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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)**

## **CONNECTED TRANSACTIONS DISTRIBUTION AGREEMENTS WITH SIRTEX MEDICAL**

### **DISTRIBUTION AGREEMENTS**

On 18 December 2023 (after trading hours), each of Beijing Purevalley and Chengdu Purevalley (both indirect non-wholly-owned subsidiary of the Company) entered into a Distribution Agreement with Sirtex Medical, pursuant to which Sirtex Medical has agreed to supply and Beijing Purevalley and Chengdu Purevalley have agreed to purchase a fixed amount of the Products for an aggregate purchase price of RMB166,500,000 for resale as the exclusive distributors in the respective Territories.

### **IMPLICATIONS UNDER THE LISTING RULES**

CDH Genetech is a company incorporated in the Cayman Islands whose principal business is investment holding. It is wholly-owned by CDH Fund V, L.P. (a limited partnership formed under the laws of Cayman Islands), whose general partner is CDH V Holdings Company Limited.

To the best of the Directors' knowledge having made all reasonable enquiries, as at the date of this announcement, CDH Giant Health I Limited (which is wholly-owned by CDH Fund V, L.P.) holds 356,648,142 Shares (representing approximately 10.05% of the total issued share capital of the Company). Hence, CDH Fund V, L.P. is a substantial shareholder of the Company.

As at the date of this announcement, Sirtex HoldCo is owned as to approximately 42.02% by CDH Genetech and is an associate of CDH Genetech and CDH Fund V, L.P.. Sirtex Medical is a wholly-owned subsidiary of Sirtex HoldCo. As such, Sirtex Medical is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under each of the Distribution Agreements constitutes a connected transaction of the Company. As both of the Distribution Agreements were entered into between the Group and Sirtex Medical, and the subject matters of the Distribution Agreements are similar in nature, the transactions contemplated under the Distribution Agreements would be aggregated pursuant to Rule 14A.81 of the Listing Rules.

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 Distribution Agreements (as aggregated with the amount of the Group's purchases of the Products from Sirtex Medical from 1 January 2023 up to the date of the Distribution Agreements) exceed 0.1% but all are less than 5%, the transactions contemplated under the Distribution 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**

On 18 December 2023 (after trading hours), each of Beijing Purevalley and Chengdu Purevalley (both indirect non-wholly-owned subsidiary of the Company) entered into a Distribution Agreement with Sirtex Medical, pursuant to which Sirtex Medical has agreed to supply and Beijing Purevalley and Chengdu Purevalley have agreed to purchase a fixed amount of the Products for an aggregate purchase price of RMB166,500,000 for resale as the exclusive distributors in the respective Territories.

## **DISTRIBUTION AGREEMENTS**

The principal terms of the Distribution Agreements are set out below.

**Date:** 18 December 2023

**Parties:** Distribution Agreement A

- (i) Beijing Purevalley; and
- (ii) Sirtex Medical

Distribution Agreement B

- (i) Chengdu Purevalley; and
- (ii) Sirtex Medical

**Subject matter:** Each of Beijing Purevalley and Chengdu Purevalley shall purchase a fixed amount of the Products on its own account from Sirtex Medical for the purpose of resale and distribution as the exclusive distributors in the respective Territories.

**Products to be purchased:** SIR-Spheres<sup>®</sup> microspheres, which is a medical device used in the treatment of patients with unresectable liver metastases from colorectal cancer who have failed standard treatment, and the accessories of their delivery systems.

**Purchase price:** Distribution Agreement A: RMB111,000,000 in aggregate.  
Distribution Agreement B: RMB55,500,000 in aggregate.

**Territory Restriction:** Beijing Purevalley and Chengdu Purevalley shall not directly or indirectly promote, sell or deliver the Products outside the Territories respectively specified in their Distribution Agreements.

**Pricing basis:** Sirtex Medical will sell the Products to Beijing Purevalley and Chengdu Purevalley at the fixed prices set forth in the Distribution Agreements.

The unit prices of the Products are fixed amounts set out in the Distribution Agreements, which have been determined as follows:

$$A = B \times (1 - i) - C$$

Where:

- A** is the purchase price of the Product;
- B** is the price at which Beijing Purevalley and Chengdu Purevalley expects to sell the Product;
- C** is the expected operating expenses per unit; and
- i** is the fixed operating profit margin determined by Beijing Purevalley and Chengdu Purevalley.

For the purpose of determining the appropriate operating profit margin that is fair and reasonable, Beijing Purevalley and Chengdu Purevalley have referenced to a memorandum prepared by a third-party law firm which benchmarked the arm's-length return for the distribution of the Products in the PRC for transfer pricing purpose by adopting the transactional net margin method under the Organization for Economic Co-operation and Development Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations as well as the PRC and Singapore transfer pricing regulations as the most appropriate method to analyse the arm's length return to be earned by Beijing Purevalley and Chengdu Purevalley. For this purpose, 20 comparable independent APAC companies have been identified for analysing the arm's-length range of the unadjusted operating profit margins.

The operating profit margin adopted for the purpose of determining the prices of the Products to be sold under the Distribution Agreements falls within the upper quartile and lower quartile of market rate of the unadjusted operating profit margins of the above-mentioned 20 comparable companies (being 8.4% and 2.1%, respectively).

Having considered the above, the Directors are of the view that the unit prices of the Products are fair and reasonable.

**Payment terms:** Sirtex Medical will invoice Beijing Purevalley and Chengdu Purevalley, and Beijing Purevalley and Chengdu Purevalley will pay Sirtex Medical the amount invoiced by wire transfer, or by other means with Sirtex Medical's prior written consent, within 180 days of the invoice date.

**Term:** The Distribution Agreements will be valid for the period from the Effective Date until 31 March 2024, as may be terminated earlier in accordance with the Distribution Agreements. All the Products purchased under the Distribution Agreements are scheduled to be delivered during such period.

### **INFORMATION ABOUT THE GROUP, BEIJING PUREVALLEY AND CHENGDU PUREVALLEY**

The Group is mainly engaged in the research and development, manufacturing and sales of pharmaceutical preparations, medical devices, specialized pharmaceutical raw materials and healthcare products.

Beijing Purevalley is a company established in the PRC with limited liability, and is wholly owned by Grand Pharm (China). Hence, Beijing Purevalley is an indirect non-wholly-owned subsidiary of the Company. Beijing Purevalley is principally engaged in the manufacture and sales of pharmaceutical products in the PRC.

Chengdu Purevalley is a company established in the PRC with limited liability, and is wholly owned by Grand Pharm (China). Hence, Chengdu Purevalley is an indirect non-wholly-owned subsidiary of the Company. Chengdu Purevalley is principally engaged in the manufacture and sales of pharmaceutical products in the PRC.

### **INFORMATION ABOUT SIRTEX MEDICAL**

Sirtex Medical is principally engaged in wholesale of medicinal and pharmaceutical products, and is a wholly-owned subsidiary of Sirtex HoldCo.

As at the date of this announcement, Sirtex HoldCo's issued share capital is owned as to approximately 51.61% by Grand Decade, approximately 42.02% by CDH Genetech and approximately 6.37% by Grand Pharm (HK) as at the date of this announcement. Hence, the Group is the largest shareholder of Sirtex HoldCo.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE DISTRIBUTION AGREEMENTS**

As stated in the announcement of the Company dated 8 March 2021, SIR-Spheres<sup>®</sup> microspheres injection was approved by the U.S. Food and Drug Administration for selective internal radiation therapy for colorectal cancer liver metastases since then.

In September 2021, with the assistance of the Group, Sirtex Medical Pty Limited successfully completed China's first privileged licensed SIR-Spheres<sup>®</sup> microspheres injection for the indication of primary liver cancer, and obtained the Drug Registration Certificate issued by the National Medical Products Administration of the PRC in February 2022.

Beijing Purevalley purchased approximately RMB21.2 million and approximately RMB8.0 million worth of the Products from Sirtex Medical for resale in the PRC in 2022 and 2023 (up to the date of the Distribution Agreements), respectively.

The Directors believe that there will continue to be significant demand for SIR-Spheres<sup>®</sup> microspheres in the PRC in the future with reference to the sales forecast of the Products conducted by an external consultant in March 2023, and the entering into of the Distribution Agreements will allow the Group to capture the opportunities by making use of its well-established sales and distribution networks in the PRC to promote the Products.

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

#### **IMPLICATIONS UNDER THE LISTING RULES**

CDH Genetech is a company incorporated in the Cayman Islands whose principal business is investment holding. It is wholly-owned by CDH Fund V, L.P. (a limited partnership formed under the laws of Cayman Islands), whose general partner is CDH V Holdings Company Limited.

To the best of the Directors' knowledge having made all reasonable enquiries, as at the date of this announcement, CDH Giant Health I Limited (which is wholly-owned by CDH Fund V, L.P.) holds 356,648,142 Shares (representing approximately 10.05% of the total issued share capital of the Company). Hence, CDH Fund V, L.P. is a substantial shareholder of the Company.

As at the date of this announcement, Sirtex HoldCo is owned as to approximately 42.02% by CDH Genetech and is an associate of CDH Genetech and CDH Fund V, L.P.. Sirtex Medical is a wholly-owned subsidiary of Sirtex HoldCo. As such, Sirtex Medical is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under each of the Distribution Agreements constitutes a connected transaction of the Company. As both of the Distribution Agreements were entered into between the Group and Sirtex Medical, and the subject matters of the Distribution Agreements are similar in nature, the transactions contemplated under the Distribution Agreements would be aggregated pursuant to Rule 14A.81 of the Listing Rules.

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 Distribution Agreements (as aggregated with the amount of the Group's purchases of the Products from Sirtex Medical from 1 January 2023 up to the date of the Distribution Agreements) exceed 0.1% but all are less than 5%, the transactions contemplated under the Distribution 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.

The Board confirms that none of the Directors has any material interest in the transactions contemplated under the Distribution Agreements, and none of them is required to abstain from voting on the board resolutions for approving the Distribution Agreements.

## **DEFINITIONS**

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

<b>“associates”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Beijing Purevalley”</b>	Beijing Purevalley Biotechnology Co., Ltd (北京普爾偉業生物科技有限公司), a company established in the PRC with limited liability, and an indirect non wholly-owned subsidiary of the Company
<b>“Board”</b>	the Board of Directors
<b>“CDH Genetech”</b>	CDH Genetech Limited, a company incorporated in the Cayman Islands with limited liability
<b>“Chengdu Purevalley”</b>	Chengdu Purevalley Medical Technology Co., Ltd (成都普爾偉業醫療科技有限公司), a company established in the PRC with limited liability, and an indirect non wholly-owned subsidiary of the Company
<b>“Company”</b>	Grant Pharmaceutical Group Limited (遠大醫藥集團有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Distribution Agreement A”</b>	the agreement dated 18 December 2023 and entered into between Beijing Purevalley and Sirtex Medical in respect of the purchase of the Products by Beijing Purevalley for resale in the PRC

<b>“Distribution Agreement B”</b>	the agreement dated 18 December 2023 and entered into between Chengdu Purevalley and Sirtex Medical in respect of the purchase of the Products by Chengdu Purevalley for resale in the PRC
<b>“Distribution Agreement(s)”</b>	Distribution Agreement A and Distribution Agreement B
<b>“Effective Date”</b>	18 December 2023, being the date of the Distribution Agreements
<b>“Grand Decade”</b>	Grand Decade Developments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
<b>“Grand Pharm (China)”</b>	Grand Pharm (China) Company Limited* (遠大醫藥(中國)有限公司), a company established in the PRC with limited liability and a 99.84%-owned subsidiary of the Company
<b>“Grand Pharm (HK)”</b>	China Grand Pharmaceutical (HK) Limited, a limited company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
<b>“Products”</b>	SIR-Spheres <sup>®</sup> microspheres and the accessories of their delivery systems
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Sirtex HoldCo”</b>	Grand Pharma Sphere Pte Ltd., a company incorporated under the laws of the Republic of Singapore with limited liability, whose issued share capital is owned as to approximately 51.61% by Grand Decade, approximately 42.02% by CDH Genetech and approximately 6.37% by Grand Pharm (HK) as at the date of this announcement
<b>“Sirtex Medical”</b>	Sirtex Medical Singapore Pte Ltd., a company incorporated under the laws of the Republic of Singapore with limited liability and a wholly-owned subsidiary of Sirtex HoldCo

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Territories”	the areas in which Beijing Purevalley and Chengdu Purevalley are permitted to promote, sell or deliver the Products under the Distribution Agreements. For Beijing Purevalley, it means a list of 50 hospitals located in the PRC set out in Distribution Agreement A (the “ <b>Designated Hospitals</b> ”); while for Chengdu Purevalley, it means hospitals located in the PRC other than the Designated Hospitals and such other hospitals as may be subsequently identified for inclusion or exclusion by Sirtex Medical in writing
“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, 18 December 2023

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

*\* for identification purpose only*