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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of Grand Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 January 2024 (the “**Announcement**”) in relation to the discloseable transaction relating to the acquisition of equity interest in Chongqing Duoputai Pharmaceutical Technology Co., Ltd. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated. This announcement is made to provide supplemental information in relation to the consideration of the acquisition under the Acquisition Agreements.

**BASIS OF THE CONSIDERATION**

The Board would like to provide further supplemental information in relation to the basis for determining the aggregate consideration of RMB631.8 million under the Acquisition Agreements, being the sum of the consideration of RMB189.54 million under the First Acquisition Agreement and the consideration of RMB442.26 million under the Second Acquisition Agreement.

**Valuation**

The Company has engaged an independent valuer to assess the market value of the Target Company (the “**Valuation**”) as at 31 December 2023. The independent valuer has performed the Valuation using the market approach, and 12 listed companies (listed in Hong Kong/Shenzhen/Shanghai) were identified as market comparables based on the below selection criteria:

1. the comparable companies are mainly engaged in production and sale of Chinese medicine which includes products for treating cardiovascular and cerebrovascular related diseases;
2. the comparable companies operate mainly in China;
3. the comparable companies are listed in China or Hong Kong;
4. the comparable companies have sufficient operating histories; and
5. the financial information of the comparable companies is available to the public.

Price to earnings multiple is considered as the best suitable method to be adopted in the Valuation. The market capitalisation and net profits of each comparable company were assessed and necessary adjustments (including the size premium adjustments, discount for lack of marketability etc.) were applied to the Valuation. Net profits of comparable companies are made reference to market research data provided by global research and market indices specialist and their respective financial statements. Based on the independent valuer's assessment, the size-adjusted price to earnings multiple is 13.45 and the profits for the Target Company for 2023 is estimated to be RMB64.77 million (being the annualized profits based on pro forma profits for the 9 months ended 30 September 2023). After deducting a lack-of-marketability discount of 20.5%, the market value for 100% of the equity interest in the Target Company is estimated to be RMB693,000,000 (rounded to nearest million).

The Board has studied through the valuation report and discussed with the independent valuer to understand the rationale for the valuation method and each assumption adopted in the Valuation. The Board agreed that as the Target Company is able to generate profits in future (with reference to the due diligence report mentioned below), price to earnings multiple would be the best fit under the Guideline Public Company Method.

For the comparable companies, the Board has also assessed the list of the market comparable companies and agreed that these companies are engaged in similar business and operate in the same geographical location (i.e., China) as the Target Company.

Based on the assessment result, 100% equity interest in the Target Company has a market value of RMB693,000,000 which means the value of 90% of the equity interest equals to RMB623,700,000, which is approximate to the aggregate consideration under the Acquisition Agreements of RMB631,800,000 (difference of RMB8,100,000 represented the premium of the transaction).

Although the pro forma total assets of the Target Company amounted to RMB33 million only, these are the tangible assets accounted for under the PRC GAAP in the track record period. Intangible assets, such as pharmaceutical products document number, registration information, patents (including patent application rights), technology (technology refers to the technology implemented for the development, production, and sales of target products), sales network of the Target Product, and the relevant operating personnel, etc. were not accounted for under the total assets of the Target Company as shown in the pro forma financial statements.

### **Due diligence on the Target Company**

In addition to the assessment based on the Valuation, the Company has also engaged an independent consultant (the “**Consultant**”) to perform due diligence on the Target Company and the operations of the Target Products to be injected into the Target Company by the Vendor.

The Consultant has performed the due diligence through enquiries to management staff of different departments, obtaining financial and operation data from the Vendor and analyzing the Target Products' historical information, market risks and operations etc.

Based on, among other things, the results of the due diligence conducted by the Consultant, the Board is satisfied that the Target Products are well-developed and had a stable return over the past years.

Based on the above, the Board considered that the aggregate consideration of RMB631.8 million for 90% equity interest in the Target Company is fair and reasonable.

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

Hong Kong, 2 February 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.*

*\* For identification purpose only*