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廣州藥業股份有限公司

Guangzhou Pharmaceutical Company Limited

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

(H Share Stock Code: 0874)

**(I) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED
TRANSACTIONS INVOLVING MAJOR ASSETS REORGANIZATION—
(A) ABSORPTION AND MERGER OF
GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD.; AND
(B) ACQUISITION OF TARGET ASSETS FROM
GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED;
(II) TRADEMARK CUSTODY
AND
(III) RESUMPTION OF TRADING OF H SHARES**

Financial Adviser to the Company



(I) MAJOR ASSETS REORGANIZATION

Reference is made to the Previous Announcements.

The Board is pleased to announce that, on 29 February 2012, being the date of the First Board Meeting held, the Board resolved to (a) approve the Preliminary Proposal relating to the Major Assets Reorganization, comprising the Proposed Merger and the Proposed Assets Acquisition; (b) enter into the Absorption and Merger Agreement with BYS in relation to the Proposed Merger; and (c) enter into the Assets Acquisition Agreement with GPHL in relation to the Proposed Assets Acquisition.

(A) The Absorption and Merger Agreement

Pursuant to the above resolutions, on 29 February 2012, the Company and BY S entered into the Absorption and Merger Agreement in relation to the Proposed Merger, pursuant to which the Company will issue new GPC A Shares to BY S Shareholders at the Exchange Ratio of 0.95 GPC A Shares for 1 BY S Share (subject to the ex-right or ex-dividend adjustment) in exchange for the BY S Shares held by them on the Share Conversion Date.

The BY S Shareholders (other than GPHL and its associates) who decide not to receive in whole or in part the GPC A Shares can elect to accept the Cash Alternative provided by the Cash Alternative Provider(s), in whole or in part, at the price of RMB11.55 per BY S Share (subject to the ex-right or ex-dividend adjustment) on the Cash Alternative Exercise Date, details of which are set out in the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 9. Cash Alternative for the BY S Shareholders” in this announcement.

In addition, pursuant to the Absorption and Merger Agreement, the Company and BY S acknowledge that, the Put Option will be provided by the Put Option Provider(s) to the GPC Dissenting Shareholders (who have voted against the relevant resolutions in relation to the Proposed Merger at the GPC General Meetings). The GPC Dissenting Shareholders may dispose their Shares to the Put Option Provider(s) at the respective prices of RMB12.20 per GPC A Share and HK\$ 5.54 per H Share (both are subject to the ex-right or ex-dividend adjustment) on the Put Option Exercise Date, details of which are set out in the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 10. Put Option for the GPC Dissenting Shareholders” in this announcement.

(B) The Assets Acquisition Agreement

On the same day, the Company and GPHL also entered into the Assets Acquisition Agreement in relation to the Proposed Assets Acquisition at the Proposed Consideration of RMB438,000,000 (subject to finalization), which will be satisfied by the Company by issuing and allotting approximately 36,000,000 (subject to finalization) new GPC A Shares credited as fully paid to GPHL at the Issue Price of RMB12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment).

The Absorption and Merger Agreement and the Assets Acquisition Agreement are inter-conditional and are subject to various conditions precedent including, among others, the passing of relevant special resolutions in relation to the Major Assets Reorganization (i.e. obtaining of more than two-thirds of the Shareholders’ votes for the Major Assets Reorganization at the GPC General Meetings) and obtaining of regulatory approvals. Details of these conditions precedent are set out in the paragraphs headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 5. Conditions Precedent” and “I. Major Assets Reorganization – B. The Assets Acquisition Agreement – 5. Conditions Precedent” respectively in this announcement.

Upon the completion of the Major Assets Reorganization, the assets of BY S will be absorbed into and the liabilities of BY S will be assumed by the Company and BY S will then cease to exist. The Target Assets of GPLH will be transferred to the Company and all assets and liabilities of the Target Assets of GPLH will be absorbed and assumed by the Company. The GPC A Shares will continue to be listed on the Shanghai Stock Exchange and H Shares will continue to be listed on the Hong Kong Stock Exchange. The shareholding interest of GPLH in the Company will decrease from 48.20% to 45.29% immediately after the completion of the Major Assets Reorganization.

As two of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the transactions contemplated under (i) the Absorption and Merger Agreement and (ii) the Assets Acquisition Agreement, in aggregate, is over 100%, the transactions constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, GPLH holds 390,833,391 GPC A Shares, representing approximately 48.20% of the total issued share capital of the Company. In addition, GPLH also holds approximately 35.58% shareholding interest in BY S. Both GPLH and BY S are regarded as connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under (i) the Absorption and Merger Agreement and (ii) the Assets Acquisition Agreement also constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. GPLH and its associates, being connected persons of the Company, will abstain from voting at the GPC General Meetings for the relevant resolutions.

(II) TRADEMARK CUSTODY

For the purpose of reducing possible competing business between GPLH and the Company as well as enhancing the utilization of the trademarks of GPLH, on 29 February 2012, GPLH and the Company also entered into the Trademark Custody Agreement in relation to the provision of custody services by the Company for GPLH for a total of 25 WangLaoJi Trademarks, all of which are owned by GPLH and will not form part of the Target Trademarks under the Proposed Assets Acquisition.

The provision of custody services under the Trademark Custody Agreement constitutes continuing connected transactions under the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Custody Fee (as defined in the content of this announcement) is, on an annual basis, less than 0.1%, under Rule 14A.33(3) of the Listing Rules, the provision of custody services is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Although the Trademark Custody Agreement is not subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules, the approval of the Independent Shareholders, as one of the conditions precedent to the Trademark Custody Agreement, will be sought at the EGM by way of poll. GPLH and its associates, being the connected persons of the Company, will abstain from voting at the EGM for the relevant ordinary resolutions.

Since as at the date of this announcement, the Company is unable to estimate the amount of the New Licenses Fees (as defined in the content of this announcement), prior to entering into the first new or renewal licensing agreement relating to the licensing of WangLaoJi Trademarks with the potential licensee after the completion of the Major Assets Reorganization, the Company will enter into the Supplemental Agreement (as defined in the content of this announcement) with GPLH and re-comply with all relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as and when such Supplemental Agreement is entered into.

GENERAL

Further announcement(s) will be made by the Company upon the Final Proposal having been approved by the government and regulatory authorities in the PRC and by the Board at the Second Board Meeting.

The Independent Board Committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of (i) the Absorption and Merger Agreement; (ii) the Assets Acquisition Agreement; and (iii) the Trademark Custody Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation thereto.

After approval of the Final Proposal by the Board at the Second Board Meeting, a circular containing, among other things, further details of the Major Assets Reorganization and particulars required by the Listing Rules concerning the Major Assets Reorganization, notice to convene the EGM for approving the Major Assets Reorganization and the Trademark Custody Agreement, and notices to convene the A Shares General Meeting and the H Shares General Meetings for approving the Major Assets Reorganization and the relevant forms of proxy will be dispatched to the Shareholders on or before 27 September 2012. As the Major Assets Reorganization involves obtaining approvals from various relevant government authorities in the PRC and is a lengthy process, in case the circular cannot be dispatched as envisaged, further announcement(s) will be made by the Company.

(III) RESUMPTION OF TRADING OF H SHARES

At the request of the Company, trading of H Shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 7 November 2011 pending the release of this announcement. The Company has made an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 28 March 2012.

It was set out in the Preliminary Proposal that if the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, then according to the applicable PRC securities regulations, each of the Board and the BYS Board shall reconvene their respective board meetings to re-consider the terms of the Major Assets Reorganization, including but not limited to the revision of the respective prices of the GPC A Shares, the H Shares and the BYS Shares under the Major Assets Reorganization (comprising the Proposed Merger and the Proposed Assets Acquisition), the Exchange Ratio, the Cash Alternative and the Put Option.

All the material information in relation to the Major Assets Reorganization has been disclosed in this announcement. Investors can also refer to the Preliminary Proposal (in Chinese only) published on the website of the Shanghai Stock Exchange (www.sse.com.cn) by the Company on the same date of this announcement.

Investors are cautioned that the Major Assets Reorganization is subject to various conditions precedent. The Major Assets Reorganization may or may not proceed or become unconditional or effective. There is no assurance that all the conditions precedent contained in the Absorption and Merger Agreement and the Assets Acquisition Agreement can be satisfied. Investors and potential investors in Shares of the Company should exercise care, and should only rely on information published by the Company, when they deal, or contemplate dealing, in the H Shares or other securities of the Company.

I. MAJOR ASSETS REORGANIZATION

Reference is made to the Previous Announcements.

The Board is pleased to announce that, on 29 February 2012, being the date of the First Board Meeting held, the Board resolved to (a) approve the Preliminary Proposal relating to the Major Assets Reorganization, comprising the Proposed Merger and the Proposed Assets Acquisition; (b) enter into the Absorption and Merger Agreement with BYS in relation to the Proposed Merger; and (c) enter into the Assets Acquisition Agreement with GPHL in relation to the Proposed Assets Acquisition. Pursuant to the respective board resolutions, (i) the Company and BYS entered into the Absorption and Merger Agreement in relation to the Proposed Merger; and (ii) the Company and GPHL entered into the Assets Acquisition Agreement in relation to the Proposed Assets Acquisition. The Proposed Merger and the

Proposed Assets Acquisition are inter-conditional to each other and are subject to the satisfaction of certain conditions precedent as detailed below in this announcement.

A. THE ABSORPTION AND MERGER AGREEMENT

1. Date:

29 February 2012

2. Parties:

- (i) the Company, as the acquirer; and
- (ii) BYS, as the target company and a company established in the PRC and its shares are listed on the Shenzhen Stock Exchange. As at the date of this announcement, GPHL, the controlling Shareholder, holds approximately 35.58% of the issued share capital of BYS. Accordingly, BYS is a connected person of the Company.

3. The Proposed Merger:

Pursuant to the Absorption and Merger Agreement, the Company and BYS have conditionally agreed the proposed absorption and merger of the entire issued share capital of BYS by the Company through the proposed exchange of new GPC A Shares to be issued by the Company for all BYS Shares in issue at the Exchange Ratio of 0.95 GPC A Shares for 1 BYS Share (subject to the ex-right or ex-dividend adjustment). After the completion of the Major Assets Reorganization which includes, inter alia, the Proposed Merger, the enterprise legal status of BYS will be deregistered and all assets, liabilities, rights, business and staff (including their rights and obligations before the completion of the Major Assets Reorganization) of BYS will be taken up by the Company.

4. Consideration:

Based on the existing issued share capital of BYS of 469,053,689 BYS Shares as at the date of this announcement, the Company will issue an aggregate of approximately 445,601,005 GPC A Shares (having the same voting right as the existing issued GPC A Shares and, representing approximately 54.95% of the existing issued share capital of the Company and approximately 34.48% of the enlarged issued share capital of the Company immediately after the completion of the Major Assets Reorganization) to BYS Shareholders at the Exchange Ratio in exchange for the BYS Shares held by them on the Share Conversion Date. Based on the GPC A Share Average Price of RMB12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment) and 445,601,005 GPC A Shares to be issued under the Proposed Merger, the aggregate value of the consideration for the Proposed Merger is approximately RMB5,436,332,261. Details of the Exchange Ratio are set out in the paragraph headed "8. The Exchange Ratio" below.

Based on the shareholding interest of GPHL in 166,900,000 BYS Shares as at the date of this announcement, a total of approximately 158,555,000 GPC A Shares, representing approximately 19.55% of the existing issued share capital of the Company and approximately 12.27% of the enlarged issued share capital of the Company immediately after the completion of the Major Assets Reorganization, will be issued to GPHL by the Company at the Exchange Ratio upon completion of the Proposed Merger.

The BYS Shareholders (other than GPHL and its associates) who decide not to receive in whole or in part the GPC A Shares can elect to accept the Cash Alternative provided by the Cash Alternative Provider(s). The Cash Alternative will be provided to such BYS Shareholders at the price of RMB11.55 per BYS Share (subject to the ex-right or ex-dividend adjustment) on the Cash Alternative Exercise Date. Details of the Cash Alternative are set out in the paragraph headed “9. Cash Alternative for the BYS Shareholders” below.

The new GPC A Shares to be issued pursuant to the Absorption and Merger Agreement will be listed on the Shanghai Stock Exchange and will rank *pari passu* in all respects with the GPC A Shares in issue.

5. Conditions Precedent:

The Absorption and Merger Agreement shall become effective subject to the following conditions precedent:

- (i) the approvals of the Absorption and Merger Agreement and the transactions contemplated thereunder by the Shareholders and the BYS Shareholders at their respective general meetings and at the A Shares General Meeting and the H Shares General Meeting of the Company having been obtained;
- (ii) the Assets Acquisition Agreement having become effective;
- (iii) the approvals of the Major Assets Reorganization having been obtained from relevant Stated-owned Assets Supervision and Administration Departments* (國有資產監督管理部門);
- (iv) the approvals of the Major Assets Reorganization having been obtained from the CSRC;
- (v) the grant of a whitewash waiver (if applicable) from the SFC to GPHL and parties acting in concert with it from making a general offer pursuant to the Takeovers Code;
- (vi) the approval from the MOFCOM having been obtained after its examination on the Major Assets Reorganization in accordance with the Measures for the Undertaking Concentration Examination* (經營者集中審查辦法); and

(vii) the approvals in relation to the Major Assets Reorganization having been obtained from relevant government and regulatory authorities.

None of the above conditions precedent can be waived and there is no long-stop date for the Absorption and Merger Agreement until all of the above conditions precedent are fulfilled. However, if the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, each of the Board and the BYS Board shall reconvene their respective board meetings to re-consider the terms of the Major Assets Reorganization.

With regard to condition (i) above relating to the Shareholders' approval of the Proposed Merger, it has been further set out in the Preliminary Proposal that at each of the A Shares General Meeting, the H Shares General Meeting and the EGM, the Major Assets Reorganization, including the Proposed Merger, must be approved by passing of special resolutions, i.e. approved by more than two-thirds of the holders of GPC A Shares and/or the H Shares, as the case may be, who vote in person or by proxy at the relevant meetings.

As at the date of this announcement, the Board and BYS Board have approved the Absorption and Merger Agreement and the transactions contemplated thereunder and none of the above conditions precedent is fulfilled.

Please refer to the section headed "Progress of the Major Assets Reorganization" for further details of the latest development of the Proposed Merger".

6. Completion:

Upon the completion of the Proposed Merger, which will be announced by the Company by way of further announcements, (i) new GPC A Shares will be issued to the BYS Shareholders in exchange for their BYS Shares on the Share Conversion Date; and (ii) BYS shall hand over all of its assets, liabilities, rights, business and staff (including their rights and obligations before completion of the Major Assets Reorganization), etc., to the Company or its assignee. An asset transfer settlement statement shall be signed by BYS and the Company on the date of completion as the confirmation of completion of the transfer.

Both BYS and the Company shall cooperate and attend to necessary formalities for the transfer of all relevant assets, liabilities, rights, business and staff, etc. of BYS, as soon as possible.

All BYS Shares will then be cancelled and the enterprise legal status of BYS will be deregistered. As a result of and upon the completion of the Major Assets Reorganization, the assets of BYS will be absorbed into and the liabilities of BYS will be assumed by the Company and BYS will then cease to exist.

7. Profit Distribution:

The accrued and undistributed profits of both the Company and BYS prior to the completion of the Proposed Merger will be shared among the Shareholders in accordance to their respective shareholding interests in the Company after the completion of the Major Assets Reorganization.

The announced dividend and bonus that were approved by the respective shareholders at the general meetings of the Company and BYS prior to the Share Conversion Date shall remain unchanged.

As at the date of this announcement, apart from the final dividends of RMB0.10 per GPC A Share (included tax) (“GPC 2011 Final Dividend”) and RMB0.55 for every 10 BYS Shares (included tax) (“BYS 2011 Final Dividend”) proposed by the Company and BYS respectively for the year ended 31 December 2011 as set out in their respective results announcements dated 16 February 2012 and 5 March 2012, there is no other planned dividend or bonus declared by the Company and BYS.

The above final dividends proposed by the Company and BYS are subject to the approvals by the Shareholders and BYS Shareholders respectively at their respective annual general meetings, and if the same is approved, the Exchange Ratio, the respective prices of the Shares and BYS Share offered in the Cash Alternative and Put Option and the Issue Price will be adjusted according to the adjustment below. The annual general meeting of the Company will be held on 12 April 2012. Further announcement(s) will be made by the Company in relation thereto.

In case of any event which will cause the ex-right or ex-dividend on the Shares and/or the BYS Shares, the GPC A Share Average Price, the H Share Average Price and/or BYS Share Average Price will be adjusted according to the formula below:

- | | |
|--|--|
| (1) For any distribution of scrip dividend or capitalization issue from the capital reserve: | $P_1 = P_0 / (1 + n)$ |
| (2) For any right issues: | $P_1 = (P_0 + A \times k) / (1 + k)$ |
| For carrying out actions (1) and (2) simultaneously: | $P_1 = (P_0 + A \times k) / (1 + n + k)$ |
| (3) For any distribution of cash dividend: | $P_1 = P_0 - D$ |
| For carrying out actions (1), (2) and (3) simultaneously: | $P_1 = (P_0 - D + A \times k) / (1 + n + k)$ |

Where:

- P_0 represents the GPC A Share Average Price, the H Share Average Price and/or the BYS Share Average Price before the adjustment (as the case may be)
- n represents the scrip dividend rate or the capitalization rate
- k represents the ratio of the right issue
- A represents the price of the right issue
- D represents the cash dividend per GPC A Share, the H Share and/or BYS Share (as the case may be)
- P_1 represents the new GPC A Share Average Price, the H Share Average Price and/or the BYS Share Average Price after the adjustment (as the case may be)

On the assumption that the aforementioned final dividends proposed by the Company and BYS are approved at their respective annual general meetings, the GPC A Share Average Price and the BYS Share Average Price will be adjusted to RMB12.10 per GPC A Share and RMB11.495 per BYS Share respectively, rendering the same Exchange Ratio (i.e. every 1 BYS Share will be exchanged for 0.95 GPC A Shares). The price of the BYS Shares offered in the Cash Alternative, the price of GPC A Shares offered in the Put Option and the Issue Price will be adjusted to RMB11.495, RMB12.10 and RMB12.10 respectively. The price of H Shares offered in the Put Option will be adjusted by deducting RMB0.10 per Share (to be translated into HK\$ based on the average exchange rates for each unit of HK\$ against RMB as announced by the People's Bank of China for the calendar week preceding the date on which such dividends are announced by the Company upon obtaining the approval of the Shareholders at the annual general meeting) from HK\$5.54.

8. The Exchange Ratio:

The Exchange Ratio (subject to the ex-right or ex-dividend adjustment) has been determined based on:

- (i) the BYS Share Average Price of RMB11.55 per BYS Share (subject to the ex-right or ex-dividend adjustment), which is the same as the price per BYS Share offered in the Cash Alternative, representing:
1. a discount of approximately 4.47% to the average trading price of RMB12.09 per BYS Share as quoted on the Shenzhen Stock Exchange on the Last Trading Day;
 2. a discount of approximately 2.78% to the average trading price of approximately RMB11.88 per BYS Share as quoted on the Shenzhen Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

3. the same price as the average trading price of approximately RMB11.55 per BYS Share as quoted on the Shenzhen Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
 4. a premium of approximately 0.52% over the average trading price of approximately RMB11.49 per BYS Share as quoted on the Shenzhen Stock Exchange for the last 15 trading days up to and including the Last Trading Day.
- (ii) the GPC A Share Average Price of RMB12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment), which is the same as the price per GPC A Share offered in the Put Option and the Issue Price, representing:
1. a discount of approximately 7.29% to the average trading price of RMB13.16 per GPC A Share as quoted on the Shanghai Stock Exchange on the Last Trading Day;
 2. a discount of approximately 4.24% to the average trading price of approximately RMB12.74 per GPC A Share as quoted on the Shanghai Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
 3. a discount of approximately 1.29% to the average trading price of approximately RMB12.36 per GPC A Share as quoted on the Shanghai Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
 4. a discount of approximately 0.16% to the average trading price of approximately RMB12.22 per GPC A Share as quoted on the Shanghai Stock Exchange for the last 15 trading days up to and including the Last Trading Day.

Accordingly, the Exchange Ratio was determined to be 0.95:1 whereby the BYS Shareholders will exchange 0.95 GPC A Shares for 1 BYS Share. The Exchange Ratio will not be adjusted unless (i) there is any event which will cause the ex-right or ex-dividend on the Shares and the BYS Shares; (ii) required by the relevant laws and regulations; or (iii) requested by regulatory authorities prior to the Share Conversion Date.

In case of any event which will cause the ex-right or ex-dividend on the Shares and/or the BYS Shares, the Exchange Ratio will be adjusted according to the revised GPC A Share Average Price and BYS Share Average Price as adjusted based on the formula set out in the paragraph headed “7. Profit Distribution” above. For details of the effects of the GPC 2011 Final Dividend and BYS 2011 Final Dividend on the Exchange Ratio, please also refer to the paragraph headed “7. Profit Distribution” above.

The Exchange Ratio (subject to the ex-right or ex-dividend adjustment) is determined by making references to the GPC A Share Average Price and the BYS Share Average Price, representing slight deviations from the respective average trading prices of GPC A Shares and BYS Shares on the Last Trading Day and during the 5, 10 and 15 trading days prior to a price fixing day, which is the date of the First Board Resolution Announcement in the case of the Proposed Merger. It is consistent with the market practices to determine the Exchange Ratio with reference to the average trading price of A shares during the 20 trading days prior to such price fixing day.

Pursuant to the Absorption and Merger Agreement, any fractional shares arising from exchanging the BYS Shares to the GPC A Shares at the Exchange Ratio will be dealt with in accordance with the relevant requirements of the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited* (中國證券登記結算有限責任公司).

9. Cash Alternative for the BYS Shareholders:

In order to provide full protection to the BYS Shareholders, it is agreed that subject to the Proposed Merger becoming unconditional, the Cash Alternative will be granted to the BYS Shareholders (other than GPHL and its associates) who decide not to receive in whole or in part the GPC A Shares. During the Acceptance Period, these BYS Shareholders may elect to be paid in cash for their BYS Shares at the price of RMB11.55 per BYS Share (subject to the ex-right or ex-dividend adjustment), being the BYS Share Average Price, by the Cash Alternative Provider(s) on the Cash Alternative Exercise Date. The price of RMB11.55 will not be adjusted unless there is any event which will cause the ex-right or ex-dividend on the BYS Shares prior to the Cash Alternative Exercise Date. In case of any event which will cause the ex-right or ex-dividend on the BYS Shares, the BYS Share Average Price will be adjusted according to the formula set out in the paragraph headed “7. Profit Distribution” above. For details of the effects of the BYS 2011 Final Dividend on the price offered under the Cash Alternative, please also refer to the paragraph headed “7. Profit Distribution” above.

The Cash Alternative will be provided at the BYS Share Average Price of RMB11.55 for each BYS Share (subject to the ex-right or ex-dividend adjustment) given (i) it is a common market practice by making reference to the average trading price per share during the 20 trading days prior to a price fixing day, which is the date of the announcement made by BYS in relation to the resolutions of the BYS Board meeting to approve the Proposed Merger; and (ii) it is the same price used for determining the Exchange Ratio. Details of comparison between the price of RMB11.55 offered in the Cash Alternative and the market price of BYS Share are set out in the paragraph headed “8. The Exchange Ratio” above.

Subject to the Absorption and Merger Agreement becoming unconditional, the BYS Shareholders will either (i) exchange their BYS Shares into the GPC A Shares; or (ii) exercise the Cash Alternative provided by the Cash Alternative Provider(s), who will then exchange such BYS Shares received by them into the new GPC A Shares at the Exchange Ratio. For those BYS Shares held by the BYS Shareholders who (i) fail to complete the declaration procedures within the Acceptance Period, or (ii) are not otherwise entitled to exercise the Cash Alternative (as described below), such BYS Shares held by them shall be exchanged to the new GPC A Shares at the Exchange Ratio mandatorily. Thus, all of the existing issued BYS Shares shall be exchanged to new GPC A Shares after the Major Assets Reorganization.

On the assumption that all BYS Shareholders (other than GPHL and its associates) elect to receive the Cash Alternative in respect of a total of 302,153,689 BYS Shares, a total amount of approximately RMB3,489,875,108 in cash will be payable by the Cash Alternative Provider(s) to the BYS Shareholders (other than GPHL and its associates) and a maximum of 287,046,005 GPC A Shares, representing approximately 35.40% of the existing issued share capital of the Company and approximately 22.21% of the enlarged issued share capital of the Company immediately after the completion of the Major Assets Reorganization, will be issued and held by the Cash Alternative Provider(s) pursuant to the Proposed Merger at the Exchange Ratio.

The Cash Alternative Provider(s) shall not be connected person(s) to or party(ies) acting in concert with GPHL or with each other Cash Alternative Provider(s). Each Cash Alternative Provider will undertake that it and the parties acting in concert with it together with other Cash Alternative Provider(s) and the Put Option Provider(s) in aggregate will hold less than 30% of the issued share capital of the Company after the completion of the Major Assets Reorganization. In order to ensure the Cash Alternative Provider(s) will not be party(ies) acting in concert with GPHL, GPHL undertakes to the Company that it will not enter into any agreement or understanding (whether formal or informal) with such provider(s) to actively cooperate to obtain or consolidate the control of the Company through the acquisition by any of them of voting rights of the Company, which may trigger the obligation to make a general offer under Rule 26 of the Takeovers Code. In the case of any uncertainty in whether the Cash Alternative Provider(s) are party(ies) acting in concert with GPHL in the course of their appointment, the Company will seek the advice from the SFC when necessary.

As at the date of this announcement, no Cash Alternative Provider has been nominated and appointed. The list of Cash Alternative Provider(s) will be announced by the Company and BYS by way of announcement before convening the respective general meetings of the Company and BYS for the purposes of, inter alia, considering and approving the Major Assets Reorganization. The Company will use its best endeavor to appoint sufficient Cash Alternative Provider(s). In the event that the Company and BYS are unable to appoint any or sufficient Cash Alternative Provider(s) prior to the convening of the respective general meetings of the Company and BYS, the progress of the Major Assets Reorganization will be delayed until sufficient Cash Alternative Provider(s) is/are appointed, provided that, if

the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, each of the Board and the BYS Board shall reconvene their respective board meetings to re-consider the terms of the Major Assets Reorganization.

The Cash Alternative cannot be exercised in case the followings apply to the BYS Shares as at the closure date of the acceptance period for the exercise of the Cash Alternative:

- (i) those BYS Shares held by the director(s), supervisor(s) and senior management of BYS, which are subject to selling restrictions;
- (ii) those BYS Shares which are subject to any charges or third party's rights or are frozen as a result of any judicially proceedings;
- (iii) those BYS Shares held by the BYS Shareholders who have undertaken to BYS to surrender their rights to exercise the Cash Alternative; and
- (iv) those BYS Shares for which the Cash Alternative cannot be exercised according to laws in the PRC.

With regard to the BYS Shares which are subject to selling restrictions, charges, third party rights or are frozen as a result of any judicially proceedings, such BYS Shares shall also be exchanged to the new GPC A Shares at the Exchange Ratio mandatorily, with the same selling restrictions, charges, third party rights and freeze attached thereto. For those BYS Shares for which the declaration procedures are completed within the Acceptance Period but are subsequently subject to any charges, freeze as a result of any judicially proceedings during the period from the closure date of the Acceptance Period to the Cash Alternative Exercise Date, these BYS Shares will also be exchanged to the new GPC A Shares at the Exchange Ratio mandatorily with the same charges and freeze attached thereto.

Information regarding the exercise of the Cash Alternative, including but not limited to the Cash Alternative Exercise Date, the Acceptance Period, the registration procedures, clearing and settlement details, will be further announced by the Company and BYS by way of announcement(s).

10. Put Option for the GPC Dissenting Shareholders:

In order to provide full protection to the Shareholders, it is acknowledged by the Company and BYS that, subject to the Proposed Merger becoming unconditional, the Put Option will be granted by the Put Option Provider(s) to the GPC Dissenting Shareholders who have voted against the Proposed Merger at the GPC General Meetings convened to be held for the purposes of, inter alia, considering and approving the Major Assets Reorganization. GPC Dissenting Shareholders holding GPC A Shares may dispose their GPC A Shares to the Put Option Provider(s) at the price of RMB12.20 per GPC A Share (subject to the ex-right or ex-

dividend adjustment) and GPC Dissenting Shareholders holding H Shares may dispose their H Shares to the Put Option Provider(s) at the price of HK\$5.54 per H Share (subject to the ex-right or ex-dividend adjustment) on the Put Option Exercise Date. The respective prices of the GPC A Shares and H Shares payable under the Put Option will not be adjusted unless there is any event which will cause the ex-right or ex-dividend on the Shares prior to the Put Option Exercise Date. In case of any event which will cause the ex-right or ex-dividend on the GPC A Shares and the H Shares, the GPC A Share Average Price and the H Share Average Price will be adjusted according to the formula set out in the paragraph headed “7. Profit Distribution” above. For details of the effects of the GPC 2011 Final Dividend on the prices offered in the Put Option, please also refer to the paragraph headed “7. Profit Distribution” above.

The Put Option will be provided at the GPC A Share Average Price of RMB12.20 for each GPC A Share and H Share Average Price of HK\$5.54 for each H Share (both are subject to the ex-right or ex-dividend adjustment) given (i) it is a common market practice by making reference to the average trading price per share during the 20 trading days prior to a price fixing day, which is the date of the First Board Resolution Announcement in the case of the Proposed Merger; and (ii) with regard to the GPC A Shares, the price payable under the Put Option is the same price used for determining the Exchange Ratio. Details of comparison between the price of GPC A Shares payable under the Put Option and the market price of GPC A Shares are set out in the paragraph headed “8. The Exchange Ratio” above.

The price of H Shares payable under the Put Option at HK\$5.54 per H Share (subject to the ex-right or ex-dividend adjustment), which is the H Share Average Price, representing:

1. a discount of approximately 10.21% to the average trading price of HK\$6.17 per H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
2. a discount of approximately 4.32% to the average trading price of approximately HK\$5.79 per H Share as quoted on the Hong Kong Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
3. a discount of approximately 4.32% to the average trading price of approximately HK\$5.79 per H Share as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
4. a discount of approximately 2.64% to the average trading price of approximately HK\$5.69 per H Share as quoted on the Hong Kong Stock Exchange for the last 15 trading days up to and including the Last Trading Day.

On the assumption that all Shareholders of 219,900,000 H Shares as at the date of this announcement elect to exercise the Put Option, a total amount of approximately HK\$1,218,246,000 in cash will be payable by the Put Option Provider(s) to the Shareholders of H Shares and the Put Option Provider(s) will hold 219,900,000 H Shares in maximum (representing approximately 27.12% of the existing issued share capital of the Company and approximately 17.02% of the enlarged share capital of the Company immediately after the completion of the Major Assets Reorganization).

The Put Option Provider(s) will retain those GPC A Shares and H Shares acquired by them pursuant to the Put Option. The Put Option Provider(s) shall not be connected person(s) to or party(ies) acting in concert with GPHL or with each other Put Option Provider(s). Each Put Option Provider will undertake that it and the parties acting in concert with it together with other Put Option Provider(s) and Cash Alternative Provider(s) in aggregate will hold less than 30% of the issued share capital of the Company after the completion of the Major Assets Reorganization. In order to ensure the Put Option Provider(s) will not be party(ies) acting in concert with GPHL, GPHL undertakes to the Company that it will not enter into any agreement or understanding (whether formal or informal) with such provider(s) to actively cooperate to obtain or consolidate the control of the Company through the acquisition by any of them of voting rights of the Company, which may trigger the obligation to make a general offer under Rule 26 of the Takeovers Code. In the case of any uncertainties in whether the Put Option Provider(s) are party(ies) acting in concert with GPHL in the course of their appointment, the Company will seek the advice from the SFC when necessary.

As at the date of this announcement, no Put Option Provider has been nominated and appointed. The list of the Put Option Provider(s) will be announced by the Company by way of announcement before convening the respective general meetings of the Company and BYS for the purposes of, inter alia, considering and approving the Major Assets Reorganization. The Company will use its best endeavor to appoint sufficient Put Option Provider(s). In the event that the Company is unable to appoint any or sufficient Put Option Provider(s) prior to the convening of the respective general meetings of the Company and BYS, the progress of the Major Assets Reorganization will be delayed until sufficient Put Option Provider(s) is/are appointed, provided that, if the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, each of the Board and the BYS Board shall reconvene their respective board meetings to re-consider the terms of the Major Assets Reorganization.

The entitlement of a Shareholder to the Put Option shall be subject to the following conditions:

- (i) the Shareholder having effectively voted against the resolution(s) to approve the Absorption and Merger Agreement at the A Shares General Meeting in respect of its GPC A Shares, the H Shares General Meeting in respect of its H Shares, and the EGM in respect of all its Shares;

- (ii) the Shareholder having retained its Shares from the date of registration (“**Registration Date**”) for the GPC General Meetings convened to be held for the purposes of, inter alia, considering and approving the Absorption and Merger Agreement, up to the Put Option Exercise Date; and
- (iii) the Shareholder having successfully completed the registration procedures for the Put Option during the Registration Period.

The number of Shares may be exercised under the Put Option by a Shareholder shall be the lower of:

- (i) the number of Shares that effectively voted against the resolution(s) relating to the Absorption and Merger Agreement; and
- (ii) the lowest number of Shares held from the Registration Date up to the Put Option Exercise Date.

The Put Option may not be exercised in respect of the followings:

- (i) those Shares held by the director(s), supervisor(s) and senior management of the Company, which are subject to selling restrictions;
- (ii) those Shares which are subject to any charges or third party’s rights or are frozen as a result of any judicially proceedings;
- (iii) those Shares held by the Shareholders who have undertaken to the Company to surrender their rights to exercise the Put Option;
- (iv) those Shares that have already been sold by the GPC Dissenting Shareholders; and
- (v) those Shares for which the Put Option cannot be exercised according to laws in the PRC (in respect of GPC A Shares) and/or in Hong Kong (in respect of H Shares).

Those GPC Dissenting Shareholders shall only exercise the Put Option to the Put Option Provider(s) and not to the Company or any of its Shareholders who assents the Proposed Merger.

Information regarding the exercise of the Put Option, including but not limited to the Put Option Exercise Date, the Registration Period, the registration procedures, clearing and settlement details, will be further announced by the Company by way of announcement(s).

B. THE ASSETS ACQUISITION AGREEMENT

1. Date:

29 February 2012

2. Parties:

- (i) the Company, as the acquirer; and
- (ii) GPLH, as the vendor and the controlling Shareholder. As at the date of this announcement, GPLH holds approximately 48.20% shareholding interest in the Company. Accordingly, GPLH is a connected person of the Company.

3. Assets to be acquired:

Pursuant to the Assets Acquisition Agreement, the Company will acquire the Target Assets, comprising the followings, from GPLH:

- (i) Target Properties – a list of 22 properties with a total gross floor area of approximately 33,708.25 sq.m. in Guangzhou owned by GPLH;
- (ii) Target Trademarks – a total of 388 registered trademarks owned by GPLH which are mainly trademarks of Chinese patent medicine;
- (iii) the 100% shareholding interest in Po Lian, a company incorporated in Hong Kong and a wholly-owned subsidiary of GPLH; and
- (iv) the 12.50% shareholding interest in Baxter, a Sino-foreign equity joint venture established in the PRC and GPLH currently owns 12.50% of its shareholding interest.

4. Consideration:

The Proposed Consideration of the Target Assets is approximately RMB 438,000,000 (subject to finalization). The Proposed Consideration was arrived at after arm's length negotiations between GPLH and the Company by making reference to the preliminary valuation on the Target Assets as at 31 December 2011 (conducted by a qualified independent valuer in the PRC), which is estimated to be approximately RMB 482,000,000 adjusted with considering the Group's contributions in promoting the reputation and value of the Target Trademarks.

Set out below are the amounts of the Proposed Consideration and the preliminary valuation attributable to each of the Target Assets:

Target Assets	Proposed Consideration <i>(RMB'000)</i> <i>(Approximate)</i>	Preliminary valuation <i>(RMB'000)</i> <i>(Approximate)</i>
Target Properties	250,118	250,118
Target Trademarks	50,289	94,884
100% shareholding interest in Po Lian	54,868	54,868
12.50% shareholding interest in Baxter	82,358	82,358
Total	437,633	482,228

The Proposed Consideration shall be subject to finalization and (if any) adjustment based on (i) the final valuation on the Target Assets as at 31 December 2011 conducted by a qualified independent valuer in the PRC, and (ii) the filing with and/or obtaining the relevant authorization from the State-owned Assets Supervision and Administration Department in relation to the final appraised value of the Target Assets. Based on the above and to the best knowledge of the Company, the final appraisal value may be adjusted upward or downward and the Proposed Consideration shall be adjusted accordingly. The final Proposed Consideration will be fixed in the Final Proposal to be announced by the Company by way of announcement, and will be included in the circular in relation to the Major Assets Reorganization to be dispatched to the Shareholders.

The Proposed Consideration (subject to finalization and (if any) adjustment as mentioned above) will be satisfied by the Company by issuing and allotting approximately 36,000,000 (subject to finalization) new GPC A Shares (“**Consideration Shares**”, representing approximately 4.44% of the existing issued share capital of the Company and approximately 2.79% of the enlarged issued share capital of the Company immediately after the completion of the Major Assets Reorganization) credited as fully paid to GPHL at the Issue Price of RMB 12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment), which is the same as the GPC A Share Average Price. The Issue Price will not be adjusted unless there is any event which will cause the ex-right or ex-dividend on the Shares from the date of the First Board Resolution Announcement up to the date of completion of the Proposed Assets Acquisition. In case of any event which will cause the ex-right or ex-dividend on the GPC A Shares, the Issue Price will be adjusted according to the formula set out in the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 7. Profit Distribution” above. For details of the effects of the GPC 2011 Final Dividend on the Issue Price, please also refer to the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 7. Profit Distribution” above.

In case the final number of GPC A Shares to be issued under the Proposed Assets Acquisition is not equal to the 36,000,000 Consideration Shares, the Company and GPLH will enter into a supplemental agreement to adjust the number of GPC A Shares to be issued pursuant to the applicable laws and regulations and the Asset Acquisitions Agreement. Further announcement(s) will be made by the Company in relation thereto.

The Issue Price at RMB12.20 of each new GPC A Share (subject to the ex-right or ex-dividend adjustment) is determined based on the GPC A Share Average Price and it is a common market practice by making reference to the average trading price per share during the 20 trading days prior to a price fixing day, which is the date of the First Board Resolution Announcement in the case of the Proposed Assets Acquisition. The same price is also used for determining the Exchange Ratio and the price of GPC A Shares payable under the Put Option. Details of comparison between the Issue price and the market price of GPC A Share are set out in the paragraphs headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 8. The Exchange Ratio” in this announcement.

GPLH has undertaken respectively that it will not, at any time during the period of thirty six months following the date of issuing the Consideration Shares, directly or indirectly, dispose of any new GPC A Shares issued and allotted to it as a result of the Proposed Assets Acquisition.

The Consideration Shares to be issued pursuant to the Assets Acquisition Agreement will be listed on the Shanghai Stock Exchange and will rank *pari passu* in all respects with the GPC A Shares in issue.

5. Conditions Precedent:

The Assets Acquisition Agreement shall become effective subject to the following conditions precedent:

- (i) the approvals of the Assets Acquisition Agreement and the transactions contemplated thereunder by the respective shareholders and directors of the Company and GPLH at their respective general meetings or board meetings, according to the company law in the PRC and other relevant laws in the PRC, the respective articles of associations and the respective rules of procedures of both companies, having been obtained;
- (ii) the approvals of the issue of the Consideration Shares by the Shareholders having been obtained at the A Shares General Meeting, the H Shares General Meeting and the EGM;
- (iii) the Absorption and Merger Agreement having become effective;
- (iv) the approvals of the Major Assets Reorganization having been obtained from relevant Stated-owned Assets Supervision and Administration Departments* (國有資產監督管理部門);

- (v) the approvals of the Major Assets Reorganization having been obtained from the CSRC;
- (vi) the granting of a whitewash waiver (if applicable) from the SFC to GPLH and parties acting in concert with it from making a general offer pursuant to the Takeovers Code;
- (vii) the approval from the MOFCOM having been obtained after its examination on the Major Assets Reorganization in accordance with the Measures for the Undertaking Concentration Examination* (經營者集中審查辦法); and
- (viii) the approvals in relation to the Major Assets Reorganization having been obtained from relevant government and regulatory authorities.

None of the above conditions precedent can be waived and there is no long-stop date for the Assets Acquisition Agreement until all of the above conditions precedent are fulfilled. However, if the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, each of the Board and the BYS Board shall reconvene their respective board meetings to re-consider the terms of the Major Assets Reorganization.

With regard to condition (ii) above relating to the Shareholders' approval of the Proposed Assets Acquisition, it has been further set out in the Preliminary Proposal that at each of the A Shares General Meeting, the H Shares General Meeting and the EGM, the Major Assets Reorganization, including the Proposed Assets Acquisition, must be approved by passing of special resolutions, i.e. approved by more than two-thirds of the holders of GPC A Shares and/or the H Shares, as the case may be, who vote in person or by proxy at the relevant meetings.

As at the date of this announcement, except for the approvals from the Board and the board of GPLH in relation to the Assets Acquisition Agreement and the transactions contemplated thereunder pursuant to condition (i) above, none of the above conditions precedent is fulfilled.

Please refer to the section headed "Progress of the Major Assets Reorganization" for further details of the latest development of the Proposed Assets Acquisition.

6. Completion:

Upon completion of the Proposed Assets Acquisition, which will be announced by the Company by way of further announcements, GPLH shall hand over all the assets, liabilities, rights, business and staff, etc., in relation to the Target Assets to the Company or its assignee. An asset transfer settlement statement shall be signed by GPLH and the Company on the date of completion as the confirmation of completion of the transfer.

GPHL shall attend to necessary formalities for the transfer of Target Assets within twelve months commencing from the date the Assets Acquisition Agreement having become effective or other longer period as GPHL and the Company may agree in writing.

As a result of and upon completion of the Major Assets Reorganization, the Target Assets will be transferred to the Company and all assets and liabilities of the Target Assets will be absorbed and assumed by the Company respectively.

7. Profit distribution:

The accrued and undistributed profits of the Company prior to the completion of the Proposed Assets Acquisition will be shared among the Shareholders in accordance to their respective shareholding interests in the Company after the completion of the Major Assets Reorganization.

For details of the profit distribution, please also refer to the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 7. Profit distribution.

8. Profit and loss attribution:

GPHL shall assume any loss and the Company shall entitle to any profit generated from the Target Assets during the period from the valuation date of the Target Assets (i.e. 31 December 2011) (exclusive) to the date of completion of the Proposed Assets Acquisition (inclusive).

9. Information on the Target Assets:

(i) *Target Properties*

The Target Properties comprise a list of 22 properties with a total gross floor area of approximately 33,708.25 sq.m. in Guangzhou. Each of the Target Properties comprises both land and buildings with a Real Estate Ownership Certificate. As advised by GPHL, all the Target Properties are beneficially owned by it. However, certain Real Estate Ownership Certificates of the Target Properties are not under the name of GPHL now. GPHL has to undergo certain procedures in changing the titles on such Real Estate Ownership Certificates to GPHL in order to transfer the Target Properties to the Company and will be responsible for all relevant expenses, including but not limited to the relevant taxes and penalties (if any).

A summary of the Target Properties are set out as below:

Location	No. of Target Properties	Gross floor area (sq.m.)
Baiyun District, Guangzhou (廣州白雲區)	8	18,423.88
Liwan District, Guangzhou (廣州荔灣區)	12	14,684.14
Yuexiu District, Guangzhou (廣州越秀區)	1	500.89
Haizhu District, Guangzhou (廣州海珠區)	1	99.34
Total	22	33,708.25

Part of the Target Properties are currently leased by GPLH to the Company, (i) as offices and retail outlets under two tenancy agreements renewed on 27 August 2010 and expired on 31 August 2013 and 31 December 2013 respectively (“**Tenancy Agreements**”, which also govern the leases of certain properties by the Company from GPLH are excluded from the Target Properties under the Proposed Assets Acquisition (“**Excluded Properties**”)); (ii) as office under another tenancy agreement dated 6 February 2004 (“**2004 Tenancy Agreement**”). Entering into the above three tenancy agreements constituted continuing connected transactions which were exempted from reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The terms of the Tenancy Agreements in relation to the leases of the Target Properties will be discontinued while the terms in relation to the leases of the Excluded Properties will be subject to revision upon the completion of the Major Assets Reorganization. The 2004 Tenancy Agreement will also be discontinued. The Company will closely monitor these transactions and will comply with all relevant requirements under Chapter 14A of the Listing Rules if it enters into any new or supplemental agreements relating to the Excluded Properties. The remaining part of the Target Properties are currently leased by GPLH to Guangzhou Pharmaceutical Corporation Limited, a jointly controlled entity of the Company and Alliance BMP Limited, an independent third party, as warehouses. The terms of such leases will be revised accordingly upon the completion of the Major Assets Reorganization.

The right to use certain parcels of land of the Target Properties by GPLH are classified as allotted land-use rights* (劃撥土地). According to the applicable laws and regulations in the PRC, if GPLH wants to transfer the land-use rights of these parcels of land to any other party, it is necessary for GPLH to settle all relevant land premium* (土地出讓金) and change the nature of the land-use rights of these lands from allotted land-use rights to granted land-use rights* (出讓土地). GPLH will follow the relevant requirements to change the nature of these allotted land-use rights before the submission of the Final Proposal and will be responsible for all relevant expenses in relation to changing the nature of the land-use rights of the Target Properties, including but not limited to the relevant land premium, taxes and penalties (if any).

As advised by GPHL, the possibility of failing to ratify the legal defects of the allotted land-use rights and/or the Real Estate Ownership Certificates is remote. However, the Company considers that such possibility of failing cannot be completely ruled out. Therefore, for sake of prudence, it is set out in the Preliminary Proposal that the items of Target Properties are subject to finalization and will be fixed in the Final Proposal. In case the above legal defects cannot be ratified which leads to certain Target Properties being unable to transfer under the Proposed Assets Acquisition, GPHL will subscribe for the Consideration Shares by an amount of cash equivalent to the valuation of those Target Properties with legal defects.

The net book value of the Target Properties was approximately RMB61,054,800 (of which RMB28,185,600 is estimated to be the relevant land premium* (土地出讓金) and the relevant taxes to be paid by GPHL upon the completion of relevant procedures in relation to the ratification of the legal defects mentioned above) as at 31 December 2011 and the gross rental income generated from the Target Properties by GPHL were approximately RMB5,100,000 and RMB5,498,000 for the two years ended 31 December 2011 respectively.

As at the date of this announcement, none of the Target Properties is subject to pledges or third party rights.

(ii) *Target Trademarks*

The Target Trademarks represent a total of 388 registered trademarks owned by GPHL, which are mainly trademarks of Chinese patent medicine, including but not limited to 54 well-known trademarks, including 7 trademarks in ChenLiJi* (陳李濟) series, 17 trademarks in PanGaoShou* (潘高壽) series, 7 trademarks in XingQun* (星群) series, 9 trademarks in ZhongYi* (中一) series, 12 trademarks in QiXing* (奇星) series and 2 trademarks in JingXiuTang* (敬修堂) series. The Target Trademarks have been registered in the relevant PRC and/or overseas government authorities. As at the date of this announcement, the Company has the exclusive rights to use 69 Target Trademarks under a trademark license agreement which was entered into between GPHL and the Company on 1 September 1997 (“**1997 Trademark License Agreement**”) for a term of 10 years as supplemented by another agreement dated 8 November 2004. The 1997 Trademark License Agreement was automatically renewed for another 10 years on 1 September 2007 pursuant to the terms set out therein. The transactions contemplated under the 1997 Trademark License Agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules, and a waiver has been granted from the Hong Kong Stock Exchange in relation thereto at the listing of the H Shares on the Hong Kong Stock Exchange in 1997. The above trademark licenses will be discontinued upon the completion of the Major Assets Reorganization.

Among the 388 Target Trademarks, (i) 54 trademarks, which GPHL has granted the Company the exclusive rights to use, are well-known and generate economic benefits; (ii) 277 trademarks are regarded as associated trademarks and/or defensive trademarks registered in the PRC, which only represent the image of the GPHL Group and do not have any direct economic benefits to the GPHL Group (among these 277 trademarks, 15 of which are granted by GPHL to the Company for use); and (iii) the remaining 57 trademarks are registered in overseas and also regarded as associated trademarks and/or defensive trademarks.

Except for the 69 trademarks which are currently used by the Company, the remaining 319 trademarks are not currently used by the Company and are not licensed to any connected persons or third parties for use. As at the date of this announcement, GPHL and the Company do not have any plan to license these trademarks to any connected persons or third parties.

The net book value of the Target Trademarks was approximately RMB241,000 as at 31 December 2011 and the gross license fee generated from the Target Trademarks by GPHL were approximately RMB4,221,000 and RMB7,542,000 for the two years ended 31 December 2011 respectively.

As at the date of this announcement, none of the Target Trademarks is subject to pledges or third party rights.

(iii) *Po Lian*

Po Lian is a limited company incorporated in Hong Kong and is solely owned by GPHL. It is principally engaged in the imports and exports of the pharmaceutical products. As at the date of this announcement, the share capital of Po Lian is HK\$5 million, which was all paid up by GPHL.

Based on the information provided by GPHL, the net asset value and the profit before and after tax of Po Lian prepared in accordance with China Accounting Standards for Business Enterprises for the three years ended 31 December 2011 are as follows:

	As at 31 December		
	2011 <i>(RMB in million)</i>	2010 <i>(RMB in million)</i>	2009 <i>(RMB in million)</i>
Net asset value	34.27	34.28	33.24

	For the year ended 31 December		
	2011 <i>(RMB in million)</i>	2010 <i>(RMB in million)</i>	2009 <i>(RMB in million)</i>
Profit before tax	2.00	2.76	0.16
Profit after tax	1.65	2.19	0.13

(iv) *Baxter*

Baxter is a Sino-foreign equity joint venture established in the PRC in which GPHL currently owns 12.50% of its shareholding interest while the remaining 87.50% shareholding interest is held by an independent third party (“**Baxter Controlling Shareholder**”). It is principally engaged in manufacturing and sales of various kinds of transfusion fluids, disinfectants and equipments used in dialysis as well as the storage and delivery of other related transfusion fluids and medical products.

In 1999, the then shareholder of Baxter who held 12.5% shareholding interest transferred its shareholding to GPHL at a consideration of USD1.25 million. In 2005, the registered capital of Baxter was increased by USD1 million to USD11 million, in which GPHL contributed USD125,000. Therefore, a total of USD1.375 million was paid by GPHL for 12.50% shareholding interest in Baxter.

As at the date of this announcement, GPHL has already obtained the verbal confirmation from Baxter Controlling Shareholder in relation to the transfer of 12.50% shareholding interest of Baxter from GPHL to the Company.

Based on the audited financial statements and the latest unaudited management accounts of Baxter prepared in accordance with China Accounting Standards for Business Enterprises, the net asset value and the profit before and after tax of Baxter for the three years ended 31 December 2011 are as follows:

	As at 31 December		
	2011	2010	2009
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net asset value	658.87	529.22	408.10

	For the year ended 31 December		
	2011	2010	2009
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Profit before tax	234.27	222.02	189.88
Profit after tax	176.81	171.12	151.77

PROGRESS OF THE MAJOR ASSETS REORGANIZATION

As at the date of this announcement, (i) the Board and BYS Board have approved the Absorption and Merger Agreement and the transactions contemplated thereunder; and (ii) the Board and the board of GPHL have approved the Assets Acquisition Agreement and the transactions contemplated thereunder respectively.

As at the date of this announcement, the Preliminary Proposal relating to the Major Assets Reorganization has been pre-approved by the State-owned Assets Supervision and Administration Commission of Guangdong Province.

As at the date of this announcement, the right to use certain parcels of land of the Target Properties by GPHL are classified as allotted land-use rights* (劃撥土地). According to the applicable laws and regulations in the PRC, if GPHL wants to transfer the land-use rights of these parcels of land to any other party, it is necessary for GPHL to settle all relevant land premium* (土地出讓金) and change the land-use rights of these lands from allotted land-use rights to granted land-use rights* (出讓土地). GPHL is attending to all the relevant necessary formalities (including liaison with Guangzhou Municipal Land Resources and Housing Administrative Bureau* (廣州市國土資源和房屋管理局, the “Bureau”)) in relation to the change of land-use rights mentioned above. Based on the discussions between GPHL and the Bureau, the Company is advised by GPHL that the Bureau has made verbal confirmation that the land-use rights of relevant land can be changed in accordance with the relevant regulatory procedures, and GPHL believes that the possibility of failing to change these allotted land-use rights to granted land-use rights is remote. However, the Company considers that, prior to the completion of the above process, such possibility of failing cannot be completely ruled out. Meanwhile, despite all the Target Properties are beneficially owned by GPHL, certain Real Estate Ownership Certificates of the Target Properties are not under the name of GPHL. GPHL has to undergo certain procedures in changing the titles on such Real Estate Ownership Certificates to GPHL in order to transfer the Target Properties to the Company. Therefore, for sake of prudence, it is set out in the Preliminary Proposal that the items of Target Properties are subject to finalization and will be fixed in the Final Proposal. In case the above legal defects of the allotted land-use rights and/or the Real Estate Ownership Certificates cannot be ratified which leads to certain Target Properties being unable to transfer under the Proposed Assets Acquisition, GPHL will subscribe for the Consideration Shares by an amount of cash equivalent to the valuation of those Target Properties with legal defects. In addition, the value of the Target Assets and the Proposed Consideration as set out in the Preliminary Proposal are also subject to further finalization and authorization. Furthermore, pursuant to the requirements of the relevant PRC laws, the relevant audit, valuation and profit forecast in relation to the Major Assets Reorganization are currently undergoing by the Company, BYS and GPHL. The abovementioned information will also be covered in the Final Proposal and approved at the Second Board Meeting.

The Company and the relevant parties involved in the Major Assets Reorganization will continue to consult the relevant regulatory authorities and will continue to fine tune the Preliminary Proposal and work out the Final Proposal, which shall set out the final terms and details of the Major Assets Reorganization. Further announcement(s) will be made by the Company upon the Final Proposal having been approved by the relevant government and regulatory authorities in the PRC and by the Board at the Second Board Meeting.

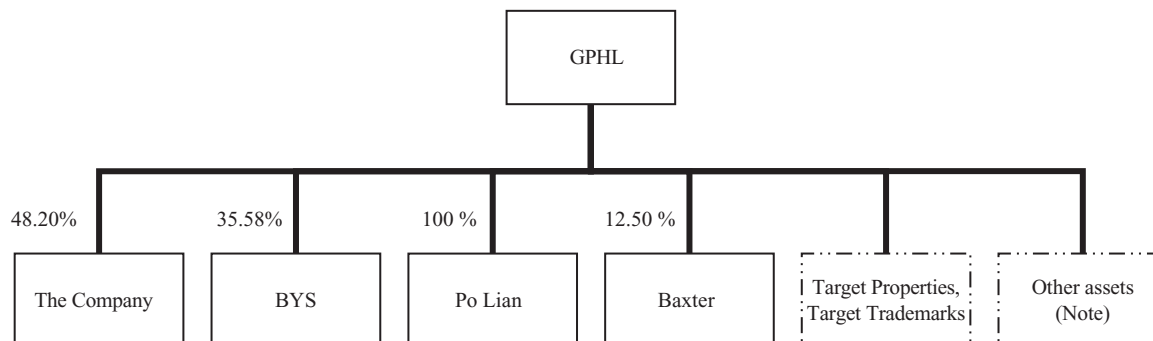
EFFECT OF THE MAJOR ASSETS REORGANIZATION

Upon the completion of the Major Assets Reorganization:

- (i) the BYS Shares held by the BYS Shareholders will be exchanged into GPC A Shares. All BYS Shares will then be cancelled. As a result of and upon the completion of the Major Assets Reorganization, the assets of BYS will be absorbed into and the liabilities of BYS will be assumed by the Company. The enterprise legal status of BYS will be de-registered and BYS will then cease to exist;
- (ii) the Target Assets will be transferred to the Company and all assets and liabilities of the Target Assets will be absorbed and assumed by the Company; and
- (iii) based on the Preliminary Proposal, the shareholding interest of GPHL in the Company will decrease from 48.20% to 45.29% immediately after the completion of the Major Assets Reorganization.

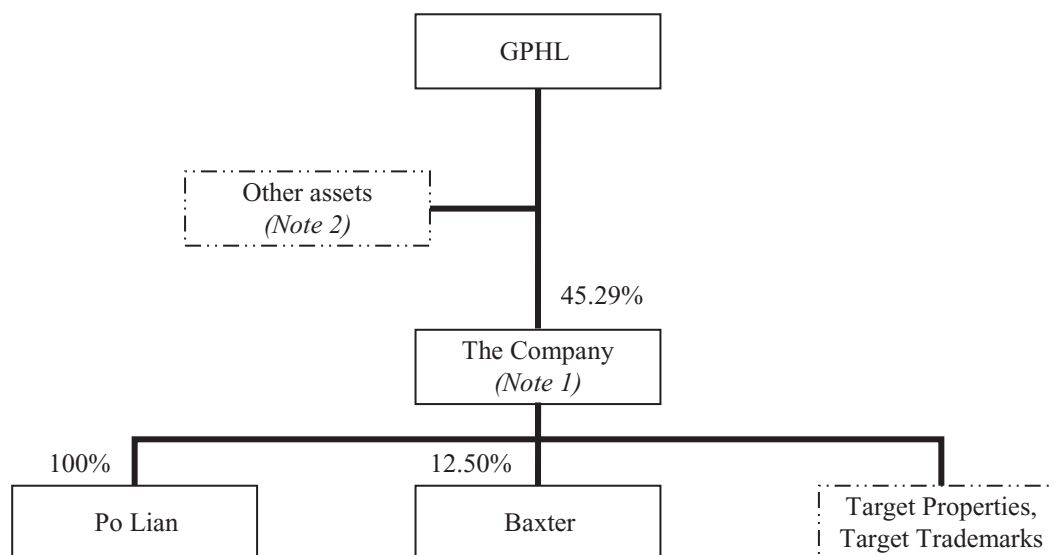
Set out below are respective interests of GPHL and the Company in BYS and the Target Assets immediately before and after the Major Assets Reorganization (assuming that there will be no change in the issued share capital of the Company and BYS from the date of this announcement up to and until completion of the Major Assets Reorganization).

Before the Major Assets Reorganization



Note: Other assets of GPHL include certain properties and Guangzhou Pharmaceutical Research Institute (廣州醫藥研究總院), which is principally engaged in the safety inspection for the pharmaceutical products, raising and sales of animals for laboratory testing and research of medicine. Guangzhou Pharmaceutical Research Institute is an Enterprise owned by the Whole People* (全民所有制企業), GPHL undertakes that it will transfer Guangzhou Pharmaceutical Research Institute to the Company within two years from the date Guangzhou Pharmaceutical Research Institute completed the ownership reform*(公司制改建) and its shares become transferable. If required, the Company will comply with the applicable Listing Rules requirements as and when GPHL transfers Guangzhou Pharmaceutical Research Institute to the Company.*

Immediately after the Major Assets Reorganization



Note 1: As a result of and upon the completion of the Major Assets Reorganization, the assets of BYS will be absorbed into and the liabilities of BYS will be assumed by the Company. The enterprise legal status of BYS will be de-registered and BYS will then cease to exist. The Target Properties and the Target Trademarks of GPHL will be transferred to the Company.

Note 2: Other assets of GPHL include certain properties and Guangzhou Pharmaceutical Research Institute (廣州醫藥研究總院), which is principally engaged in the safety inspection for the pharmaceutical products, raising and sales of animals for laboratory testing and research of medicine. Guangzhou Pharmaceutical Research Institute is an Enterprise owned by the Whole People* (全民所有制企業), GPHL undertakes that it will transfer Guangzhou Pharmaceutical Research Institute to the Company within two years from the date Guangzhou Pharmaceutical Research Institute completed the ownership reform*(公司制改建) and its shares become transferable. If required, the Company will comply with the applicable Listing Rules requirements as and when GPHL transfers Guangzhou Pharmaceutical Research Institute to the Company.*

The following table set out the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Major Assets Reorganization based on the respective shareholding structures of the Company and BYS as at the date of this announcement and the proposed terms of the Proposed Merger and the Proposed Assets Acquisition as set out in the Preliminary Proposal (assuming that there will be no change in the issued share capital of the Company and BYS from the date of this announcement up to and until completion of the Major Assets Reorganization):

	As at the date of this announcement		Immediately after the Proposed Merger		Immediately after the Proposed Merger and the Proposed Assets Acquisition	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>A Shares</i>						
GPHL and its associates	390,833,391	48.20	549,388,391	43.72	585,259,957	45.29
<u>Public</u>						
Shareholders (other than GPHL and its associates) and/or Put Option Provider(s) (Note 1)	200,166,609	24.68	200,166,609	15.93	200,166,609	15.49
The BYS Shareholders and/or Cash Alternative Provider(s) (Note 2)	—	—	287,046,005	22.85	287,046,005	22.21
<i>H Shares</i>						
<u>Public</u>						
Shareholders (other than GPHL and its associates) and/or Put Option Provider(s) (Note 1)	219,900,000	27.12	219,900,000	17.50	219,900,000	17.02
Total	810,900,000	100.00	1,256,501,005	100.00	1,292,372,571	100.00

Note 1: The Put Option Provider(s) will retain the GPC A Shares and H Shares received from the GPC Dissenting Shareholders if any Shareholders exercise the Put Option.

Note 2: Assuming all BYS Shareholders either (i) exchange all their BYS Shares to GPC A Shares; or (ii) exercise the Cash Alternative provided by the Cash Alternative Provider(s), who will then exchange those BYS Shares received from such BYS Shareholders into GPC A Shares at the Exchange Ratio.

Note 3: The shareholdings in the above table are for illustration purpose only. The Proposed Merger and the Proposed Assets Acquisition are inter-conditional to each other. The numbers of Shares are subject to rounding and finalization after the approval of the Final Proposal.

REASONS FOR AND BENEFITS OF THE MAJOR ASSETS REORGANIZATION

The Directors consider that in the long run, with the Major Assets Reorganization, the operations of the Company will expand and the Company will be able to improve its profitability, which in turn will enhance the interests of the Shareholders as a whole. Specifically, the Major Assets Reorganization aims to achieve the following purposes:

1. *Fulfillment of a single listed platform of the GPLH Group*

The Company will become the only listed platform of the GPLH Group which will focus on the business in development, manufacture and trading of pharmaceutical products after completion of the Major Assets Reorganization.

2. *Strengthening the competitiveness of the Group*

After completion of the Major Assets Reorganization, the Group will have a comprehensive supply chain in the pharmaceutical industry including medical research and development as well as the manufacture and sales of various kinds of pharmaceutical products. With the enhanced product mix and strengthened sales and distribution channels, the core competitiveness of the Group is expected to be enhanced.

3. *Achieving synergy through integration of the resources*

With the Major Assets Reorganization, the Group will be able to own the major medical assets and business of GPLH, thereby achieve synergy in the use and enhancement of the production facilities, rearrangement of the product mix, enhancement of the sales and distribution networks and sharing of the financial resources. Accordingly, the operating cost will be lowered, and the operating efficiency and hence the profitability will improve.

4. *Eliminating possible competing business and reducing the level of connected transactions*

After completion of the Major Assets Reorganization, possible intra-group competition will be eliminated as the medicine business will be centralized in the Group. The connected transactions between the Group and other members of the GPLH Group will also be reduced, which shall lead to better operation management, improvement in corporate governance and therefore a better interest of the Shareholders as a whole.

The Directors consider that the Major Assets Reorganization, including but not limited to the terms of the Exchange Ratio, the Cash Alternative, the Put Option, the Issue Price and the Proposed Consideration, is conducted after arm's length negotiation between the relevant parties and is on normal commercial terms, fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES OF THE MAJOR ASSETS REORGANIZATION

As two of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the transactions contemplated under (i) the Absorption and Merger Agreement and (ii) the Assets Acquisition Agreement, in aggregate, is over 100%, the transactions constitute very substantial acquisitions for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, GPHL holds 390,833,391 GPC A Shares, representing approximately 48.20% of the total issued share capital of the Company. In addition, GPHL owns approximately 35.58% shareholding interest in BYS. Both GPHL and BYS are regarded as connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under (i) the Absorption and Merger Agreement and (ii) the Assets Acquisition Agreement also constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. GPHL and its associates, being the connected persons of the Company, will abstain from voting at the GPC General Meetings for the relevant resolutions.

II. TRADEMARK CUSTODY

On 29 February 2012, GPHL and the Company also entered into the Trademark Custody Agreement in relation to the provision of custody services by the Company for GPHL in WangLaoJi Trademarks, all of which are owned by GPHL and will not form part of the Target Trademarks under the Proposed Assets Acquisition. Details of the Trademark Custody Agreement are set out below:

1. Date:

29 February 2012

2. Parties:

- (i) the Company, as the custodian; and
- (ii) GPHL, as the principal and the controlling Shareholder. As at the date of this announcement, GPHL holds approximately 48.20% shareholding interest in the Company. Accordingly, GPHL is a connected person of the Company.

3. Trademarks in custody:

Pursuant to the Trademark Custody Agreement, the Company will be responsible for the daily management of 25 WangLaoJi Trademarks currently owned by GPHL, including but not limited to provision of trademark protection and promotion services and entering into any new and/or renewal trademark license agreements with any third party.

4. **Conditions Precedent:**

The Trademark Custody Agreement shall become effective subject to the following conditions precedent:

- (i) passing of an ordinary resolution in relation to the approval of the Trademark Custody Agreement at the EGM; and
- (ii) completion of the Major Assets Reorganization.

None of the above conditions precedent can be waived and there is no long-stop date for the Trademark Custody Agreement until all of the above conditions precedent are fulfilled.

As at the date of this announcement, none of the conditions precedent above is fulfilled.

5. **Term:**

The term of Trademark Custody Agreement shall be for a period from the date of completion of the Major Assets Reorganization to the date when the ownership of the WangLaoJi Trademarks are transferred from GPHL to the Company, or such other date as GPHL and the Company may agree to terminate the Trademark Custody Agreement.

6. **Custody Fee:**

After completion of the Major Assets Reorganization, the Company will receive a custody fee of RMB1,000,000 per annum (“**Custody Fee**”) from GPHL in arrears at the end of each March during the terms of the custody and will be calculated in proportion to the number of months of custody if the WangLaoJi Trademarks are not in custody of the Company for a full year. The amount of the Custody Fee was determined after arm’s length negotiations between GPHL and the Company.

7. **New Licenses Fee:**

Pursuant to the Trademark Custody Agreement, any new licensing fees of the WangLaoJi Trademarks generated from any licensing agreements entered or renewed after the completion of the Major Assets Reorganization between the Company or GPHL and the licensees (“**New Licenses Fees**”) will be shared among GPHL and the Company in the proportion of 80% and 20% respectively, which was determined after arm’s length negotiations between GPHL and the Company. Any other existing license fee sharing ratio between GPHL and the Company for any WangLaoJi Trademarks license agreements entered into with third party licensees prior to the date of the Trademark Custody Agreement becoming effective, will continue and will not be affected by the Trademark Custody Agreement.

8. Undertakings in relation to the WangLaoJi Trademarks:

GPHL undertakes that, from the date when the Trademark Custody Agreement becoming effective, it will not independently/directly but will only through the Company to carry out the daily management of the WangLaoJi Trademarks as mentioned in the paragraph headed “3. Trademarks in custody” above.

It is also set out in the Trademark Custody Agreement and an undertaking from GPHL dated 29 February 2012, the WangLaoJi Trademarks will be in custody of the Company before the transfer of the same into the Company after the settlement of the Legal Disputes (as defined in the paragraph headed “Reasons for the Trademark Custody” below). GPHL undertakes that it will transfer the WangLaoJi Trademarks to the Company according to the relevant laws and regulations within two years from the date falling on the WangLaoJi Trademarks being able to transfer.

As at the date of this announcement, the Company is unable to estimate the amount of the New Licenses Fees as the identity of new potential licensees and the terms and dates of the potential new/renewal licensing agreements, etc. are not known to the Company, the Company and GPHL jointly entered into another undertaking on 29 February 2012, pursuant to which, both parties have undertaken that they will enter into a supplemental agreement (“**Supplemental Agreement**”) to the Trademark Custody Agreement before the Company or GPHL enters into the first new or renewal licensing agreement relating to the licensing of WangLaoJi Trademarks with the potential licensee after the completion of the Major Assets Reorganization. The Supplemental Agreement shall (a) acknowledge the current arrangement of the Custody Fee and the New Licenses Fee as set out in the Trademark Custody Agreement; and (b) specify the terms including but not limited to the annual cap in relation to the 20% of New Licenses Fees entitled by the Company, the term of the custody arrangement under the Supplemental Agreement and other terms which are required under Chapter 14A of the Listing Rules.

REASONS FOR THE TRADEMARK CUSTODY

It is the ultimate purpose of GPHL and the Company to centralize the ownership of all trademarks of Chinese patent medicine into the Company. In view of the legal disputes (“**Legal Disputes**”) of WangLaoJi Trademarks between GPHL and an independent third party (“**Dispute Party**”) currently in progress, both GPHL and the Company consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole that the WangLaoJi Trademarks will not form part of the Target Trademarks under the Proposed Assets Acquisition and will only be transferred to the Company after the Legal Disputes is settled. It is confirmed by GPHL that given the Legal Disputes between GPHL and the Dispute Party do not involve the Company, the Company is not or will not be required to bear any costs and liabilities arising from the Legal Disputes.

GPHL and the Company further consider that by entering into the Trademark Custody Agreement, the possible competing business between GPHL and the Company can be reduced and the utilization of all trademarks of Chinese patent medicine within the Group can be enhanced before the WangLaoJi Trademarks can be transferred to the Company. As a result, the Directors consider that the transactions contemplated under the Trademark Custody Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES OF THE TRADEMARK CUSTODY

The provision of custody services under the Trademark Custody Agreement constitutes continuing connected transactions under the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Custody Fee is, on an annual basis, less than 0.1%, under Rule 14A.33(3) of the Listing Rules, the provision of custody services is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Although the Trademark Custody Agreement is not subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules, the approval of the Independent Shareholders, as one of the conditions precedent to the Trademark Custody Agreement, will be sought at the EGM by way of poll.

As at the date of this announcement, GPHL holds 390,833,391 GPC A Shares, representing approximately 48.20% of the total issued share capital of the Company. GPHL is regarded as connected person of the Company under the Listing Rules. GPHL and its associates, being the connected persons of the Company, will abstain from voting at the EGM for the relevant ordinary resolutions.

Since the Company is unable to estimate the amount of the New Licenses Fees as mentioned in the paragraph headed "8. Undertakings in relation to the WangLaoJi Trademarks" above, prior to entering into the first new or renewal licensing agreement relating to the licensing of WangLaoJi Trademarks with the potential licensee after the completion of the Major Assets Reorganization, the Company will enter into the Supplemental Agreement with GPHL and re-comply with all relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as and when the Supplemental Agreement is entered into.

INFORMATION ON THE PARTIES INVOLVED IN THE MAJOR ASSETS REORGANIZATION AND THE TRADEMARK CUSTODY

BYS

BYS is a company established in the PRC with its entire issued share capital listed on the Shenzhen Stock Exchange and is currently held by GPHL as to 35.58%. It is principally engaged in the research and development, manufacture and sales of Chinese and Western patent medicine, active pharmaceutical ingredients, medicine for external use, child medicine and health medicine.

Based on the audited financial statements of BYS prepared in accordance with China Accounting Standards for Business Enterprises, the consolidated net asset value and the consolidated net profits before and after tax of BYS for the three years ended 31 December 2011 are as follows:

	As at 31 December		
	2011	2010	2009
	<i>(RMB in million)</i> <i>(audited)</i>	<i>(RMB in million)</i> <i>(audited)</i>	<i>(RMB in million)</i> <i>(audited)</i>
Net asset value	1,407.58	1,164.92	968.17

	For the year ended 31 December		
	2011	2010	2009
	<i>(RMB in million)</i> <i>(audited)</i>	<i>(RMB in million)</i> <i>(audited)</i>	<i>(RMB in million)</i> <i>(audited)</i>
Profit before tax	328.29	257.09	117.62
Profit after tax	280.22	219.06	121.17

GPHL

GPHL is a state-owned enterprise established in the PRC. GPHL is principally engaged in the development, manufacture and trading of pharmaceutical products. GPHL is the controlling Shareholder holding approximately 48.20% of the total issued share capital of the Company. GPHL also holds 35.58% shareholding interest in BYS as at the date of this announcement.

The Company

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares and GPC A Shares are listed on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. The Group is principally engaged in (1) the research and development, manufacture and sales of Chinese Patent Medicine, natural medicine and biological medicine; and (2) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus.

POSSIBLE CHANGES OF COMPANY NAME AND ARTICLES OF ASSOCIATION OF THE COMPANY

In order to reflect the revised scope of business of the Group upon the completion of the Major Assets Reorganization, it was set out in the Preliminary Proposal that the name of the Company and the articles of association of the Company will be changed accordingly. As at the date of this announcement, no such changes have been approved by the Board. Further announcement(s) will be made by the Company upon approval of the changes of the name and articles of association of the Company by the Board as a result of the Major Assets Reorganization.

GENERAL

Further announcement(s) will be made by the Company upon the Final Proposal having been approved by the government and regulatory authorities in the PRC and by the Board at the Second Board Meeting.

The Independent Board Committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of (i) the Absorption and Merger Agreement; (ii) the Assets Acquisition Agreement; and (iii) the Trademark Custody Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation thereto.

After approval of the Final Proposal by the Board at the Second Board Meeting, a circular containing, among other things, further details of the Major Assets Reorganization and particulars required by the Listing Rules concerning the Major Assets Reorganization, notice to convene the EGM for approving the Major Assets Reorganization and the Trademark Custody Agreement, and notices to convene the A Shares General Meeting and the H Shares General Meetings for approving the Major Assets Reorganization and the relevant forms of proxy will be dispatched to the Shareholders on or before 27 September 2012. As the Major Assets Reorganization involves obtaining approvals from various relevant government authorities in the PRC and is a lengthy process, in case the circular cannot be dispatched as envisaged, further announcement(s) will be made by the Company.

It was set out in the Preliminary Proposal that if the Company fails to issue the notices convening the GPC General Meetings to approve the Major Assets Reorganization within six months from the date of the First Board Resolution Announcement, then according to the applicable PRC securities regulations, each of the Board and the BYS Board shall reconvene their respective meetings to re-consider the terms of the Major Assets Reorganization, including but not limited to the revision of the respective prices of the GPC A Shares, the H Shares and the BYS Shares under the Major Assets Reorganization (comprising the Proposed Merger and the Proposed Assets Acquisition), the Exchange Ratio, the Cash Alternative and the Put Option.

All the material information in relation to the Major Assets Reorganization has been disclosed in this announcement. Investors can also refer to the Preliminary Proposal (in Chinese only) published on the website of the Shanghai Stock Exchange (www.sse.com.cn) by the Company as the same date of this announcement.

Investors are cautioned that the Major Assets Reorganization is subject to various conditions precedent. The Major Assets Reorganization may or may not proceed or become unconditional or effective. There is no assurance that all the conditions precedent contained in the Absorption and Merger Agreement and the Assets Acquisition Agreement can be satisfied. Investors and potential investors in Shares of the Company should exercise care, and should only rely on information published by the Company, when they deal, or contemplate dealing, in the H Shares or other securities of the Company.

III. RESUMPTION OF TRADING

At the request of the Company, trading of H Shares on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 7 November 2011 pending the release of this announcement. The Company has made an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 28 March 2012.

DEFINITIONS

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

“A Shares General Meeting”	meeting of the holders of GPC A Shares to be convened and held for the purposes of, inter alia, considering and, if though fit, approving the Major Assets Reorganization
“Absorption and Merger Agreement”	the conditional agreement dated 29 February 2012 entered into between the Company and BYS in relation to the Proposed Merger
“Acceptance Period”	the period for BYS Shareholders to exercise the Cash Alternative, the exact acceptance period for which will be determined and announced by the Company and BYS
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Assets Acquisition Agreement”	the conditional agreement dated 29 February 2012 entered into between the Company and GPHL in relation to the Proposed Assets Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baxter”	廣州百特醫療用品有限公司 (Baxter Healthcare (Guangzhou) Company, Ltd.), a Sino-foreign equity joint venture established in the PRC and is owned as to 12.50% by GPHL
“Board”	the board of the Directors
“business day”	a day (other than a Saturday and a Sunday) on which the Hong Kong Stock Exchange is open for trading and on which banks are open for business in Hong Kong

“BYS”	廣州白雲山製藥股份有限公司(Guangzhou Baiyunshan Pharmaceutical Co., Ltd.), a company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange
“BYS Board”	the board of directors of BYS
“BYS Share Average Price”	the average trading price per BYS Share as derived by dividing the total trading value of BYS Shares by the total trading volumes of BYS Shares during the 20 trading days prior to 27 March 2012, being the date of the announcement made by BYS in relation to the resolutions of the BYS Board meeting to approve the Proposed Merger, being RMB11.55 per BYS Share (subject to the ex-right or ex-dividend adjustment)
“BYS Share(s)”	Reminbi-dominated domestic share(s) in the ordinary share capital of BYS, with a nominal value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“BYS Shareholders”	the shareholders of BYS
“Cash Alternative”	the cash alternative under the Proposed Merger granted to the BYS Shareholders (other than GPHL and its associates) who decide not to receive in whole or in part the GPC A Shares, at a price of RMB11.55 per BYS Share (subject to the ex-right or ex-dividend adjustment), subject to certain conditions, from the Cash Alternative Provider(s) pursuant to the Absorption and Merger Agreement as required by the applicable PRC laws and regulations, details of which are set out in the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 9. Cash Alternative for the BYS Shareholders” in this announcement
“Cash Alternative Exercise Date”	being the date on which the Cash Alternative Provider(s) make cash payment to the BYS Shareholders who exercised their rights under the Cash Alternative, and in exchange, the Cash Alternative Provider(s) receive the BYS Shares from these BYS Shareholders, the exact date of which will be determined and announced by the Company and BYS
“Cash Alternative Provider(s)”	one to five independent third party(ies) who shall, at the Cash Alternative Exercise Date, pay the BYS Shareholders in cash in exchange for the whole or part of BYS Shares held by such BYS Shareholders pursuant to the Absorption and Merger Agreement. The Cash Alternative Provider(s) shall not be connected party(ies) or party(ies) acting in concert with GPHL or with each other Cash Alternative Provider(s)

“Company”	廣州藥業股份有限公司 (Guangzhou Pharmaceutical Company Limited), a company established in the PRC and the H Shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	中國證券監督管理委員會 (the China Securities Regulatory Commission)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company for all the Shareholders to be held for the purpose of, inter alia, considering and, if thought fit, passing the special resolutions in relation to the Major Assets Reorganization and the ordinary resolutions in relation to the Trademark Custody Agreement and the transactions contemplated thereunder
“Exchange Ratio”	the ratio at which 0.95 GPC A Shares will be issued by the Company in exchange for every 1 BYS Share (subject to the ex-right or ex-dividend adjustment) under the Proposed Merger
“Final Proposal”	the final proposal which shall set out the final terms and details of the Major Assets Reorganization
“First Board Meeting”	the meeting of the Board held on 29 February 2012 to approve the Preliminary Proposal relating to the Major Assets Reorganization
“First Board Resolution Announcement”	the announcement made by the Company on the same day of this announcement in relation to the resolutions of the First Board Meeting
“GPC A Share(s)”	Renminbi-dominated domestic share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each and are listed on the Shanghai Stock Exchange

“GPC A Share Average Price”	the average trading price per GPC A Share derived by dividing the total trading value of GPC A Shares by the total trading volumes of GPC A Shares during the 20 trading days prior to the date of the First Board Resolution Announcement on 27 March 2012, being RMB12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment)
“GPC Dissenting Shareholder(s)”	any GPC Shareholder(s) who has/have voted against the relevant resolutions in relation to the Proposed Merger at the GPC General Meetings
“GPC General Meetings”	the A Shares General Meeting, the H Shares General Meeting and the EGM
“GPHL”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a state-owned enterprise established in the PRC and the controlling Shareholder which currently holds approximately 48.20% shareholding interest in the Company
“GPHL Group”	GPHL and its subsidiaries and their respective associates
“Group”	the Company and its subsidiaries
“H Share Average Price”	the average trading price per H Share derived by dividing the total trading value of H Shares by the total trading volumes of H Shares during the 20 trading days prior to the date of the First Board Resolution Announcement on 27 March 2012, being HK\$5.54 per H Share (subject to the ex-right or ex-dividend adjustment)
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each and are listed on the Hong Kong Stock Exchange
“H Shares General Meeting”	meeting of the holders of H Shares to be convened and held for the purposes of, inter alia, considering and, if though fit, approving the Major Assets Reorganization
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	an independent board committee of the Company to be established for the purpose of considering the terms of the Major Assets Reorganization and the Trademark Custody Agreement and the transaction contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Major Assets Reorganization, the Trademark Custody Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than GPHL and its associates
“Issue Price”	RMB12.20 per GPC A Share (subject to the ex-right or ex-dividend adjustment)
“Last Trading Day”	4 November 2011, being the last trading day prior to the date of the First Board Resolution Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Major Assets Reorganization”	the Proposed Merger and the Proposed Assets Acquisition
“MOFCOM”	中華人民共和國商務部 (Ministry of Commerce of the PRC)
“Po Lian”	保聯拓展有限公司 (Po Lian Development Company Limited), a company incorporated in Hong Kong and is a wholly-owned subsidiary of GPHL
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Preliminary Proposal”	the preliminary proposal of the Major Assets Reorganization approved by the Board at the First Board Meeting
“Previous Announcements”	the announcements of the Company dated 7 November 2011, 11 November 2011, 18 November 2011, 25 November 2011, 2 December 2011, 9 December 2011, 16 December 2011, 23 December 2011, 30 December 2011, 6 January 2012, 13 January 2012, 20 January 2012, 3 February 2012, 10 February 2012, 17 February 2012, 24 February 2012, 2 March 2012, 9 March 2012, 16 March 2012 and 23 March 2012
“Proposed Assets Acquisition”	the proposed acquisition of the Target Assets

“Proposed Consideration”	the proposed consideration for the Proposed Assets Acquisition, basis of which is set out in the paragraph headed “I. Major Assets Reorganization – B. The Assets Acquisition Agreement – 4. Consideration” in this announcement
“Proposed Merger”	the proposed absorption and merger of the entire issued share capital of BYS by the Company pursuant to the terms of the Absorption and Merger Agreement through the proposed issue of GPC A Shares by the Company at the Exchange Ratio to exchange for BYS Shares
“Put Option”	the put option under the Proposed Merger granted to the GPC Dissenting Shareholders to require the Put Option Provider(s) to acquire their Shares at the respective prices of RMB12.20 per GPC A Share or HK\$5.54 per H Share (both are subject to the ex-right or ex-dividend adjustment), subject to certain conditions, pursuant to the Absorption and Merger Agreement as required by the applicable PRC laws and regulations, details of which are set out in the paragraph headed “I. Major Assets Reorganization – A. The Absorption and Merger Agreement – 10. Put Option for the GPC Dissenting Shareholders” in this announcement
“Put Option Exercise Date”	being the date on which the Put Option Provider(s) make cash payment to the Shareholders who exercised their rights under the Put Option, and in exchange, the Put Option Provider(s) receive the GPC A and/or H Shares from these Shareholders, the exact date of which will be determined and announced by the Company
“Put Option Provider(s)”	one to five independent third party(ies) who shall, at the Put Option Exercise Date, pay the GPC Dissenting Shareholders in cash in exchange for the GPC A Shares and/or H Shares held by such GPC Dissenting Shareholders pursuant to the Absorption and Merger Agreement. The Put Option Provider(s) shall not be connected party(ies) or party(ies) acting in concert with GPHL or with each other Put Option Provider(s)
“Real Estate Ownership Certificates”	房地產權證 (real estate ownership certificates*), a type of ownership certificate which combines both 土地使用權證 (land-use right certificate*) and 房屋所有權證 (building ownership certificate*)

“Registration Period”	the period for GPC Dissenting Shareholders to exercise the Put Option, the exact registration period for which will be determined and announced by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Second Board Meeting”	the meeting of the Board to be held to approve the Final Proposal relating to the Major Assets Reorganization
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Share Conversion Date”	being the date on which the new GPC A Shares, as consideration for the Proposed Merger, issued to and registered under the names of BYS Shareholders, the exact date of which will be determined and announced by the Company and BYS
“Shareholder(s)”	holder(s) of Shares
“sq.m.”	square meters
“Trademark Custody Agreement”	the conditional agreement dated 29 February 2012 entered into between the Company and GPHL in relation to the provision of custody services by the Company to GPHL for the WangLaoJi Trademarks
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Assets”	the assets (being (i) the Target Properties; (ii) the Target Trademarks; (iii) 100% shareholding interest in Po Lian; and (iv) 12.50% shareholding interest in Baxter) to be acquired by the Company from GPHL pursuant to the Assets Acquisition Agreement
“Target Properties”	the properties owned by GPHL and to be acquired by the Company pursuant to the Assets Acquisition Agreement. Details of the Target Properties are set out in the paragraph headed “I. Major Assets Reorganization – B. The Assets Acquisition Agreement – 9. Information on the Target Assets” in this announcement

“Target Trademarks”	the trademarks owned by GPHL and to be acquired by the Company pursuant to the Assets Acquisition Agreement. Details of the Target Trademarks are set out in the paragraph headed “I. Major Asset Reorganization – B. The Assets Acquisition Agreement – 9. Information on the Target Assets” in this announcement
“USD”	the lawful currency of the United States
“WangLaoJi Trademarks”	the 25 trademarks in WangLaoJi* (王老吉) series owned by GPHL and to be in custody of the Company pursuant to the Trademark Custody Agreement
“%”	per cent

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 27 March 2012

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Mr. Shi Shaobin and Mr. Wu Changhai as executive Directors, and Mr. Liu Jinxiang, Mr. Li Shanmin, Mr. Zhang Yonghua, Mr. Wong Lung Tak Patrick and Mr. Qiu Hongzhong as independent non-executive Directors.

** For identification purpose only*