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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 0874)

INSIDE INFORMATION: RESULTS OF ARBITRATION

This announcement is made by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. BACKGROUND

- (a) Guangzhou Wang Lao Ji Pharmaceutical Company Limited* (廣州王老吉葯業股份有限公司) (“**Wang Lao Ji**”) is a company established in the People’s Republic of China (“**PRC**”) whose principal products are Greenbox Wang Lao Ji herbal tea, Guangdong Herbal Tea Granule, Bao Ji Series, etc.
- (b) Wang Lao Ji is owned by (i) the Company as to 48.0465%; (ii) Golden Force Pharmacy Limited* (同興葯業有限公司) (“**Golden Force**”), an independent third party, as to 48.0465%; and (iii) other independent third parties as to 3.907%.
- (c) On 12 June 2014, Golden Force notified other shareholders of Wang Lao Ji that it did not intend to continue the operation of Wang Lao Ji and initiated a legal proceedings at the Intermediate People’s Court of Guangzhou* (廣州市中級人民法院) (the “**Court**”) requesting for the dissolution of Wang Lao Ji.
- (d) In the announcement of the Company dated 11 July 2014, it was disclosed, among other things, that the Company learnt from Wang Lao Ji that it had received a subpoena of “(2014) Sui Zhong Fa Min Si Chu Zi No.57 ((2014) 穗中法民四初字第57號)” from the Court. The Court will hold hearings regarding the disputes in respect of the dissolution of Wang Lao Ji at 9:00 a.m. on 23 October 2014. The Company subsequently received a civil ruling from the Court in January 2015 which ruled that the relevant proceeding be suspended.

- (e) On 21 November 2014, the Company (as applicant) submitted an application for arbitration ruling to the China International Economic and Trade Arbitration Commission* (華南國際經濟貿易仲裁委員會) (“**Arbitration Commission**”) in accordance with the shareholders’ agreement in relation to Wang Lao Ji dated 8 November 2004 (“**Shareholders’ Agreement**”) whereby, among other things, the Company applied for a ruling that Golden Force shall transfer its 48.0465% shareholding in Wang Lao Ji represented by 98,378,439 shares to the Company in accordance with the Shareholders’ Agreement. Pursuant to the amended arbitration application of the Company, the transfer price shall be the net asset value of RMB3.6415 per share (or a total consideration of RMB358,245,085.62, including tax).
- (f) On 17 November 2015, the Arbitration Commission received a civil judgement issued by the Intermediate Court of Shenzhen* (深圳市中級人民法院) ruling that the Arbitration Commission is the arbitral authority selected by the Company and Golden Force.

2. RESULTS OF THE ARBITRATION

On 25 December 2017, the Company received the ruling of the Arbitration Commission (“**Arbitration Ruling**”). Pursuant to the Arbitration Ruling:

- (a) Golden Force was ordered to transfer 98,378,439 shares in Wang Lao Ji to the Company at the total consideration of RMB368,919,146.25 (including tax) calculated on the basis of the net asset value of RMB3.75 per share;
- (b) Golden Force shall coordinate with the Company in relation to the changes of registration at the relevant Administration of Industry and Commerce as a result of the transfer of shares; and
- (c) each of the audit valuation fee in the amount of RMB7,100,000 and the arbitration fee in the amount of RMB2,714,631 shall be borne by the Company and Golden Force in the proportions of 30% and 70%.

3. OTHER INFORMATION

Upon completion of the transfer of the shares in Wang Lao Ji to the Company pursuant to the Arbitration Ruling, Wang Lao Ji will be owned as to 96.093% by the Company. Accordingly, Wang Lao Ji will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated in the financial statements of the Group. The audited revenue, total profit (before taxation) and net profit (after taxation) of Wang Lao Ji for the financial year ended 31 December 2016 based on PRC accounting standards were approximately 1,224 million, 19.9153 million and minus 21.7893 million, respectively.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 26 December 2017

As at the date of this announcement, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Wu Changhai as executive directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive directors.

** For identification purpose only*