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Grand Pharmaceutical Group Limited
遠大醫藥集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00512)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF EQUITY INTEREST IN CHONGQING DUOPUTAI
PHARMACEUTICAL TECHNOLOGY CO., LTD.***

THE ACQUISITION

Reference is made to the announcement of the Company dated 12 December 2023 in relation to the First Acquisition Agreement, pursuant to which the Purchaser acquired 27% equity interests of the Target Company from the Vendor. On 15 January 2024, the Purchaser and the Vendor entered into the Second Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire a further 63% equity interests in the Target Company at an aggregate consideration of RMB442.26 million.

Upon completion of the Second Acquisition Agreement, the Purchaser will hold 90% equity interest in the Target Company, which will become a subsidiary of the Group.

As at the date of this announcement, the Target Company will obtain the rights and operations relating to Maixuekang capsules (Guoyao Zhun Zi Z10970056) and Maixuekang enteric-coated tablets (Guoyao Zhun Zi Z20090723) (collectively referred to as the “**Target Products**”) from the Vendor. The Vendor will ensure the integrity of the target company's production system for the target product and the target company's continued normal operations.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, if a series of transactions are all completed within 12 months or are related to each other, the transactions will be counted together and treated as one transaction. As the First Acquisition Agreement is related to the Second Acquisition Agreement, the Acquisition Agreements are combined for the purpose of calculating the relevant percentage rate to determine the classification of transactions under the Listing Rules.

As one or more of the applicable percentage rates (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions under the Acquisition Agreements are higher than 5% but less than 25%, the transactions under the Second Acquisition Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements.

THE ACQUISITION

Second Acquisition Agreement

Reference is made to the announcement of the Company dated 12 December 2023 in relation to the First Acquisition Agreement, pursuant to which the Purchaser acquired 27% equity interests of the Target Company from the Vendor.

On 15 January 2024, the Purchaser and the Vendor entered into the Second Acquisition Agreement. The main terms of the Second Acquisition Agreement are as follows:

Date : 15 January 2024

Contracting Parties : (i) The Vendor
(ii) The Purchaser
(iii) The Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its beneficial owners are third parties independent of the Company and its connected persons.

Subject matter : The Vendor agrees to sell, while the Purchaser agrees to acquire 63% of equity interest of the Target Company

Consideration and payment terms : The total consideration for the acquisition is RMB442,260,000

The consideration is to be paid in the following instalments:

(i) The Purchaser shall pay the first transaction consideration of RMB199,530,000 to the Vendor within 5 working days from the date on which the Second Acquisition Agreement takes effect and the Purchaser obtains the approval of the PRC Anti-Monopoly Approval Authority for the merger of undertakings.

(ii) The Purchaser shall, within 5 working days from the date on which the Vendor and the Target Company complete the industrial and commercial procedures for the transfer of equity interest to the Purchaser and the Purchaser becomes the registered shareholder of the Target Company, pay the Vendor the remaining consideration under the Second Acquisition Agreement in the amount of RMB 242,730,000.

The consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and was determined based on, among other things, the financial performance of the Target Company, its unaudited net asset value and total assets (prepared in accordance with PRC GAAP), and the undertakings and warranties made by the Vendor and the Target Company under the Second Acquisition Agreement.

The consideration will be financed by the internal resources of the Group.

Conditions precedent

Execution of the Second Acquisition Agreement is subject to the following conditions precedent:

1. The transaction has obtained the approval of the PRC anti-monopoly approval authority in relation to concentration matters (if the approval is conditional, the parties will further negotiate on this condition precedent).
2. The Vendor has obtained approval documents from the internal decision-making bodies stipulated in the company law and the regulatory rules of the national equities exchange and quotations in the PRC and its articles of association to approve the sign off and implementation of the Second Acquisition Agreement, including resolutions of the general meeting of shareholders and resolutions of the board of directors.
3. The Purchaser has obtained the consent of the internal decision-making body (the board of directors) as required by the company law in the PRC, the regulatory rules of the Stock Exchange and its articles of association to approve the sign off and implementation of the Second Acquisition Agreement.
4. The representations and warranties of the Vendor and the Target Company under the Second Acquisition Agreement are true, accurate, valid and complete.

Notwithstanding the foregoing, each party may waive one or more of the condition precedent in writing (provided that the conditions precedent 1 above shall not be waived or waived). If not all of the above conditions are met, the Purchaser may notify the other parties in writing to continue to perform the Second Acquisition Agreement, and the Vendor and the Target Company shall complete the Second Acquisition Agreement in accordance with its terms.

Registration of the equity transfer involved in the acquisition

Equity transfer procedures under the Second Acquisition Agreement shall take place within 10 Business Days upon payment of the first transaction consideration of RMB199,530,000 by the Purchaser. Upon completion, the Purchaser will hold 90% equity interest in the Target Company, which will become a subsidiary of the Group.

REASONS AND BENEFITS OF THE ACQUISITION

The Target Company is mainly engaged in the production and sales of its core products Maixuekang capsules* (脈血康膠囊) and Maixuekang enteric-coated tablets (脈血康腸溶片). Maixuekang capsule/enteric-coated tablet series products are listed in the National Reimbursement Drug and Essential Drugs List in the PRC. They have the effects of anticoagulation, antithrombosis, antifibrosis, and improvement of blood circulation, and can be used in the treatment of cerebro-cardiovascular diseases such as coronary heart disease, acute cerebral infarction, and ischemic stroke, and unstable angina. Their main ingredient are leeches. The rich hirudin contained in leeches has a strong inhibitory effect on thrombin. It is the strongest natural specific inhibitor of thrombin discovered so far. Maixuekang uses Japanese medical leech as raw material, which has the highest anticoagulant activity among leech origins, and adopts a low-temperature preparation process to process fresh leeches into medicine. Compared with other manufacturing processes, it can maintain the antithrombin activity in leech products to the greatest extent. In addition, Maixuekang is currently the only Chinese patent medicine that labeled with antithrombin activity units in China (each capsule/tablet is equivalent to 14 units of antithrombin activity), which helps doctors to provide more accurate treatment methods for patients with cerebro-cardiovascular diseases. At present, anticoagulation therapy has become a commonly used treatment method for cerebro-cardiovascular diseases, especially for the patients with chronic cerebro-cardiovascular diseases, who may face long-term or even lifelong anticoagulation therapy. Therefore, clinical use of anticoagulants has high safety requirements. Maixuekang has the same clinical efficacy as first-line anticoagulant drugs, with favorable safety and few adverse reactions. In the combined medication regimen, Maixuekang can improve clinical efficacy and patient prognosis without increasing the incidence of adverse reactions, and can provide more treatment options for patients with cerebro-cardiovascular diseases. Maixuekang has been included in many authoritative clinical guidelines, such as the *Guideline for the Diagnosis and Treatment of Cerebral Infarction with the Integrated Traditional Chinese and Western Medicine*, the *Guidelines for Rational Use of Proprietary Chinese Medicines for Promoting Blood Circulation for Removing Blood Stasis*, the *Clinical Practice Guideline for Chinese Medicine in the Treatment of Idiopathic Membranous Nephropathy*, and the *Expert Consensus on the Use of Maixuekang Capsule (Enteric-coated Tablet) for Patients with Cardiovascular and Cerebrovascular diseases in Clinical Practice*.

According to the *Annual Report on Cardiovascular Health and Diseases in China (2021)*, cerebro-cardiovascular diseases are the leading cause of death among urban and rural residents in China. Currently, there are about 330 million people suffering from cerebro-cardiovascular diseases in China, including about 13 million patients with stroke and about 11.39 million patients with coronary heart disease. As the population ages further, the morbidity and mortality of cerebro-cardiovascular diseases will continue to maintain upward trend. In 2021, cerebro-cardiovascular diseases drug market exceeded RMB 250 billion in China, of which Chinese patent medicines account for approximately 34%. In the future, under the dual effects of the growth of the number of patients with cerebro-cardiovascular diseases and the national support policy for traditional Chinese medicine, the market size and proportion of Chinese patent medicines are expected to further increase.

The acquisition of the Target Company is a significant strategic plan of the Group in the field of cerebro-cardiovascular disease treatment. The field of cerebro-cardiovascular disease treatment is one of the Group's traditional areas of strength, and through this acquisition the Group will enrich the Group's product pipeline, further consolidate and enhance the Group's comprehensive market competitiveness in the field of cardiovascular and cerebrovascular disease treatment, and provide a driving force for the continuous growth of the Group's performance.

The Group always puts focus on the R&D of innovative products and advanced technologies. Adhering to a patient-centered and innovation-driven approach, the Group will continue to increase its investment in world-class innovative products and advanced technologies to meet unmet clinical needs and enrich its product pipeline and improve supply chain. The Group adopts the strategy of “global expansion and dual-cycle operation”, forming a new pattern of domestic and international cycles that synergize with each other. In this way, the Group can make full use of its industrial advantages and R&D capabilities, to accelerate the commercialization process for innovative products and provide patients with more advanced and diverse treatment options globally.

The terms and conditions of the Second Acquisition Agreement are subject to arm's length negotiation between the parties. In view of the foregoing, the Board considers that the terms of the Second Acquisition Agreement are entered into on normal commercial terms, are fair and reasonable and serve the interests of the Company and the shareholders as a whole.

INFORMATION ABOUT THE CONTRACTING PARTIES

The Company and the Purchaser

The Company is an exempted company incorporated in Bermuda, and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the research and development, manufacturing and sales of pharmaceutical preparations, medical devices, specialized pharmaceutical raw materials and healthcare products.

The Purchaser is a company established in the PRC with limited liability, and is wholly owned by Grand Pharm (China) Co., Ltd., a subsidiary of the Group. Hence, the Purchaser is an indirect subsidiary of the Company. The Purchaser is principally engaged in the production and sale of traditional Chinese medicine and health food..

The Vendor

The Vendor is a company incorporated in the PRC and listed on the National Equities Exchange and Quotations (NEEQ), principally engaged in the research and development, production and sales of proprietary Chinese medicines.

The Target Company

The Target Company is a core subsidiary established by the Vendor. The Target Company is mainly engaged in the production and sales of its core products, Maixuekang Capsules and Maixuekang Enteric-coated Tablets. As at the date of this announcement, the Target Company was owned as to approximately 73% by the Vendor and 27% by the Purchaser. As at the date of this announcement, the Target Company will obtain the rights and operations relating to Maixuekang capsules (Guoyao Zhun Zi Z10970056) and Maixuekang enteric-coated tablets (Guoyao Zhun Zi Z20090723) (collectively referred to as the “**Target Products**”) from the Vendor, including their pharmaceutical products Document number, all registration information, all patents (including patent application rights), technology (technology refers to the technology implemented for the development, production, and sales of target products), the sales network of the target product, and relevant operating personnel, etc. to ensure the research and development of the target product, production and commercialization of all tangible assets, intangible assets and the ability to operate sustainably. The Vendor will ensure the integrity of the target company's production system for the target product and the target company's continued normal operations.

The Vendor undertakes that all debts of the Target Company will be borne by the Vendor before the completion of the Second Acquisition Agreement.

Financial information of the Target Company

In accordance with the PRC Accounting Standards for Business Enterprises, the unaudited pro forma consolidated financial information of the Target Company (as if the Target Company had obtained the rights and operations of the Target Products) for the two financial years ended 31 December 2022 and for the nine months ended 30 September 2023 is set out below:

	For the nine months ended 30 September 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
Operating income	324	481	468
Net profit (before taxes)	58	77	61
Net profit (net of taxes)	49	64	51
Net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses	49	64	51
	As at 30 September 2023	As at 31 December 2022	As at 31 December 2021
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
Total assets	33	36	40

LISTING RULES IMPLICATIONS

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As one or more of the applicable percentage rates (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions under the Acquisition Agreements are higher than 5% but less than 25%, the transactions under the Second Acquisition Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements.

As the transactions under the Second Acquisition Agreement are subject to conditions precedent (or waiver), the acquisition may or may not proceed. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition Agreements”	collectively, the First Acquisition Agreement and the Second Acquisition Agreement
“Board”	the Board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong and Singapore are generally open to the public
“Company”	Grand 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
“Director(s)”	the director(s) of the Company
“First Acquisition Agreement”	the acquisition agreement entered in December 2023 among the Vendor, the Purchaser and the Target Company relating to the acquisition of 27% equity interests of the Target Company by the Purchaser from the Vendor
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Xi’an Beilin Pharmaceutical Co., Ltd.* (西安碑林藥業股份有限公司), a company established in the PRC with limited liability and is a 99.84% indirect subsidiary of the Company
“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)
“Second Acquisition Agreement”	the acquisition agreement entered in 15 January 2024 among the Vendor, the Purchaser and the Target Company relating to the acquisition of further 63% equity interests of the Target Company by the Purchaser from the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Chongqing Duoputai Pharmaceutical Technology Co., Ltd.* (重慶多普泰醫藥科技有限公司), a company established in the PRC with limited liability and is owned as to approximately 73% by the Vendor and 27% by the Purchaser as at the date of this announcement
“Vendor”	Chongqing Duoputai Pharmaceutical Co., LTD.* (重慶多普泰製藥股份有限公司) a company incorporated in the PRC and listed on the National Equities Exchange and Quotations (NEEQ), holding 73% equity interests in the Target Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“%”	per cent.

In this announcement, the English names of PRC entities are unofficial translation or transliteration from their Chinese names and are for identification purposes only.

By order of the Board
Grand Pharmaceutical Group Co., Ltd
chairman
Dr. Tang Weikun

Hong Kong, 15 January 2024

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 nonexecutive directors, namely, Ms. So Tosi Wan, Winnie, Dr. Pei Geng and Mr. Hu Yebi.