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遠大醫藥集團

GRAND PHARMACEUTICAL GROUP

GRAND PHARMACEUTICAL GROUP LIMITED

遠大醫藥集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00512)

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 30 June 2023, the Group entered into the CCT Agreements, including:

- 1) the Huadong Medicine Supply Agreement, pursuant to which Grand Pharm (China) or its related companies shall supply pharmaceutical preparations, raw materials and related services to Huadong Medicine or its related companies;
- 2) the Yuanda Jiufu Purchase Agreement, pursuant to which Grand Pharm (China) or its related companies shall purchase amino acid products, raw materials for the production of steroid hormone products and other pharmaceutical products from Yuanda Jiufu or its related companies; and
- 3) the Yuanda Jiufu Sub-contracting Agreement, pursuant to which Grand Pharm (China) or its related companies shall engage Yuanda Jiufu or its related companies for the provision of processing services for the production of amino acid products and other pharmaceutical products.

To the best of the Directors' knowledge having made all reasonable enquiries, as at the date of this announcement:

- (a) China Grand is interested in 1,671,671,149 Shares, representing approximately 47.09% of the total issued share capital of the Company and is thus a controlling shareholder of the Company;

- (b) Huadong Medicine is an associate of China Grand by virtue of China Grand controlling the exercise of 30% or more of the voting power at the general meeting of Huadong Medicine; and
- (c) Yuanda Jiufu is an associate of China Grand by virtue of being a non-wholly owned subsidiary of China Grand.

Accordingly, each of Huadong Medicine and Yuanda Jiufu is a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the CCT Agreements constitute continuing connected transactions on the part of the Company.

As Huadong Medicine and Yuanda Jiufu are connected with each other and the subject matters of each of the CCT Agreements are similar in nature, pursuant to Rule 14A.81 of the Listing Rules, the transactions between the Group and each of these companies would be aggregated.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules for the transactions contemplated under the CCT Agreements exceed 0.1% but all are less than 5%, the transactions contemplated under the CCT Agreements are subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 30 June 2020 and 8 July 2020, 16 July 2021, 17 August 2021, 1 September 2021 and 30 September 2021 (the “**Announcements**”) and the circular dated 13 September 2021 in relation to, among other things, certain continuing connected transactions of the Company.

As disclosed in the Announcements, on 30 June 2020, the Group entered into, among other things, (i) a supply agreement with Huadong Medicine pursuant to which Grand Pharm (China) or its related companies would supply pharmaceutical preparations and raw materials to Huadong Medicine or its related companies; and (ii) a purchase agreement with Yuanda Jiufu (as supplemented by a supplemental agreement dated 16 July 2021) pursuant to which Grand Pharm (China) or its related companies would purchase raw materials from Yuanda Jiufu or its related companies for the production of amino acid products and other pharmaceutical products. These agreements expired on 31 December 2022.

From 1 January 2023 up to the date of this announcement, the Group has:

- (a) supplied pharmaceutical preparations, raw materials and related services to Huadong Medicine and its related companies with an aggregate amount of approximately RMB5.7 million;
- (b) purchased amino acid products, raw materials for the production of steroid hormone products and other pharmaceutical products from Yuanda Jiufu and its related companies with an aggregate amount of approximately RMB1.2 million; and

- (c) engaged Yuanda Jiufu and its related companies for provision of processing services for the production of amino acid products and other pharmaceutical products with an aggregate amount of approximately RMB0.3 million.

With a view to continuing the above arrangements with Huadong Medicine and Yuanda Jiufu which are in alignment with the Group's business development, the Group entered into the Huadong Medicine Supply Agreement, the Yuanda Jiufu Purchase Agreement and the Yuanda Jiufu Sub-contracting Agreement.

The details of the CCT Agreements are set out below.

RELATIONSHIPS BETWEEN THE PARTIES

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the relationships between the relevant parties under the CCT Agreements are set out below:

The Group

The Company Grand Pharmaceutical Group Limited (遠大醫藥集團有限公司*), a company incorporated in Bermuda with limited liability with its issued Shares listed on the Stock Exchange

Grand Pharm (China) Grand Pharmaceutical (China) Company Limited* (遠大醫藥(中國)有限公司), a company established under the laws of the PRC and is an indirect non-wholly owned subsidiary of the Company

Parties outside the Group

China Grand China Grand Enterprises Incorporation* (中國遠大集團有限責任公司), a company established in the PRC with limited liability, a controlling shareholder of the Company which is interested in 1,671,671,149 Shares, representing approximately 47.09% of the total issued share capital of the Company

Huadong Medicine Huadong Medicine Co., Ltd* (華東醫藥股份有限公司), a company established in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange and owned as to approximately 41.67% by China Grand

Yuanda Jiufu

Hebei Yuanda Jiufu Biotechnology Co., Ltd.* (河北遠大九孚生物科技有限公司) (formerly known as Baoding Jiufu Biochemical Co., Ltd.* (保定九孚生化有限公司)), a company established in the PRC with limited liability, and its shareholders are:

- China Grand - 71%
- Wuhan Jiuxiang Biotechnology Partnership (Limited Partnership) (武漢九祥生物科技合夥企業(有限合夥))¹ - 14.89%
- Shao Xinguang (邵新廣) – 4.11%
- Shi Junjie (石俊杰) – 4%
- Han Tao (韓濤)² – 3.5%
- Xu Hui (徐輝)³ – 2.5%

To the best of the knowledge of the Directors having made all reasonable enquiries, save for China Grand, all shareholders of Yuanda Jiufu and their respective beneficial owners are Independent Third Parties.

CONTINUING CONNECTED TRANSACTIONS

(I) Huadong Medicine Supply Agreement

Date: 30 June 2023

Parties: Grand Pharm (China), as supplier
Huadong Medicine, as purchaser

Products: Grand Pharm (China) or its related companies shall supply pharmaceutical preparations, raw materials and related services to Huadong Medicine or its related companies.

The parties shall determine the specifications and technical requirements, price and volume of the products supplied on an order-by-order basis.

¹ Wuhan Jiuxiang Biotechnology Partnership (Limited Partnership) is a limited liability partnership established in the PRC which is principally engaged in the research and development of biotechnology. It is owned by Qian Zhiqian (錢志強) (35.72%), Liu Xinyan (劉新言) (32.14%) and Tu Shengwang (涂盛旺) (32.14%) who are members of the management of various companies engaged in the production of pharmaceutical and chemical products.

² Shao Xinguang, Shi Junjie and Han Tao are PRC citizens who are investors of Yuanda Jiufu.

³ Xu Hui is a member of the management of Yuanda Jiufu.

Pricing basis: The price of the products will be determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to the prevailing market prices, or on terms not less favourable than those which will be charged by Grand Pharm (China) or its related companies (if any) to other independent customers for the same or similar products.

For the purpose of ascertaining the market prices, the Group will refer to the latest price which the Group charges for products of comparable quality, quantity and specifications which are supplied to Independent Third Parties.

Payment terms: The fees chargeable by the Group will be satisfied in cash. A credit period of 90 days will be given after issuance of invoices.

Term: For the period commencing from the respective Effective Date until 31 December 2025.

Historical annual caps and supply amounts#: The historical annual caps for the supply of products and related services to Huadong Medicine and its related companies for each of the periods commencing on 30 June 2020 (being the effective date of the previous supply agreement) until 31 December 2020 and for the two years ended 31 December 2022 are RMB160 million, RMB165 million and RMB169 million, respectively.

The historical amounts of products and related services supplied to Huadong Medicine by the Group for the three years ended 31 December 2020, 2021 and 2022 were approximately RMB103.7 million, RMB92.9 million and RMB111.2 million, respectively.

Annual caps#: The Huadong Medicine Supply Caps for each of the periods commencing on the Effective Date until 31 December 2023 and for the two years ending 31 December 2025 are RMB141.1 million, RMB142 million and RMB143 million, respectively.

The Huadong Medicine Supply Caps are determined by the Directors based on (i) the historical amounts of products purchased by Huadong Medicine from the Group; and (ii) the estimated maximum orders to be placed to Grand Pharm (China) or its related companies as indicated by Huadong Medicine or its related companies.

(II) Yuanda Jiufu Purchase Agreement

Date: 30 June 2023

Parties:	Yuanda Jiufu, as supplier Grand Pharm (China), as purchaser
Products:	Grand Pharm (China) or its related companies shall purchase amino acid products, raw materials for the production of steroid hormone products and other pharmaceutical products from Yuanda Jiufu or its related companies. The parties shall determine the specifications and technical requirements, price and volume of the products supplied/possessed on an order-by-order basis.
Pricing basis:	The price of the products/processing services will be determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to the prevailing market prices, or on terms not less favourable than those will be paid by Grand Pharm (China) or its related companies (if any) to other independent suppliers for the same or similar products/ processing services. For the purpose of ascertaining the market prices, the Group will obtain and compare the quotations from two Independent Third Parties for similar products/processing services of comparable quality, quantity and specifications or compare the price quoted by Yuanda Jiufu with internal production/processing cost of the Group of products of same or similar quality and specifications.
Payment terms:	The purchase price will be satisfied in cash. A credit period of 90 days will be provided after date of invoice.
Term:	For the period commencing from the respective Effective Date until 31 December 2025.
Historical annual caps and purchase amounts#:	The historical annual caps for the purchase of products from Yuanda Jiufu and its related companies for each of the periods commencing on 30 June 2020 (being the effective date of the previous supply agreement) until 31 December 2020 and for the two years ended 31 December 2022 are RMB41 million, RMB212 million ⁴ and RMB431 million ⁵ , respectively.

⁴ As revised with the approval from the shareholders obtained in the special general meeting of the Company held on 30 September 2021.

⁵ Ditto.

The historical amounts of the purchase of products by the Group from Yuanda Jiufu for the three years ended 31 December 2020, 2021 and 2022 were approximately RMB18.0 million, RMB111.1 million and RMB213.5 million, respectively.

Annual caps[#]: The Yuanda Jiufu Purchase Caps for each of the periods commencing on the Effective Date until 31 December 2023 and for the two years ending 31 December 2025 are RMB108 million, RMB165 million and RMB196 million, respectively.

The Yuanda Jiufu Purchase Caps are determined by the Directors based on (i) the historical amounts of products purchased by the Group from Yuanda Jiufu and its related companies; (ii) the expected volume of orders for the products, raw materials/processing services identified by the Group; (iii) the projected growth in the demand for the relevant products; and (iv) the potential rise in the production/processing cost and the price of the relevant products.

(III) Yuanda Jiufu Sub-contracting Agreement

Date: 30 June 2023

Parties: Yuanda Jiufu, as supplier

Grand Pharm (China), as purchaser

Products: Grand Pharm (China) or its related companies will engage Yuanda Jiufu or its related companies for the provision of processing services for the production of amino acid products and other pharmaceutical products.

The parties shall determine the specifications and technical requirements, volume and service fee of the products processed on an order-by-order basis.

Pricing basis: The price of the processing services will be determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to the prevailing market prices, or on terms not less favourable than those will be paid by Grand Pharm (China) or its related companies (if any) to other independent sub-contractors for processing the same or similar products.

For the purpose of ascertaining the market prices, the Group will obtain and compare the quotations from two Independent Third Parties for same or similar processing services of comparable quality, quantity and specifications (if available) or compare the

price quoted by Yuanda Jiufu with internal processing cost of the Group for the same or similar products.

Payment terms: The purchase price will be satisfied in cash. A credit period of 90 days will be provided after the date of invoice.

Term: For the period commencing from the respective Effective Date until 31 December 2025.

Historical annual caps and purchase amounts#: There were no historical annual caps nor historical amounts for the engagement of processing services provided by Yuanda Jiufu and its related companies for the production of amino acid products and other pharmaceutical products before 2023 because the Group's engagement of Yuanda Jiufu and its related companies for the processing services for the production of amino acid products and other pharmaceutical products only commenced in 2023.

However, the Group did engage Yuanda Jiufu and its related companies for its processing services for the production of antibiotics that can be applied in animal feeds in the past. For information purpose only, the historical annual caps for the engagement of such sub-contracting services provided by Yuanda Jiufu and its related companies for each of the periods commencing on 30 June 2020 (being the effective date of the previous supply agreement) until 31 December 2020 and for the two years ended 31 December 2022 are RMB48 million, RMB50 million and RMB52 million, respectively. The historical amount of such sub-contracting services engaged by the Group provided by Yuanda Jiufu and its related companies for the three years ended 31 December 2020, 2021 and 2022 were approximately RMB1.2 million, RMB0.4 million and nil, respectively. But such amounts are irrelevant to the determination of the Yuanda Jiufu Sub-contracting Caps going forward since the main products concerned are different.

Annual caps: The Yuanda Jiufu Sub-contracting Caps for each of the periods commencing on the Effective Date until 31 December 2023 and for the two years ending 31 December 2025 are RMB84 million, RMB85 million and RMB86 million, respectively.

The above annual caps are determined by the Directors based on (i) the expected volume of orders for the processing services identified by the Group; (ii) the projected growth in the demand for the relevant products; and (iii) the potential rise in the processing cost and the price of the relevant products.

Common major terms of the CCT Agreements

Each of the CCT Agreements contains the following major terms:

1. The terms of each of the CCT Agreements shall become effective on the respective Effective Date and expire on 31 December 2025. The Group will be entitled to extend the CCT Agreements on or before 31 December 2025 and to take such action as may be appropriate to comply with the Listing Rules. Without prejudice to the right of any parties to terminate the CCT Agreements pursuant to their respective terms, the CCT Agreements shall be automatically terminated before 31 December 2025 (or such later date as the parties to the respective agreement may agree) if, among other things:
 - (i) the Group fails to obtain the necessary approvals from the Company, the Shareholders or Grand Pharm (China) in order to comply with the Listing Rules at the relevant time; or
 - (ii) compliance with the Listing Rules would require changes to the CCT Agreements which are not acceptable to any of the parties.
2. All changes made to the CCT Agreements shall be subject to compliance by the Company with the Listing Rules.
3. The total annual amount payable or receivable by the Group under the CCT Agreements shall be subject to the annual caps agreed by the parties.
4. The CCT Agreements will supersede and replace the previous agreements entered into between the relevant parties (if any) upon the CCT Agreements becoming effective on the respective Effective Date.

INFORMATION ABOUT THE GROUP AND THE COUNTERPARTIES

The Group, including Grand Pharm (China), is principally engaged in the manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and health products, specialised pharmaceutical raw materials and other products in the PRC.

Huadong Medicine and its subsidiaries are principally engaged in the manufacture and sale of pharmaceutical products.

Yuanda Jiufu and its subsidiaries are principally engaged in the manufacture and sale of high-end steroidal compounds.

REASONS AND BENEFITS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

The Group will sell and/or supply to Huadong Medicine various pharmaceutical preparations, such as cerebro-cardiovascular medicines and antibiotics, certain pharmaceutical intermediates, which are chemicals and raw materials for the production of its own products and also related services. As Huadong Medicine has developed its own sales networks and retail stores in many cities covering over 10 provinces in the PRC, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Huadong Medicine Supply Agreement will allow the Group to make use of the existing sales networks of Huadong Medicine and to promote the Group's product brands through such sales networks.

The entering into of the Yuanda Jiufu Purchase Agreement can maintain merchantable products quality and a constant supply of raw materials. The products to be processed under the Yuanda Jiufu Sub-contracting Agreement are related to mature techniques of manufacturing certain amino acids and pharmaceutical products, and entering into the Yuanda Jiufu Sub-contracting Agreement will enable the Group to maintain high product quality and a constant supply of the end-products to local and overseas customers. As a result, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Yuanda Jiufu Purchase Agreement and the Yuanda Jiufu Sub-contracting Agreement will enable the Group to implement its business strategies and reduce its operational risks.

In view of the above, the Directors (including the independent non-executive Directors) consider that the entering into of the CCT Agreements are in the ordinary course of business of the Group and that the terms of such agreements are determined on an arm's length basis among the relevant parties and that the terms and conditions of the CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge having made all reasonable enquiries, as at the date of this announcement:

- (a) China Grand is interested in 1,671,671,149 Shares, representing approximately 47.09% of the total issued share capital of the Company and is thus a controlling shareholder of the Company;
- (b) Huadong Medicine is an associate of China Grand by virtue of China Grand controlling the exercise of 30% or more of the voting power at the general meeting of Huadong Medicine; and
- (c) Yuanda Jiufu is an associate of China Grand by virtue of being a non-wholly owned subsidiary of China Grand.

Accordingly, each of Huadong Medicine and Yuanda Jiufu is a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the CCT Agreements constitute continuing connected transactions on the part of the Company.

As Huadong Medicine and Yuanda Jiufu are connected with each other and the subject matters of each of the CCT Agreements are similar in nature, pursuant to Rule 14A.81 of the Listing Rules, the transactions between the Group and each of these companies would be aggregated.

The aggregate annual caps for the transactions contemplated under the CCT Agreements commencing on the Effective Date until 31 December 2023 and for the two years ending 31 December 2025 are RMB333.1 million, RMB392 million and RMB425 million, respectively.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules for the transactions contemplated under the CCT Agreements exceed 0.1% but all are less than 5%, the transactions contemplated under the CCT Agreements are subject to the reporting and

announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yang Guang, one of the Directors, is the general manager of the investment management headquarters of China Grand, and has abstained from voting on the resolutions of the Board for approving the transaction contemplated under the CCT Agreements to avoid any potential conflict of interests. Saved as disclosed above, the Board confirms that none of the Directors has any material interest in the transactions contemplated under the CCT Agreements and is required to abstain from voting on the board resolutions for approving the CCT Agreements.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Agreements”	collectively, the Huadong Medicine Supply Agreement, the Yuanda Jiufu Purchase Agreement and Yuanda Jiufu Sub-contracting Agreement
“China Grand”	China Grand Enterprises Incorporation (中國遠大集團有限責任公司), a company established in the PRC with limited liability, which is a controlling shareholder of the Company and is controlled and ultimately and beneficially owned by Mr. Hu Kaijun
“Company”	Grand Pharmaceutical Group Limited (遠大醫藥集團有限公司*), a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange
“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
“Director(s)”	the director(s) of the Company
“Effective Date”	the effective date of the CCT Agreements, i.e. the date upon fulfilment of all conditions precedent set out in the CCT Agreements
“Grand Pharm (China)”	Grand Pharmaceutical (China) Company Limited* (遠大醫藥(中國)有限公司), a company established in the PRC with limited liability, being an indirect non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huadong Medicine”	Huadong Medicine Co., Ltd* (華東醫藥股份有限公司), a company established in the PRC, and the issued shares of which are listed on the Shenzhen Stock Exchange, and principally engaged in manufacture and sale of pharmaceutical products
“Huadong Medicine Supply Agreement”	the agreement dated 30 June 2023 and entered into between Grand Pharm (China) and Huadong Medicine in respect of the supply of pharmaceutical preparations, raw materials and other related services by Grand Pharm (China) or its related companies
“Huadong Medicine Supply Caps”	the annual caps for the transactions contemplated under the Huadong Medicine Supply Agreement for each of the periods commencing on the respective Effective Date and ending 31 December 2023 and the two years ending 31 December 2025
“Independent Third Party(ies)”	any person(s) or company(ies) and their ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with the Company or its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuanda Jiufu”	Hebei Yuanda Jiufu Biotechnology Co., Ltd.* (河北遠大九孚生物科技有限公司) (formerly known as Baoding Jiufu Biochemical Co., Ltd.* (保定九孚生化有限公司)), a company established in the PRC with limited liability owned as to approximately 71% by China Grand and as to approximately 29% by Independent Third Parties
“Yuanda Jiufu Purchase Agreement”	the agreement dated 30 June 2023 and entered into between Grand Pharm (China) and Yuanda Jiufu in respect of the purchase of amino acid products, raw materials for the production of steroid hormone products and other pharmaceutical products from Yuanda Jiufu or its related companies

“Yuanda Jiufu Purchase Caps”	the annual caps for the transactions contemplated under the Yuanda Jiufu Purchase Agreement for each of the periods commencing on the respective Effective Date and ending 31 December 2023 and the two years ending 31 December 2025
“Yuanda Jiufu Sub-contracting Agreement”	the agreement dated 30 June 2023 and entered into between Grand Pharm (China) and Yuanda Jiufu in respect of the engagement of Yuanda Jiufu or its related companies for the provision of processing services for the production of amino acid products and other pharmaceutical products
“Yuanda Jiufu Sub-contracting Caps”	the annual caps for the transactions contemplated under the Yuanda Jiufu Purchase Agreement for each of the periods commencing on the respective Effective Date and ending 31 December 2023 and the two years ending 31 December 2025
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Grand Pharmaceutical Group Limited
Dr. Tang Weikun
Chairman

Hong Kong, 30 June 2023

On the date of this announcement, the Board consists of four executive Directors, Dr. Tang Weikun, Mr. Zhou Chao, Dr. Shi Lin and Mr. Yang Guang, and three independent non-executive Directors, Ms So Tosi Wan, Winnie, Dr. Pei Geng and Mr. Hu Yebi.

* *For identification purpose only.*

All historical transaction amounts and annual caps refer to pre-tax transaction amounts.