understanding of the Parties, such loans to be advanced to the JV Company shall be unsecured, have no fixed repayment date and are interest-free. Apart from the above, the JV Company shall raise RMB76,900,000 by bank facilities to finance the Project.

As at the date of this Announcement, Fuzhou Sanai has fulfilled its part on the Capital Commitment and made a contribution of RMB4,900,000 to the JV Company and Fuzhou Sanai has also advanced a loan in the sum of RMB89,915,000 to the JV Company. Save as disclosed, the Directors confirmed that the exact time and the exact amount of the remaining Financial Assistance to be advanced will be determined by Huifeng and Fuzhou Sanai jointly based on the actual situation, upon determination of the same, the Company will comply with the applicable requirements under the Listing Rules.

The amounts of the Capital Commitment and the Financial Assistance were determined after arm's length negotiation between the Parties with reference to the expected initial capital requirements of the JV Company and the capital contribution intentions of the Parties.

The Capital Commitment and the Financial Assistance have been/will be funded by internal resources of the Group.

Scope of business

Pursuant to the business licence of the JV Company, the JV Company is permitted to sell and plant Chinese herbal medicine. The JV Company will be principally engaged in the planting, processing, production and sales of Perillas and Perilla seeds based in Antu County of Jiling Province of the PRC.

Huifeng will be responsible for constructing the plantation base, growing herbs, managing the growing of herbs and quality control while both Parties will attend to the supervision and pricing on the acquisition of Perillas and/or Perilla seeds.

Fuzhou Sanai shall have the priority to acquire the Perilla seeds from the JV Company based on the lowest price available in the market. Fuzhou Sanai can elect to acquire Perilla seeds directly from farmer(s) growing Perilla seeds, subject to a payment to the JV Company a sum of no less than 10% of the consideration involved, or a sum as Parties may otherwise agree, in return of services rendered by the JV Company to line up Fuzhou Sanai and the farmer(s).

Management and board composition

The JV Company will be managed by its board of directors which will consist of 5 directors, 3 of whom will be nominated by Huifeng and the remaining 2 directors will be nominated by Fuzhou Sanai.

The chairman and the vice-general manager will be nominated by Huifeng while the general manager will be nominated by Fuzhou Sanai.

Undertaking

The Parties undertake not to participate in any acts which will compete with the operation engaged in by the JV Company.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the development, manufacturing, marketing and sales of pharmaceutical products.

Established in 2008, Huifeng is experienced in the planting, processing and sales of Changbaishan Ginseng and corn drying. Based in Antu County of Jiling Province, the PRC, Huifeng also has a good understanding of the environment for Chinese herbal medicine growing in that area, including the climate and the farmers, etc.

Perilla Oil Capsule has long been the key product of the Group and Perilla is the raw material for producing it. As mentioned in the 2016 interim report of the Company, the Company has been exploring to build a plantation base in collaboration with experienced enterprises on areas which are suitable for the growth of Perillas. The transactions under the Cooperation Agreement will enable Huifeng and Fuzhou Sanai to collaborate their respective knowledge, resources, technologies and sales channels in the development, manufacturing and sale of Perillas on a suitable area and allow the Group to leverage Huifeng's technical expertise on Chinese herbal medicine growing and management. By establishing the JV Company to invest in the Perilla plantation base, the Group can have better control over the quality, lower the procurement cost and enjoy stable supply of the Perilla seeds for its production of Perilla Oil Capsule in response to the future enormous market demand and the potential market capability. The Board also believes that the entering into of the Cooperation Agreement is in line with the long-term business plan of the Group, allows the Group to advance in the areas of high-quality Chinese medicine production and matches an industry supported by the PRC at a relatively low risk.

The Board considers that the provision of the Financial Assistance will facilitate the development of the business of the JV Company, which the Board believes will allow the Group to capture the enormous market demand and the potential market capability of Perillas.

After considering the abovementioned reasons and benefits, the Directors (including the non-executive Directors) are of the view that the terms of the Cooperation Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The formation of the JV Company and the provision of Financial Assistance should be aggregate under Rule 14.22 of the Listing Rules as they are related to one single project, involve the same parties and their terms are both set out in the Cooperation Agreement.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Commitment and the Financial Assistance pursuant to the Cooperation Agreement (on an aggregate basis) are more than 5% but less than 25%, the formation of the JV Company and the provision of Financial Assistance contemplated (on an aggregate basis) under the Cooperation Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Under the Listing Rules, the transactions contemplated under the Cooperation Agreement should have been announced on the date of its signing. Due to inadvertent oversight, the Directors had not timely published the announcement relating to the transactions contemplated under the Cooperation Agreement. Accordingly, the Company was in non-compliance with the reporting and announcement requirements at the material time. The Company wishes to state that this is an unintentional non-compliance with the Listing Rules and intends to improve its internal control measures by arranging periodic training session to be conducted to promote a better understanding of the Listing Rules amongst all Directors and senior management members of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Wuyi International Pharmaceutical Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 1889)
“Cooperation Agreement”	the cooperation agreement dated 4 November 2016 entered into between Huifeng and Fuzhou Sanai in relation to, among others, the establishment of the JV Company, the provision of Financial Assistance and the cooperation on the investment in the sales and plantation of Perillas and Perilla seeds
“Director(s)”	the director(s) of the Company
“Financial Assistance”	the shareholder's loan to be advanced to the JV Company by Fuzhou Sanai in the sum of approximately RMB112,700,000 for the purpose of financing the Project pursuant to the Cooperation Agreement

“Fuzhou Sanai”	Fuzhou Sanai Pharmaceutical Company Limited* (福州三愛藥業有限公司), a company with limited liability established in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Huifeng”	Antu County Huifeng Agricultural Trade Company Limited* (安圖縣匯豐農貿有限公司), a company established in the PRC with limited liability
“JV Company”	a company established in the PRC with limited liability in accordance with the Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Cooperation Agreement, being Huifeng and Fuzhou Sanai, and “Party” shall mean any of them
“PRC”	the People’s Republic of China and for the sole purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Wuyi International Pharmaceutical Company Limited
Lin Ou Wen
Chairman and Chief Executive Officer

Hong Kong, 23 January 2017

As at the date of this announcement, the Board comprises 2 Executive Directors, namely, Mr. Lin Ou Wen (Chairman) and Mr. Lin Min, and 3 Independent Non-executive Directors, namely, Mr. Zhang Jie, Mr. Zhang Xue Wen and Mr. Wu Cheng Han.

* *for identification purposes only*