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)

FURTHER ANNOUNCEMENT

(I) VERY SUBSTANTIAL ACQUISITIONS AND CONNECTED TRANSACTIONS INVOLVING MAJOR ASSETS REORGANIZATION – (A) ABSORPTION AND MERGER OF GUANGZHOU BAIYUANSHAN PHARMACEUTICAL CO., LTD.; (B) ACQUISITION OF TARGET ASSETS FROM GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED; AND (C) COMPENSATION FOR PROFIT SHORTFALL; (II) TRADEMARK CUSTODY; (III) PROFIT FORECASTS IN RELATION TO THE MAJOR ASSETS REORGANIZATION PREPARED UNDER CASBE; (IV) PROFIT FORECASTS UNDERLYING THE VALUATIONS OF CERTAIN TARGET ASSETS; AND (V) RESUMPTION OF TRADING OF H SHARES

Financial Advisers to the Company

時富金融 CFSG

Goldman Sachs

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

South West Capital Limited
西南融資有限公司

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the announcement of the Company dated 27 March 2012 in relation to, among other things, the Major Assets Reorganization (the "**Announcement**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

(I) MAJOR ASSETS REORGANIZATION

The Board is pleased to announce that, on 15 June 2012, being the date of the Second Board Meeting held in relation to the Major Assets Reorganization, the Board resolved to (i) approve the Final Proposal; (ii) enter into the Supplemental Assets Acquisition Agreement with GPHL as supplement to the Assets Acquisition Agreement; and (iii) enter into the Profit Compensation Agreement with GPHL.

Pursuant to the above resolutions, on 15 June 2012, the Company and GPHL entered into the Supplemental Assets Acquisition Agreement and the Profit Compensation Agreement respectively.

Save for the terms disclosed in this announcement, other terms of the Major Assets Reorganization as disclosed in the Announcement in relation to the Preliminary Proposal remained unchanged in the Final Proposal.

(II) TRADEMARK CUSTODY

On 15 June 2012, the Board also resolved to approve the Supplemental Trademark Custody Agreement as supplement to the Trademark Custody Agreement. The Company and GPHL also entered into the Supplemental Trademark Custody Agreement on the same date.

Save for the terms disclosed in this announcement in relation to the Supplemental Trademark Custody Agreement, other terms of the Trademark Custody Agreement as disclosed in the Announcement remained unchanged.

(III) PROFIT FORECASTS IN RELATION TO THE MAJOR ASSETS REORGANIZATION PREPARED UNDER CASBE

In compliance with the PRC laws and regulations and pursuant to the requirements of the CSRC, the Board has reviewed and approved (i) the Enlarged Group Profit Forecast; and (ii) the Target Assets Profit Forecast in the Second Board Meeting on 15 June 2012. The Profit Forecasts have been disclosed on the website of the Shanghai Stock Exchange together with the Final Proposal. To ensure equal dissemination of unpublished price sensitive information in the stock exchange markets where the Shares are listed, the Company discloses the details of the Profit Forecasts by way of this announcement.

(IV) PROFIT FORECASTS UNDERLYING THE VALUATIONS OF CERTAIN TARGET ASSETS

In compliance with the PRC laws and regulations, the final valuation of the Target Assets is required to be conducted by a qualified PRC valuer. The Valuation Reports of the Target Assets will form part of the Final Proposal and were approved by the Board at the Second Board Meeting on 15 June 2012. As the valuations of certain Target Assets were based on the income approach, which take into account the discounted cash flow forecasts of the Target Assets, they constitute profit forecasts under Rule 14.61 of the Listing Rules (but the adoption of an income approach for the valuation of the Target Properties is not regarded as a profit forecast pursuant to Rule 14.61 of the Listing Rules). Details of the profit forecasts underlying the valuations of certain Target Assets are set out in this announcement.

(V) 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 18 June 2012 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 19 June 2012.

GENERAL

As at the date of this announcement, South West Capital Limited has been appointed as the independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Major Assets Reorganization, the Trademark Custody Agreement, the Profit Compensation Agreement, their respective supplemental agreements (if any) and the respective transactions contemplated thereunder.

All material information in relation to the Final Proposal has been disclosed in this announcement. Investors can also refer to the Final Proposal (in Chinese only), which incorporated the Profit Forecasts and the Valuation Reports published on the website of the Shanghai Stock Exchange (www.sse.com.cn) by the Company on the same date of this announcement.

The Profit Forecasts and the discounted cash flow forecasts of certain Target Assets are prepared based on the assumptions and estimations of the Board for illustrative purposes only and does not provide any assurance or indication that any event will take place in the future and may not give a true picture of the results of the Enlarged Group and/or the Target Assets for the year ending 31 December 2012 and thereafter.

As the Board has made no reference to the Profit Forecasts in determining the terms for the Major Assets Reorganization, the Shareholders and potential investors in H Shares should not rely on the information in the Profit Forecasts when they assess the merits and demerits of the Major Assets Reorganization.

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 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

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Reference is made to the Announcement. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board is pleased to announce that, on 15 June 2012, being the date of the second board meeting (the "**Second Board Meeting**") held for the purpose of approving the Final Proposal in relation to the Major Assets Reorganization, resolved to (i) approve the Final Proposal; (ii) enter into the supplemental agreement to the Assets Acquisition Agreement (the "**Supplemental Assets Acquisition Agreement**") with GPHL; and (iii) enter into the profit compensation agreement with GPHL, in relation to the compensation measures arising from the difference which might arise between the actual net profits of the Target Properties and the Target Trademarks for the three financial years commencing from the date of completion of the Major Assets Reorganization and the forecasted net profits of such Target Assets for the same corresponding period as set out in the Valuation Reports (as defined below) and used as a basis to determine the Proposed Consideration (the "**Profit Compensation Agreement**").

Pursuant to the above resolutions, on 15 June 2012, the Company and GPHL entered into the Supplemental Assets Acquisition Agreement and the Profit Compensation Agreement respectively.

Save for the terms disclosed below, other terms of the Major Assets Reorganization as disclosed in the Announcement in relation to the Preliminary Proposal remained unchanged in the Final Proposal.

(A) THE PROPOSED MERGER

(i) The Exchange Ratio, the price of BYS Shares offered in the Cash Alternative and the prices of GPC A Shares and H Shares offered in the Put Option

As set out in the Announcement, final dividends of RMB0.10 per GPC A Share (included tax) and RMB0.55 for every 10 BYS Shares (included tax) were respectively proposed by the Company and BYS for the year ended 31 December 2011. The same were approved at their respective annual general meetings held on 12 April 2012 and 20 April 2012 respectively.

According to the adjustment formula set out in the Announcement which will be applied if there is any event causing the ex-right or ex-dividend on the Shares and/or BYS Shares, the GPC A Share Average Price and the BYS Share Average Price are adjusted from RMB12.20 to RMB12.10 per GPC A Share and from RMB11.55 to RMB11.50 per BYS Share respectively, rendering the same Exchange Ratio (i.e. every 1 BYS Share will be exchanged for 0.95 GPC A Shares) as disclosed in the Announcement.

Accordingly, the price of the BYS Shares offered in the Cash Alternative is adjusted from RMB11.55 to RMB11.50, while the prices of GPC A Shares and H Shares offered in the Put Option are adjusted from RMB12.20 to RMB12.10 and from HK$5.54 to HK$5.42 respectively.

In case of any event which will cause ex-right or ex-dividend on the Shares and/or BYS Shares prior to the Share Conversion Date, the Cash Alternative Exercise Date and the Put Option Exercise Date; the Exchange Ratio, the price of BYS Shares offered in the Cash Alternative and the prices of GPC A Shares and H Shares offered in the Put Option will be further adjusted respectively according the adjustment formula as set out in the Announcement.

(ii) Fulfillment of the conditions precedent

As at the date of this announcement, except for the approvals from the Board and the BYS Board in relation to the Absorption and Merger Agreement and the transactions contemplated thereunder, none of the conditions precedent to the Absorption and Merger Agreement is fulfilled.

(iii) Undertaking from GPHL

As at the date of this announcement, the land-use rights of certain properties owned by BYS are classified as allotted land-use rights* (劃撥土地) and certain properties' Real Estate Ownership Certificates have not been applied for by BYS.

On 15 June 2012, GPHL (i) undertakes to the Company that it will use its best endeavors to rectify such legal defects of those BYS properties; (ii) guarantees to the Company that the Group as enlarged by the absorption of BYS and acquisitions of the Target Assets (the "**Enlarged Group**") will be able to own and occupy such properties after the completion of the Major Assets Reorganization and there will not be any material adverse impact on nor incurring of any additional cost by the Enlarged Group due to such legal defects; and (iii) undertakes to the Company that it will compensate the Company within 2 months from the date incurring the losses in case there are any penalties imposed on or losses incurred by the Company during the rectification process of such legal defects.

(B) THE PROPOSED ASSETS ACQUISITIONS

On 15 June 2012, the Company and GPHL entered into the Supplemental Assets Acquisition Agreement as supplement to the Assets Acquisition Agreement pursuant to which, certain terms of the Proposed Assets Acquisition are revised as follows:

(i) Assets to be acquired: Target Properties

The Target Properties comprises a list of 21 properties (instead of 22 properties as set out in the Announcement) with a total gross floor area of approximately 34,906.94 sq.m. in Guangzhou beneficially owned by GPHL.

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

Location	**No. of Target Properties**	**Gross floor area** *(sq.m.)*
Baiyun District, Guangzhou (廣州白雲區)	8	20,341.19
Liwan District, Guangzhou (廣州荔灣區)	11	14,250.90
Yuexiu District, Guangzhou (廣州越秀區)	1	215.51
Haizhu District, Guangzhou (廣州海珠區)	1	99.34
Total	21	34,906.94

As set out in the Announcement, (i) the right to use certain parcels of land of the Target Properties by GPHL were classified as allotted land-use rights* (劃撥土地); and (ii) the Real Estate Ownership Certificates of certain Target Properties were not under the name of GPHL despite all the Target Properties being beneficially owned by it. As at the date of this announcement, the above legal defects are still in the process of being rectified by GPHL. As advised by GPHL, verbal confirmations have been obtained from the relevant PRC authorities with regards to the rectification of the legal defects of the Target Properties except for one of the Target Properties located in Liwan District, Guangzhou (廣州荔灣區) originally included in the Preliminary Proposal. The Company was advised verbally by the relevant PRC authorities that the legal defect of such property would not be able to be rectified shortly. After considering the only use of such property as a warehouse by a joint venture of the Company and its valuation is relatively insignificant as compared to those of the other Target Properties, both the Company and GPHL agreed that such property will be excluded from the Final Proposal.

With respect to the legal defects of the remaining 21 Target Properties, on 15 June 2012, GPHL further undertakes that, before 28 September 2012, it will either complete the rectification process of the legal defects or obtain the written confirmations from the relevant housing bureaus in the PRC confirming that there will be no legal obstacle to rectify such legal defects and it will not affect the implementation of the Major Assets Reorganization. In case the above legal defects cannot be rectified before 28 September 2012, GPHL will compensate the Company in cash for any economic losses suffered by the Company due to the failure to rectify the legal defects or imposition of any penalties by the PRC government authorities on the Company regarding the legal defects. Furthermore, in case the above legal defects cannot be rectified and lead to certain Target Properties being unable to transfer under the Proposed Assets Acquisition on the completion date of the Major Assets Reorganization, GPHL will subscribe for the Consideration Shares with an amount of cash equivalent to the Proposed Consideration of those Target Properties with legal defects.

(ii) Consideration, the Issue Price and the Consideration Shares

(a) Adjusted Proposed Consideration

The final Proposed Consideration of the Target Assets, consisting of the Target Properties, Target Trademarks, 100% shareholding interest in Po Lian, and 12.5% shareholding interest in Baxter, is approximately RMB421,559,700, which was based on the final valuation on the Target Assets of approximately RMB421,559,700 as at 31 December 2011 conducted by China Valuer International Co., Ltd. ("**China Valuer**"), a qualified independent valuer in the PRC. Such final appraised value of the Target Assets is subject to the filing with and/or the obtaining the relevant authorization from the State-owned Assets Supervision and Administration Department.

(b) Final Valuation of the Target Assets

As acknowledged by GPHL, with reference to their previous contributions in promoting the reputation and value of the Target Trademarks, the Company and GPHL are attributable to 47% and 53% of the valuation of the Target Trademarks as at 31 December 2011 respectively. Accordingly, the valuation and the proposed consideration of the Target Trademarks are conducted and determined by making reference to the 53% of the total valuation of the same that is attributable to GPHL.

Set out below are the valuation methodologies finally adopted and the valuation attributable to each of the Target Assets as set out in the valuation reports (the "**Valuation Reports**") conducted by China Valuer and the amounts of the final Proposed Consideration of each of the Target Assets:

Target Assets	**Valuation methodologies finally adopted** *(Note 1)*	**Valuation** *(RMB'000)*	**Proposed Consideration** *(RMB'000)*
Target Properties	Income approach and market approach	230,739.60	230,739.60
Target Trademarks *(Note 2)*	Income approach and cost approach	51,141.60	51,141.60
100% shareholding interest in Po Lian	Asset-based approach	57,339.70	57,339.70
12.50% shareholding interest in Baxter	Asset-based approach	82,338.80	82,338.80
Total		421,559.70	421,559.70

Note 1: For details of the valuation methodolodies, please refer to the section headed IV. Profit forecasts underlying the valuations of certain Target Assets in this announcement below.

Note 2: As acknowledged by GPHL, the Company and GPHL are attributable to 47% and 53% of the valuation of the Target Trademarks as at 31 December 2011 respectively. Accordingly, the valuation on the Target Trademarks only represents the part of valuation that is attributable to GPHL.

(c) *Adjusted Issue Price*

Pursuant to the Supplemental Assets Acquisition Agreement, the Issue Price is subject to the adjustment as set out in the Announcement due to the approval of the GPC 2011 Final Dividend at the annual general meeting of the Company as mentioned in the paragraph headed "(A) The Proposed Merger" above. The Issue Price is adjusted from RMB12.20 to RMB12.10 per GPC A Share. In case of any event which will cause ex-right or ex-dividend on the Shares prior to the date of completion of the Proposed Assets Acquisition, the Issue Price will be further adjusted according the adjustment formula as set out in the Announcement.

(d) *Adjusted number of Consideration Shares to be issued*

As a result of the finalized valuation on the Target Assets as set out in the Valuation Reports, and the adjustments made to the amount of the Proposed Consideration and the Issue Price, the number of Consideration Shares to be issued and allotted to satisfy the Proposed Consideration will also be adjusted to 34,839,645 new GPC A Shares, representing approximately 4.30% of the existing issued share capital of the Company and approximately 2.70% of the enlarged issued share capital of the Company immediately after the completion of the Major Assets Reorganization. The exact final number of GPC A Shares to be issued under the Proposed Assets Acquisition is subject to the approvals from the Shareholders at the GPC General Meetings and the approval from CSRC.

(iii) *Fulfillment of the conditions precedent*

As at the date of this announcement, except for the approvals from the Board and the board of GPHL in relation to the Assets Acquisition Agreement, the Supplemental Assets Acquisition Agreement and the transactions contemplated thereunder, none of the conditions precedent to the Assets Acquisition Agreement is fulfilled.

(C) THE COMPENSATION AGREEMENT

Since the actual net profits of the Target Properties and the Target Trademarks for each of the five years ending 31 December 2016 might be different from the forecasted net profits of such Target Assets for the same corresponding period as set out in the Valuation Reports which were used as a basis to determine the Proposed Consideration, on 15 June 2012, the Company and GPHL entered into the Profit Compensation Agreement.

(i) *Date*

15 June 2012

(ii) *Parties*

(1) The Company; and

(2) GPHL.

(iii) The forecasted net profits of the Target Properties and the Target Trademarks

According to the Valuation Reports issued by China Valuer on 9 June 2012, the forecasted net profits of the Target Properties and the Target Trademarks for each of the five years ending 31 December 2016 are shown below. Net profit of the Target Properties shall be construed as the profit before interest, enterprise income tax and amortization while the net profit of the Target Trademarks shall be construed as the profit after tax under the Profit Compensation Agreement.

	For the year ending 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
	(RMB'000)	***(RMB'000)***	***(RMB'000)***	***(RMB'000)***	***(RMB'000)***
	(Forecasted)	*(Forecasted)*	*(Forecasted)*	*(Forecasted)*	*(Forecasted)*
Net profit of the Target Properties	6,893.8	6,814.2	10,081.8	10,982.4	11,648.4
Net profit of the Target Trademarks	1,834.2	2,172.8	2,334.9	2,440.2	2,526.0

(iv) Compensation period

The term of the Profit Compensation Agreement shall last for a period of three financial years (including the financial year in which the Major Assets Reorganization completes) commencing from the date of completion of the Major Assets Reorganization (the "**Compensation Period**").

(v) Disclosure of information

During the Compensation Period, the Company shall appoint a qualified auditor to audit the operating results of the Target Properties and the Target Trademarks. The Company is also required to disclose separately the actual net profits of the Target Properties and the Target Trademarks and their differences to the forecasted net profits as set out in the paragraph headed "(iii) The forecasted net profits of the Target Properties and the Target Trademarks" above in its annual reports during the Compensation Period.

(vi) Terms of Compensation

If the audited net profits of the Target Properties and the Target Trademarks are more than or equal to the forecasted net profits of the same in a financial year during the Compensation Period, GPHL will not be required to compensate the Company.

If the audited net profits of the Target Properties and the Target Trademarks are less than the forecasted net profits of the same in a financial year during the Compensation Period, the Company shall inform GPHL in writing within 10 days after the dispatch of its annual report and GPHL shall, in accordance with relevant time and procedures as required by the Company, compensate the Company the difference of the audited net profits and the aggregate forecasted net profits in the following manners:

The Company shall repurchase a certain number of GPC A Shares (the "**Compensation Shares**") held by GPHL at a consideration of RMB1. Such Compensation Shares shall be cancelled by the Company thereafter.

The number of Compensation Shares that the Company shall be entitled to repurchase for a financial year during the Compensation Period shall be calculated based on the formula below:

$$\frac{\begin{array}{c}\text{(Accumulated forecasted net profits of the Target}\\ \text{Properties and/or Target Trademarks at the end}\\ \text{of the reporting period} - \text{Accumulated actual}\\ \text{net profits of the Target Properties and/or Target}\\ \text{Trademarks at the end of the reporting period)}\end{array} \times \begin{array}{c}\text{Number of}\\ \text{Consideration Shares}\\ \text{that is attributable to the}\\ \text{Target Properties and/or}\\ \text{Target Trademarks}\end{array}}{\begin{array}{c}\text{The forecasted net profits of the Target Properties/Target Trademarks during the}\\ \text{Compensation Period}\end{array}} - \begin{array}{c}\text{Number of Compensation}\\ \text{Shares for the Target}\\ \text{Properties and/or Target}\\ \text{Trademarks that are}\\ \text{already repurchased}\end{array}$$

Upon the expiry date of the Compensation Period, the Company shall undergo an impairment test on the Target Properties and the Target Trademarks. If:

$$\frac{\begin{array}{c}\text{Impairment amount as at the expiry}\\ \text{date of the Compensation Period of}\\ \text{the Target Properties and/or Target}\\ \text{Trademarks}\end{array}}{\begin{array}{c}\text{Proposed Consideration of the Target}\\ \text{Properties and/or Target Trademarks}\end{array}} > \frac{\begin{array}{c}\text{Total number of Compensation Shares}\\ \text{for the Target Properties and/or Target}\\ \text{Trademarks}\end{array}}{\begin{array}{c}\text{Total number of Consideration Shares}\\ \text{attributable to the Target Properties}\\ \text{and/or Target Trademarks}\end{array}}$$

GPHL shall compensate the Company the number of GPC A Shares calculated in accordance with the formula as below:

$$\frac{\begin{array}{c}\text{Impairment amount as at the}\\ \text{expiry date of the Compensation Period}\end{array}}{\text{The Issue Price}} - \begin{array}{c}\text{The total number of}\\ \text{Compensation Shares for}\\ \text{the Target Properties and/or}\\ \text{Target Trademarks that are}\\ \text{already repurchased during the}\\ \text{Compensation Period}\end{array}$$

During the Compensation Period, when there is a shortfall in net profit of Target Properties and/or Target Trademarks and the Company shall repurchase the Compensation Shares pursuant to the Profit Compensation Agreement, it shall comply with relevant rules, regulations and codes and obtain prior approvals from the relevant regulatory authorities in the PRC and Hong Kong, including but not limited to the compliance of the Hong Kong Code on Share Repurchase and approvals from the SFC, and from the disinterested Shareholders.

In case the proposed repurchase and cancellation of the Compensation Shares cannot be implemented as a result of the failure to obtain the approvals from the creditors of the Company or the Shareholders for the reduction in capital of the Company, GPHL undertakes that it will distribute the GPC A Shares equal to the number of the proposed Compensation Shares to the Shareholders other than GPHL at nil consideration in proportion of their then respective shareholding interests.

(vii) Conditions precedent

The Profit Compensation Agreement shall become effective subject to the following conditions precedent:

(i) the approvals of the Profit Compensation Agreement by the respective Shareholders and directors of the Company and GPHL at their respective general meeting or board meetings according to the company law in the PRC and other relevant laws in the PRC, the respective articles of association and the respective rules of procedures of both companies, having been obtained; and

(ii) the Absorption and Merger Agreement and the Assets Acquisition Agreement (including the Supplemental Assets Acquisition Agreement) having become effective.

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

As at the date of this announcement, except for the approvals from the Board and the board of GPHL in relation to the Profit Compensation Agreement pursuant to condition (i) above, none of the above conditions precedent is fulfilled.

(viii) Reasons for entering into the Profit Compensation Agreement

As the valuations of the Target Properties and the Target Trademarks as at 31 December 2011 set out in the Valuation Reports prepared by China Valuer were based on the income approach, pursuant to the relevant PRC laws and regulations, the Company and GPHL are required to enter into the Profit Compensation

Agreement in order to protect the interests of the Shareholders. The terms of the Profit Compensation Agreement are arrived at arm's length negotiation between the Company and GPHL pursuant to the relevant rules and regulations in the PRC.

EFFECT OF THE MAJOR ASSETS REORGANIZATION

Based on the revised terms above, the shareholding interest of GPHL in the Company will decrease from 48.20% to 45.24% immediately after the completion of the Major Assets Reorganization.

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 Final Proposal:

	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*	*%*
A Shares						
GPHL and its associates	390,833,391	48.20	549,388,391	43.72	584,228,036	45.24
Public						
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	15.50
The BYS Shareholders and/or Cash Alternative Provider(s) *(Note 2)*	–	–	287,046,005	22.85	287,046,005	22.23
H Shares						
Public						
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	17.03
Total	**810,900,000**	**100.00**	**1,256,501,005**	**100.00**	**1,291,340,650**	**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.

II. TRADEMARK CUSTODY

On 15 June 2012, the Company and GPHL also entered into the supplemental agreement to the Trademark Custody Agreement (the "**Supplemental Trademark Custody Agreement**").

Save for the terms disclosed in this announcement, other terms of the Trademark Custody Agreement as disclosed in the Announcement remained unchanged.

(i) Trademarks in custody

Pursuant to the Supplemental Trademark Custody Agreement, there are 4 trademarks in the WangLaoJi* (王老吉) series that are newly registered by GPHL after the date of the Trademark Custody Agreement. As a result, the number of WangLaoJi* (王老吉) trademarks to be in custody with the Company shall be increased from 25 trademarks to 29 trademarks.

(ii) New Licenses Fee

Pursuant to the Supplemental Trademark Custody Agreement, the New Licenses Fee will be shared amongst GPHL and the Company in the proportion of 80% and 20% respectively or in a lower ratio which shall be mutually agreed by GPHL and the Company, but in any event, the proportion of the New Licenses Fee that GPHL receives shall not exceed 80%. If the parties cannot reach an agreement on the new sharing proportion, the New Licenses Fee will be shared at the proportion of 80% and 20% amongst GPHL and the Company respectively.

(iii) Undertakings in relation to the WangLaoJi Trademarks

With regards to the updates on the Legal Disputes, please refer to the Company's announcements dated 11 May 2012 and 4 June 2012 respectively. GPHL undertakes, in another undertaking dated 15 June 2012, that it will transfer the 29 WangLaoJi trademarks to the Company according to the relevant laws and regulations within two years from the date falling on which the WangLaoJi trademarks can be transferred.

III. PROFIT FORECASTS IN RELATION TO THE MAJOR ASSETS REORGANIZATION PREPARED UNDER CASBE

In compliance with the PRC laws and regulations and pursuant to the requirements of the CSRC, the Board has reviewed and approved (i) the profit forecast of the Enlarged Group (the "**Enlarged Group Profit Forecast**"); and (ii) the profit forecast of the Target Assets (the "**Target Assets Profit Forecast**", together with the Enlarged Group Profit Forecast, the "**Profit Forecasts**") for the year ending 31 December 2012 under China Accounting Standards for Business Enterprises ("**CASBE**") in the Second Board Meeting on 15 June 2012. The Profit Forecasts have been disclosed on the website of the Shanghai Stock Exchange together with the Final Proposal on the same date of this announcement. To ensure equal dissemination of unpublished price sensitive information in the stock exchange markets where the Shares are listed, the Company discloses the details of the Profit Forecasts by way of this announcement.

The Enlarged Group Profit Forecast

Based on the bases and principal assumptions set out below and in the absence of unforeseen circumstances, the Directors prepared the Enlarged Group Profit Forecast as follows:

		For the year ending 31 December 2012 Forecasted *RMB'000*
1.	**Revenue (main operation)**	**10,013,032**
	Cost of sales (main operation)	(6,984,804)
	Sales tax and surcharges (main operation)	(94,839)
2.	**Gross Profit from main operation**	**2,933,389**
	Revenue (other operation)	140,345
	Cost of sales (other operation)	(36,451)
	Selling and distribution expenses	(1,340,575)
	General and administrative expenses	(1,067,476)
	Financial expenses	(67,333)
	Impairment losses of assets	(7,559)
	Loss on change in fair value of assets	–
	Investment income	251,996

		For the year ending 31 December 2012 Forecasted *RMB'000*
3.	**Operating profit**	**806,336**
	Non-operating income	32,421
	Non-operating expenses	(15,466)
4.	**Profit before tax**	**823,291**
	Income tax expense	(116,901)
5.	**Profit for the year**	**706,390**
	Profit for the year attributable to:	
	Owners of the Company	670,429
	Minority interests	35,961

Bases and principal assumptions

The Enlarged Group Profit Forecast has been prepared on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2011 and is based on the following principal assumptions:

1. there will not be any significant changes in the existing government policies and political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any countries/regions in which the Enlarged Group carries on its business, or any other countries/regions that may have significant impact on the businesses of the Enlarged Group;

2. there will not be any material adverse changes in the existing state and local laws, rules, or regulations in the PRC, Hong Kong or any countries/regions in which the Enlarged Group carries on its business or with which the Enlarged Group has any arrangement or agreement with any parties operates therein;

3. there will not be any significant changes in the prospects of the Enlarged Group and the industry it operates and the market conditions for the sales of product and provisions of services by the Enlarged Group;

4. there will not be any material delay in the production schedules, operational projects and capacity expansion projects planned by the Enlarged Group;

5. there will not be any material changes in the market prices of the pharmaceutical-related raw materials and the labor cost in the PRC;

6. there will be no interruption of operations that will adversely affect the Enlarged Group as a result of shortage of supply of raw materials, which are beyond management's control;

7. there will not be any significant change in the current inflation rates, interest rates and foreign currency exchange rates in the business environments that the Enlarged Group operates;

8. there will not be any significant changes in the taxation system and relevant tax bases, tax rates and preferential tax applicable to the Enlarged Group in the PRC, Hong Kong or any country or territory in which the Enlarged Group carries on its business;

9. the Enlarged Group and the operation of the Enlarged Group will not be severely affected or interrupted by any force majeure events or any unpredictable factors, and any unpredictable reasons that are out of the control of the Directors;

10. there will be no significant deviation of the weighted average selling price of all types of products offered by the Enlarged Group under normal operations in 2012, after taking into account of the sales discounts and rebates, from that of 2011;

11. the unrealized profits from inter-company transactions and connected transactions of the Enlarged Group included in the inventory balance before elimination for consolidation for the year ending 31 December 2012 will be consistent with those for the year ended 31 December 2011;

12. the net profit attributable to the owners of the Company in the Enlarged Group Profit Forecast is calculated based on the assumption that the completion of transactions contemplated under the Major Assets Reorganization had taken place before 31 December 2011;

13. apart from transactions contemplated under the Major Assets Reorganization, there will be no material changes in the existing structure of the Enlarged Group and the shareholding interests of the Company in its subsidiaries, joint ventures and associates for the year ending 31 December 2012;

14. certain subsidiaries of the Enlarged Group will be able to renew their high-tech enterprise certifications which expired in 2011 and will continue to calculate and pay the enterprise income tax at a rate of 15% in the PRC in 2012; and

15. there will be no breaches of laws by the Enlarged Group and the management of the Enlarged Group, which will cause any material adverse impact on the Enlarged Group.

The Target Assets Profit Forecast

Based on the bases and principal assumptions set out below and in the absence of unforeseen circumstances, the Directors prepared the Target Assets Profit Forecast as follows:

		For the year ending 31 December 2012 Forecasted *RMB'000*
1.	**Revenue (main operation)**	**122,920**
	Cost of sales (main operation)	(117,870)
	Sales tax and surcharges (main operation)	(1,326)
2.	**Gross Profit from main operation**	**3,724**
	Revenue (other operation)	13,551
	Cost of sales (other operation)	(1,046)
	Selling and distribution expenses	(52)
	General and administrative expenses	(3,534)
	Financial expenses	(142)
	Impairment losses of assets	–
	Loss on change in fair value of assets	–
	Investment income	6,250
3.	**Operating profit**	**18,751**
	Non-operating income	–
	Non-operating expenses	–
4.	**Profit before tax**	**18,751**
	Income tax expense	(2,612)
5.	**Profit for the year**	**16,139**
	Profit for the year attributable to:	
	Owners of the Company	16,139
	Minority interests	–

Bases and principal assumptions

The Target Assets Profit Forecast has been prepared on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2011 and is based on the following principal assumptions:

1. there will not be any significant changes in the existing government policies and political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any countries/regions in which the Target Assets carries on its business or any other countries/regions that may have significant impact on the business of the Target Assets;

2. there will not be any material adverse changes in the existing state and local laws, rules, or regulations in the PRC, Hong Kong or any countries/regions in which the Target Assets carries on its business or with which the Target Assets has any arrangement or agreement with any parties operates therein;

3. there will not be any material changes in the prospects of the Target Assets and the industry it operates and the market conditions for the sales of product and provisions of services by the Target Assets;

4. there will not be any material delay in the production schedules, operational projects and capacity expansion projects planned by the Target Assets;

5. there will not be any material changes in the market prices of the pharmaceutical-related raw materials and the labor cost in the PRC;

6. there will be no interruption of operations that will adversely affect the Target Assets as a result of shortage of supply of raw materials, which are beyond management's control;

7. there will not be any significant changes in the current inflation rates, interest rates and foreign currency exchange rates in the business environments that the Target Assets operates;

8. there will not be any significant changes in the taxation system and relevant tax bases, and tax rates applicable to the Target Assets in the PRC, Hong Kong or any country or territory in which the Target Assets carries on its business;

9. the Target Assets and the operation of the Target Assets will not be severely affected or interrupted by any force majeure events or any unpredictable factors, and any unpredictable reasons that are out of the control of the Directors; and

10. there will be no significant deviation of the weighted average selling price of all types of products offered by the Target Assets under normal operations in 2012, after taking into account of the sales discounts and rebates, from that of 2011.

The Board is satisfied that the Profit Forecasts, for which the Directors are solely responsible, have been made after due and careful enquiry. In the event that such forecasts are not met, or if any event occurs during the forecast period which would significantly affect any of the assumptions above, the Company will make further announcement to explain the reasons and/or its view of the likely impact of that event on the Enlarged Group Profit Forecast and/or the Target Assets Profit Forecast.

Letters from the Financial Advisers

The financial advisers (the "**Financial Advisers**") of the Company, Celestial Capital Limited and Goldman Sachs (Asia) L.L.C., have reviewed the Profit Forecasts and discussed with the Directors the bases and assumptions made by the Directors as set out above upon which the Profit Forecasts have been prepared. The Financial Advisers have also considered the letters from BDO referred to below regarding the accounting policies and the calculations upon which the Profit Forecasts have been made.

On the basis of the foregoing, the Financial Advisers are of the opinion that the Profit Forecasts, for which the Directors are solely responsible, have been made after due and careful enquiry. The letters from the Financial Advisers prepared in accordance with the requirements of the Listing Rules have been lodged with the Hong Kong Stock Exchange.

Letters from BDO

BDO CHINA SHU LUN PAN Certified Public Accountants LLP ("**BDO**"), the reporting accountants of the Company, has reviewed the calculations and accounting policies adopted in arriving at the Profit Forecasts and is of the opinion that, so far as the calculations and accounting policies are concerned, the Profit Forecasts have been properly complied in accordance with the bases and assumptions made by the Directors as set out above and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group in preparing the audited financial statements of the Group for the year ended 31 December 2011 in accordance with CASBEs. The letters from BDO prepared in accordance with the requirements of the Listing Rules has been lodged with the Hong Kong Stock Exchange.

IV. PROFIT FORECASTS UNDERLYING THE VALUATIONS OF CERTAIN TARGET ASSETS

In compliance with the PRC laws and regulations, a final valuation of the Target Assets is required to be conducted by a qualified PRC valuer. China Valuer has been engaged to issue the Valuation Reports of the Target Assets, which will form part of the Final Proposal. The Valuation Reports were approved by the Board at the Second Board Meeting on 15

June 2012. As the valuations of certain Target Assets were arrived at based on the income approach, which take into account the discounted cash flow forecasts of the Target Assets, they constitute profit forecasts under Rule 14.61 of the Listing Rules (but the adoption of an income approach for the valuation of the Target Properties is not regarded as a profit forecast pursuant to Rule 14.61 of the Listing Rules).

Details of the profit forecasts contained in the valuations of certain Target Assets are as follows:

(i) Target Trademarks

Among the 388 Target Trademarks, 54 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) are well-known and generate economic benefits. As a result, income approach was adopted for the valuation of these 54 trademarks, while the remaining 334 trademarks are valued at based on the cost approach as they are regarded as associated trademarks and/or defensive trademarks which do not have any direct economic benefits.

The bases and principal assumptions for the valuation of the 54 trademarks using income approach are as follows:

1. the Target Trademarks will be able to be renewed upon the expiry of the existing validity period of the trademarks;

2. there will not be any material changes in the existing laws, regulations and policies as well as the macroeconomics of the state;

3. there will not be any material changes in the existing political, economic and social environment where the parties to the Major Assets Reorganization are located;

4. there will not be any unforeseeable event and force majeure which may have any material adverse impact on the Enlarged Group;

5. the operations on the Target Trademarks will be in compliance with all relevant rules and regulations unless otherwise specified;

6. there will not be any material changes in the management style and management standard, and the operations on the Target Trademarks will also be consistent with the current practice; and

7. there will not be any material change in the interest rates, foreign currency exchange rates, tax bases and tax rates as well as the levies imposed in relation to the relevant policies.

With the above bases and principal assumptions, the forecast revenue of the major subsidiaries of the Company which currently license the 54 well-known trademarks for their business operations are as below:

Subsidiaries of the Group	**For the year ending 31 December**						
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Guangzhou Xing Qun Pharmaceutical Co., Ltd.* (廣州星群(藥業)股份有限公司)	305,630	360,190	385,403	400,819	412,844	425,229	433,734
Guangzhou Zhong Yi Pharmaceutical Co., Ltd.*(廣州中一藥業有限公司)	845,736	1,011,017	1,091,899	1,146,493	1,192,353	1,228,124	1,252,686
Guangzhou Chen Li Ji Pharmaceutical Factory Co., Ltd.* (廣州陳李濟藥廠有限公司)	319,389	362,401	384,145	399,510	411,496	423,841	432,317
Guangzhou Qi Xing Pharmaceutical Co., Ltd.* (廣州奇星藥業有限公司)	441,600	547,179	596,425	626,246	651,296	670,835	684,251
Guangzhou Jing Xiu Tang Pharmaceutical Co., Ltd.* (廣州敬修堂(藥業)股份有限公司)	291,069	329,600	349,376	363,351	374,252	385,479	393,189
Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd.*(廣州潘高壽藥業股份有限公司)	390,000	461,820	494,147	513,913	529,331	545,211	556,115

As set out in the Valuation Report of the Target Trademarks, with a discount rate of 14.50%, the valuation of the 54 well-known trademarks were derived as follows:

Target Trademarks	Total Valuation (RMB'000)	Percentage attributable to GPHL on Target Trademarks	Part of Valuation on Target Trademarks attributable to GPHL (RMB'000)
XingQun*（星群）series	10,700.2	53%	5,671.1
ZhongYi*（中一）series	28,042.6	53%	14,862.6
ChenLiJi*（陳李濟）series	12,614.3	53%	6,685.6
QiXing*（奇星）series	18,369.8	53%	9,736.0
JingXiuTang*（敬修堂）series	9,710.3	53%	5,146.5
PanGaoShou*（潘高壽）series	16,211.3	53%	8,592.0
Total	**95,648.5**		**50,693.8**

As acknowledged by GPHL, with reference to their previous contributions in promoting the reputation and value of the Target Trademarks, the Company and GPHL are attributable to 47% and 53% of the valuation of the Target Trademarks as at 31 December 2011 respectively. Accordingly, the amount representing the part of valuation that is attributable to GPHL is approximately RMB50,693,800 based on the income approach for valuation of the 54 well-known trademarks among the Target Trademarks as at 31 December 2011 and approximately RMB447,800 based on the cost approach for the valuation of the remaining 334 trademarks which does not generate economic benefits, rendering the total valuation of the 388 Target Trademarks to be approximately RMB51,141,600 as at 31 December 2011.

(ii) 100% shareholding interest in Po Lian

China Valuer conducted the valuation of Po Lian based on the asset-based approach and the income approach respectively. With regard to the income approach, details of the bases and principal assumptions are as follows:

1. there will not be any material changes in the existing laws, regulations and policies, as well as the macroeconomics of the state;

2. there will not be any material changes in the existing political, economic and social environment where the parties to the Major Assets Reorganization are located;

3. there will not be any unforeseeable event and force majeure which may have adverse impact on Po Lian;

4. based on the condition of the assets of Po Lian, as at 31 December 2011, being the valuation date, Po Lian will be able to continue its operations as it had been;

5. the persons who are in charge of the operation of Po Lian will be accountable to Po Lian and the management of Po Lian will have the ability to discharge its responsibility;

6. the operation of Po Lian will be in compliance with all relevant rules and regulations unless otherwise specified;

7. the accounting policies adopted by Po Lian in the future will be consistent in all material aspects with its accounting policies adopted in the Valuation Report;

8. there will not be any material changes in the management style and management standard, the operations of Po Lian will also be consistent with the current practice; and

9. there will not be any material changes in the interest rates, foreign currency exchange rates, tax policies and tax rates as well as the levies imposed in relation to the relevant policies.

Set out below is the valuation of Po Lian based on the income approach:

							Remarks
I	**Principal activities related assets**						
				For the year ending 31 December			
1	Items	**2012**	**2013**	**2014**	**2015**	**2016**	
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	
2	Revenue	123,790	141,860	158,830	172,620	172,620	
3	Cost	(117,962)	(135,099)	(151,237)	(164,392)	(164,392)	
4	Taxes and surcharges	–	–	–	–	–	
5	Selling and distribution expenses	(52)	(55)	(57)	(58)	(58)	
6	Administrative expenses	(2,535)	(2,662)	(2,715)	(2,770)	(2,770)	
7	Financial expenses	(142)	(152)	(167)	(184)	(184)	
8	Operating profit	3,099	3,893	4,654	5,217	5,217	8 = 2+3+4+5+6+7
9	Total Profit	3,099	3,893	4,654	5,217	5,217	9 = 8
10	Income tax expenses	(511)	(642)	(768)	(861)	(861)	10 = – 8*16.5%
11	Net profit	2,588	3,251	3,886	4,356	4,356	11 = 9+10
12	Depreciation and amortization	665	665	665	665	665	
13	Interest-bearing borrowing	0	0	0	0	0	
14	Repayment of interest-bearing borrowing	0	0	0	0	0	
15	Capital expenditure	(665)	(665)	(665)	(665)	(665)	
16	Investment in working capital	(1,741)	(640)	(2,025)	1,645	–	
17	Free cashflow	847	2,610	1,861	2,711	4,356	17 = 11+12+13+14+15+16
18	Discount factor (Discount rate 11%)	0.9009	0.8116	0.7312	0.6587	0.5935	
19	Present value of cashflow	763	2,119	1,361	1,786	2,585	19 = 17*18
20	Present value of discounted cashflow from 2012 to 2016					8,613	
21	Discounted perpetual annuity after 2016					23,500	
22	Principal activities related assets					32,113	22 = 20+21
II	**Other principal activities unrelated assets**					0	
III	**Non-operational assets**					28,178	Including fixed deposits and the valuation of investment properties
IV	**Valuation**					60,291	IV = 22+II+III

The valuation of Po Lian as at 31 December 2011 is approximately RMB60,291,400 based on the income approach and approximately RMB57,339,700 based on the asset-based approach respectively. In view of the principal business of Po Lian is imports and exports of the pharmaceutical products and relies mainly on trading with the subsidiaries of the Company, having considered the purpose of the Valuation Report on Po Lian and for prudence sake, China Valuer submitted that the valuation of approximately RMB57,339,700 based on the asset-based approach is a fair valuation of Po Lian as compared to that of the income approach.

(iii) 12.50% shareholding interest in Baxter

China Valuer conducted the valuation of Baxter based on the asset-based approach and the income approach respectively. With regard to the income approach, details of bases and principal assumptions are as follows:

1. Baxter will continue to operate on a going concern basis according to the original operating objectives or plans after the completion of the Major Assets Reorganization and the revenue of the Baxter in the future can be forecasted;

2. the macroeconomic environment, such as the industrial, financial and tax policies will be relatively stable;

3. there will be no change in the investment amount in Baxter as at the valuation date (i.e. 31 December 2011);

4. Baxter will continue to operate with the same management standard as at the valuation date (i.e. 31 December 2011) and the management quality's impact on the future revenue of Baxter is not considered;

5. the total profit of Baxter for each of the years from 2012 to 2042 (i.e. being the 30 years prior to the expiry of the joint venture) will be the same as that of 2011 and the total profit of Baxter from 1 January 2043 to 13 August 2043 (being the expiry date of the joint venture) (i.e. being 0.62 years) will be calculated in proportion to the total profit as in 2011;

6. the income tax rate of Baxter from 2012 to 2043 is 25%; and

7. the amount of dividend to be proposed by Baxter from 2012 to 2042 (i.e. being the 30 years before the expiry of the joint venture) will be the same as that of 2011 and the amount of dividend to be proposed by Baxter from 1 January 2043 to the expiry date of the joint venture in 2043 (i.e. being 0.62 years) will be calculated in proportion to that as in 2011.

Set out below is the valuation of the 12.5% shareholding interest held by GPHL in Baxter based on income approach:

Items	For the year ending 31 December 2012 *(RMB)*	Each of 2013-2041 *(RMB)*	2042 *(RMB)*	0.62 years of 2043 *(RMB)*
Total profit	228,815,194	228,815,194	228,815,194	141,102,703
Tax Rate	25%	25%	25%	25%
Net profit	171,611,395	171,611,395	171,611,395	105,827,027
Total amount of dividend proposed	50,000,000	50,000,000	50,000,000	30,833,333
Amount of dividend received by GPHL	6,250,000	6,250,000	6,250,000	3,854,167
Discount factor (Discount rate of 10%)	0.9091	0.8264-0.0573	0.0521	0.0491
Total present value of the amount of dividend to be received by GPHL *(RMB)*				59,433,200
Amount of the net assets to be received by GPHL as at the expiry date of the joint venture *(RMB)*				562,957,153
Present value of the amount of the net assets to be received by GPHL as at the expiry date of the joint venture *(RMB)*				27,655,200
Valuation result based on income approach *(RMB)*				87,088,400

The valuation of Baxter as at 31 December 2011 is approximately RMB87,088,400 based on the income approach and approximately RMB82,338,800 based on the asset-based approach respectively. As GPHL is not the controlling shareholder of Baxter and does not control the operation and profit distribution of Baxter which results in uncertainties in the future operation and profit distribution, for prudence sake, China Valuer submitted that valuation of approximately RMB82,338,800 based on the asset-based approach is a fair valuation of Baxter as compared to that of the income approach.

The Board is satisfied that the profit forecasts underlying the valuations of certain Target Assets as mentioned above, for which the Directors are solely responsible, has been made after due and careful enquiry.

Letters from the Financial Advisers

The Financial Advisers have reviewed the discounted future estimated cash flows underlying the valuations of certain Target Assets as set out above and discussed with the Directors the bases and assumptions upon which the profit forecasts contained in such valuations of those Target Assets have been prepared. The Financial Advisers have also considered the letter from BDO referred to below regarding the calculations upon which the profit forecasts underlying such valuations of those Target Assets have been made.

On that basis of the foregoing and without giving any opinion on the reasonableness of, bases and assumptions on the valuation methods adopted in the Valuation Reports by China Valuer, for which China Valuer and the Company are responsible, the Financial Advisers are of the opinion that the profit forecasts underlying such valuation of those Target Assets, for which the Directors are solely responsible, have been made after due and careful enquiry. The letters from the Financial Advisers prepared in accordance with the requirements of the Listing Rules has been lodged with the Hong Kong Stock Exchange.

Letter from BDO

BDO, the reporting accountants of the Company, has reviewed the calculations of the discounted future estimated cash flows used in the income approach for the valuations of certain Target Assets. BDO reported that the calculation of the discounted future estimated cash flows in the supporting worksheets of the Valuation Reports is mathematically accurate. The letter from BDO prepared in accordance with the requirements of the Listing Rules has been lodged with the Hong Kong Stock Exchange.

(V) 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 18 June 2012 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 19 June 2012.

GENERAL

As at the date of this announcement, South West Capital Limited has been appointed as the independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Major Assets Reorganization, the Trademark Custody Agreement, the Profit Compensation Agreement, their respective supplemental agreement (if any) and the transactions contemplated thereunder.

All material information in relation to the Final Proposal has been disclosed in this announcement. Investors can also refer to the Final Proposal (in Chinese only), which incorporated the Profit Forecasts and the Valuation Reports published on the website of the Shanghai Stock Exchange (www.sse.com.cn) by the Company on the same date of this announcement.

The Profit Forecasts and the discounted cast flow forecasts of certain Target Assets are prepared based on the assumptions and estimations of the Board for illustrative purposes only and does not provide any assurance or indication that any event will take place in the future and may not give a true picture of the results of the Enlarged Group and/or the Target Assets for the year ending 31 December 2012 and thereafter.

As the Board has made no reference to the Profit Forecasts in determining the terms for the Major Assets Reorganization, the Shareholders and potential investors in H Shares should not rely on the information in the Profit Forecasts when they assess the merits and demerits of the Major Assets Reorganization.

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 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.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 18 June 2012

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Mr. Shi Shaobin (resigned on 18 June 2012), 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*