

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

**MANAGEMENT AND OPERATION AGREEMENT
AND
PURCHASE AGREEMENT**

On 20 February 2014, Joy Best, a wholly owned subsidiary of the Company, entered into the Management and Operation Agreement, and Wuyi Hong Kong, a wholly owned subsidiary of the Company, entered into the Purchase Agreement respectively with PGMC, the terms of which are from 1 April 2014 to 31 December 2016.

The annual caps of the continuing connected transactions contemplated under the Management and Operation Agreement are estimated to be HK\$177.5 million for each of the nine months ending 31 December 2014 and the two years ending 31 December 2015 and 2016. The annual caps of the continuing connected transactions contemplated under the Purchase Agreement are estimated to be HK\$670.8 million for each of the nine months ending 31 December 2014 and the two years ending 31 December 2015 and 2016.

As Mr. Lin Ou Wen is the controlling shareholder of both the Company and PGMC, PGMC is therefore a connected person of the Company. The transactions contemplated under the Agreements shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) for each of the Agreements exceed 5%, the transactions contemplated under the Agreements will be subject to, among other things, the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, particulars of the Agreements, a letter from the Independent Board Committee, a letter from the independent financial adviser and a notice of EGM will be despatched to the Shareholders on or before 14 March 2014.

BACKGROUND

On 20 February 2014, Joy Best entered into the Management and Operation Agreement and Wuyi Hong Kong entered into the Purchase Agreement respectively with PGMC. Particulars of the Agreements are set out below:

THE MANAGEMENT AND OPERATION AGREEMENT

(i) Particulars of the Management and Operation Agreement

Date : 20 February 2014

Parties : Joy Best as the services provider
PGMC as the services recipient

Subject matter : Joy Best agreed to provide PGMC with operational consultation and management services (including overseeing the daily management and operation of PGMC Mine, assignment of management staffs, providing vocational trainings and technical support) with regard to PGMC's business operations in accordance with the provisions of the Management and Operation Agreement. Except with the prior written consent from Joy Best, PGMC shall not accept operational consultation and management services of the same or similar nature from third parties.

(ii) Material terms

Term : From 1 April 2014 to 31 December 2016. Subject to compliance with the Listing Rules, such term is extendable upon written confirmation between Joy Best and PGMC. The extension period shall be three years or any other time period agreed upon by both parties.

Consideration : Management Service Fee payable by PGMC under the Management and Operation Agreement shall be determined with reference to PGMC's Annual Production Volume (calculated in tons):

Annual Production Volume	Management Service Fee
First 4,500,000 tons	USD 3.00 per ton
4,500,001 tons - 6,000,000 tons	USD 3.50 per ton
Over 6,000,000 tons	USD 4.00 per ton

Pursuant to the Management and Operation Agreement, PGMC shall assess and advise the amount of the Management Service Fee on a quarterly basis annually:

Assessment period ^(Note)	Date of assessment
1 January to 31 March	31 March
1 April to 30 June	30 June
1 July to 30 September	30 September
1 October to 31 December	31 December

Note: Normal operation of the PGMC Mine runs from April to end of December every year.

After parties confirm the amount, the Management Service Fee shall be settled by PGMC by way of wire transfer within 2 months after the date of assessment.

The Management Service Fee was determined on an arm's length basis between the Group and PGMC.

PROPOSED ANNUAL CAPS

The annual caps of the continuing connected transactions contemplated under the Management and Operation Agreement for the two years and nine months ending 31 December 2016 are estimated to be as follows:

	Nine months ending 31 December 2014 (HK\$ millions)	Year ending 31 December 2015 (HK\$ millions)	Year ending 31 December 2016 (HK\$ millions)
Annual Management Service Fee payable by PGMC to Joy Best	177.5 ^(Note)	177.5	177.5

Note: Normal operation of the PGMC Mine runs from April to end of December every year.

The above annual caps are determined with reference to the cost of the mining management team of the Company, existing production capacity of PGMC Mine, estimated increase in nickel production and cost savings by PGMC upon entering into the Management and Operation Agreement.

THE PURCHASE AGREEMENT

(i) Particulars of the Purchase Agreement

Date :	20 February 2014
Parties :	Wuyi Hong Kong as the purchaser PGMC as the vendor
Subject matter :	PGMC agreed to sell and Wuyi Hong Kong and/or its wholly owned subsidiaries agreed to purchase PGMC's Products in accordance with the provisions of the Purchase Agreement.

(ii) Material terms

Term :	From 1 April 2014 to 31 December 2016. Subject to compliance with the Listing Rules, such term is extendable upon written confirmation between Wuyi Hong Kong and PGMC. The extension period shall be three years or any other time period agreed upon by both parties.
Consideration :	The Product Price shall be determined with reference to the then current market price, and in any event shall be USD 3.00 per ton lower than the average monthly product price of the laterite nickel ore as quoted on the Shanghai Metals Market. Such Product Price was determined on an arm's length basis between the Group and PGMC.

Pursuant to the Purchase Agreement, the Product Price, settlement method, time limit and other expenses shall be determined by separate purchase order(s) and/ or agreement(s) to be entered into between Wuyi Hong Kong and/or its wholly owned subsidiaries and PGMC. Wuyi Hong Kong is however not obligated to purchase from PGMC nor is PGMC obligated to sell its products to Wuyi Hong Kong. The Purchase Agreement also does not restrict Wuyi Hong Kong from purchasing such products from other third parties.

PROPOSED ANNUAL CAPS

The annual caps of the continuing connected transactions contemplated under the Purchase Agreement for the two years and nine months ending 31 December 2016 are estimated to be as follows:

	Nine months ending 31 December 2014 (HK\$ millions)	Year ending 31 December 2015 (HK\$ millions)	Year ending 31 December 2016 (HK\$ millions)
Annual payment payable by Wuyi Hong Kong and/or its wholly owned subsidiaries to PGMC	670.8 (equivalent to approximately USD86.0 million) ^(Note)	670.8 (equivalent to approximately USD86.0 million)	670.8 (equivalent to approximately USD86.0 million)

Note: Normal operation of the PGMC Mine runs from April to end of December every year.

The above annual caps are determined with reference to the anticipated quantity of PGMC's Products to be purchased by Wuyi Hong Kong and/or its wholly owned subsidiaries and the estimated market price of laterite nickel ore.

REASONS AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Company, which has been listed on the main board of the Stock Exchange since 1 February 2007, is a vertically integrated specialty pharmaceutical group focused on manufacturing, marketing, and selling its branded prescription and over-the-counter western pharmaceuticals and modern Chinese medicine products, including modern Chinese medicine injectibles, for the Chinese market. Whilst it is the current intention of the Group to continue with its existing pharmaceutical business, the Group has witnessed increasing market challenges in recent years due to factors including structural adjustment in the industry and intense market competition. As a result, profit attributable to owners of the Company for the six months ended 30 June 2013 decreased to approximately RMB3.8 million (unaudited) as compared to approximately RMB30.5 million (unaudited) for the six months ended 30 June 2012, and loss attributable to owners for the year ended 31 December 2012 decreased to approximately RMB44.5 million (audited) as compared to RMB56.9 (audited) profit attributable to owners for the year ended 31 December 2011. In order to increase diversity of the Group's revenue stream and to improve the Group's financial performance, the Group has been actively evaluating alternative business opportunities, in addition to increasing the Group's competitiveness in the pharmaceutical industry. In February 2014, the Group assembled a team of management personnel with considerable experience in the management of mining projects and trading of metal products to prepare for the Group's foray into the mining industry.

In relation to the Management and Operation Agreement

By entering into the Management and Operation Agreement, the Company is able to leverage on the expertise of the mining management team that it has assembled to provide management and consultancy services to PGMC in order to increase PGMC's production efficiency, achieve economies of scale and lower production costs. The Group estimates that production volume has the capacity to increase to approximately 7.0 million tons per annum from the existing 4.5 million tons being produced in 2013. As such, should the production capacity of PGMC increase, the Group would stand to benefit from rising management fees as set out in the section headed "Management and Operation Agreement".

In relation to the Purchase Agreement

The management team assembled by the Group also possesses considerable experience in the sales and trading of metal products in PRC and Asia and therefore the Group considered that it is uniquely placed to also enter into the Purchase Agreement with PGMC. By entering into the Purchase Agreement, Wuyi Hong Kong and its wholly owned subsidiaries will be able to purchase PGMC's Products at a relatively attractive price, while utilizing the Group's new marketing resources and client contacts in PRC and across Asia Pacific to solicit potential customers.

The Directors (excluding the independent non-executive Directors whose views will be based on the advice of the independent financial adviser) are of the view that the transactions contemplated under the Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Other than Mr. Lin Ou Wen, who is a controlling shareholder of PGMC, and has abstained from voting on the relevant Board resolutions relating to the transactions, none of the Directors have a material interest in the transactions contemplated under the Agreements.

DEVELOPMENT OF NEW BUSINESS ACTIVITY

At present, the Group is principally engaged in the development, manufacturing, marketing and sales of pharmaceuticals and related medicine products. In light of the promulgation of pharmaceutical related measures, guidelines and quality requirements by the PRC government, together with the surge in prices of raw materials and costs of sales, the Group's business has experienced continuous decline over the past few years.

With the aim of maximizing returns to the Shareholders, the Group intends to expand its scope of principal business activities to encompass the management of mines and trading of mining products. The Directors are of the view that such development of this new business can create more business opportunities, broaden the Group's income stream and is in the interests of the Group and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is currently and principally engaging in the development, manufacturing, marketing and sales of pharmaceuticals and related medicine products.

Joy Best is a Hong Kong incorporated wholly owned subsidiary of the Company. Its principal businesses are provision of operational consultation and management services to mining companies.

Wuyi Hong Kong is a Hong Kong incorporated wholly owned subsidiary of the Company. Its principal business is investments holding and the principal businesses of its wholly owned

subsidiaries including Joy Best are provision of operational consultation and management services to mining companies, and trading and distributing mining relative products.

INFORMATION OF PGMC

PGMC is a company incorporated in the Philippines. It is owned by Mr. Lin Ou Wen as to 40% and by Independent Third Parties as to 60%. PGMC's principal business is nickel and iron ore mining in Mindanao, Philippines. PGMC adopts the method of open-pit mining and its main products are iron and nickel. PGMC holds a mining license valid until 12 January 2017, with production scale of 5,000,000 dry metric tons and area of 4,376 ha. PGMC produced nickel and iron products of approximately 5.0 million tons in 2011, 6.2 million tons in 2012 and 4.5 million tons in 2013. PRC is currently PGMC's largest consumer market. In addition, PGMC also exports its products to other countries.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lin Ou Wen is a controlling shareholder of the Company holding approximately 50.57% of the issued share capital of the Company; he is also a controlling shareholder of PGMC holding approximately 40% of the issued share capital of PGMC. Hence, PGMC is a connected person of the Company, and the transactions contemplated under the Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed annual caps for the two years and nine months ending 31 December 2016 for transactions contemplated under each of the Management and Operation Agreement and the Purchase Agreement exceed 5%, the transactions thereunder will be subject to, among other things, the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened by the Company at which resolutions will be proposed to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder, Mr. Lin Ou Wen and his associates are required to abstain from voting at the EGM in respect of the resolutions to approve the Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM.

GENERAL

An Independent Board Committee comprising Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian, being all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the same.

A circular containing, among other things, particulars of the Agreements, a letter from the Independent Board Committee, a letter from the independent financial adviser and a notice of EGM will be despatched to the Shareholders on or before 14 March 2014.

DEFINITIONS

In this announcement, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

"Agreements"	the Management and Operation Agreement and the Purchase Agreement
"Annual Production Volume"	the annual amount of ores produced by PGMC, measured in tons
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Wuyi International Pharmaceutical Company Limited, a company incorporated and registered as an exempted company with limited liability in the Cayman Islands, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"controlling shareholder"	has the meaning as ascribed to it under the Listing Rules
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving the Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian, to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholders other than Mr. Lin Ou Wen and his associates
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules;
"Joy Best"	Joy Best International Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company as at the date of this announcement

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Management and Operation Agreement"	a management and operation agreement entered into by Joy Best and PGMC on 20 February 2014 in relation to the provision of operational consultation and management services to PGMC
"Management Service Fee"	the management service fee payable by PGMC to Joy Best pursuant to the Management and Operation Agreement
"PGMC"	Platinum Group Metals Corporation, a company incorporated in the Philippines and owned by Mr. Lin Ou Wen as to 40% and by Independent Third Parties as to 60%
"PGMC Mine"	the nickel and iron mine of PGMC
"PGMC's Products"	nickel and iron ores produced by PGMC
"Philippines"	the Republic of the Philippines
"PRC"	the People's Republic of China, and does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan in this announcement
"Product Price"	the purchase price per ton of PGMC's Product payable by Wuyi Hong Kong and/ or its wholly owned subsidiaries to PGMC pursuant to the Purchase Agreement
"Purchase Agreement"	a purchase agreement entered into by Wuyi Hong Kong and PGMC on 20 February 2014 in relation to the sale and purchase of PGMC's Products
"Shareholder(s)"	holder(s) of shares of the Company
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Wuyi Hong Kong"	Wuyi International Pharmaceutical (Hong Kong) Company Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company as at the date of this announcement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"USD"	United States dollars, the lawful currency of the United States of America
"% "	per cent.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translations, the Chinese version shall prevail.

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

Hong Kong, 20 February 2014

As at the date of this announcement, the Board comprises 3 Executive Directors, namely Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping and Mr. Xu Chao Hui, 2 Non-executive Directors, namely Mr. Tang Bin and Mr. John Yang Wang, and 3 Independent Non-executive Directors, namely Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian.