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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
2024 DISTRIBUTION AGREEMENTS WITH SIRTEX MEDICAL**

2024 DISTRIBUTION AGREEMENTS

Reference is made to the announcement of the Company dated 18 December 2023, pursuant to which Beijing Purevalley and Chengdu Purevalley (both indirect non wholly-owned subsidiary of the Company) have entered into the 2023 Distribution Agreements with Sirtex Medical, where Sirtex Medical has agreed to supply and Beijing Purevalley and Chengdu Purevalley have agreed to purchase a fixed amount of the Products for resale as the exclusive distributors in the PRC. The 2023 Distribution Agreements were valid until 31 March 2024.

To further purchase the Products from Sirtex Medical, on 15 November 2024 (after trading hours), Beijing Purevalley and Chengdu Purevalley entered into the 2024 Distribution Agreements with Sirtex Medical, pursuant to which Sirtex Medical has appointed Beijing Purevalley and Chengdu Purevalley as Sirtex Medical's exclusive distributors for the resale of the Products in their respective Territories in the PRC during the Term.

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 transactions contemplated under the 2024 Distribution Agreements constitute continuing connected transactions of the Group.

Since (i) the 2023 Distribution Agreements and the 2024 Distribution Agreements were entered into between the Group and Sirtex Medical, and the subject matters of the 2023 Distribution Agreements and the 2024 Distribution Agreements are similar in nature; and (ii) the 2023 Distribution Agreements and the 2024 Distribution Agreements were entered into between the Group and Sirtex Medical within a 12-month period, the transactions contemplated under the 2023 Distribution Agreements and the 2024 Distribution Agreements would be aggregated pursuant to Rules 14A.81 and 14A.82 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 2023 Distribution Agreements and the 2024 Distribution Agreements exceed 0.1% but all are less than 5%, the transactions contemplated under the 2024 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.

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The principal terms of the 2024 Distribution Agreements are set out below.

Date: 15 November 2024

Parties: 2024 Distribution Agreement A
(i) Beijing Purevalley; and
(ii) Sirtex Medical

2024 Distribution Agreement B
(i) Chengdu Purevalley; and
(ii) Sirtex Medical

Subject matter: Sirtex Medical has appointed Beijing Purevalley and Chengdu Purevalley as Sirtex Medical’s exclusive distributor for the resale of the Products in their respective Territories in the PRC.

Beijing Purevalley and Chengdu Purevalley shall purchase the Products on their own account from Sirtex Medical for the purpose of resale and distribution in their respective Territories in the PRC.

Beijing Purevalley shall purchase up to 800 sets of the Products from Sirtex Medical for resale under the 2024 Distribution Agreement A and Chengdu Purevalley shall purchase up to 200 sets of the Products from Sirtex Medical for resale under the 2024 Distribution Agreement B.

Products to be distributed: SIR-Spheres® Y-90 microspheres, which is a medical device used in tumor treatment, and the accessories of their delivery systems.

Territory restriction: Beijing Purevalley and Chengdu Purevalley shall not directly or indirectly promote, sell or deliver the Products outside the Territories specified in the respective 2024 Distribution Agreements.

Pricing basis: Sirtex Medical will sell the Products to Beijing Purevalley and Chengdu Purevalley at the fixed prices set forth in the 2024 Distribution Agreements per unit of Products which is subject to quarterly update in accordance with the 2024 Distribution Agreements.

The unit price of the Products have been determined on an arm’s length basis in the ordinary course of business and on normal commercial terms 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 2024 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. 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 term of the 2024 Distribution Agreements shall commence on 15 November 2024, being the date of signing of the 2024 Distribution Agreements and end on 14 November 2025, as may be extended or terminated earlier in accordance with the 2024 Distribution Agreements.

Historical transaction amounts

The historical amounts (before tax) of the Products purchased by the Group from Sirtex Medical as contemplated under the previous distribution agreements are set forth below:

	RMB
Year ended 31 December 2022	21,200,000
Year ended 31 December 2023	52,170,000
From 1 January 2024 up to the date of this announcement	100,899,000

Annual Caps

The annual caps for the aggregate purchases under the 2024 Distribution Agreements for the period from 15 November 2024 until 31 December 2024 and for the period from 1 January 2025 until 14 November 2025 are RMB67,155,000 and RMB54,945,000, respectively.

The above annual caps were determined by the Directors based on (i) the historical amount of the purchases of the Products from Sirtex Medical; (ii) the expected volume of demand for the Products; (iii) the estimated unit prices of the Products set out in the 2024 Distribution Agreements; and (iv) the resale and distribution capacity of the Group's domestic pharmaceutical products distribution network.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps under the 2024 Distribution Agreements are fair and reasonable.

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, Grand Decade held approximately 51.61% of the issued shares of Sirtex HoldCo, while the remaining approximately 42.02% and 6.37% were held by CDH Genetech and Grand Pharmaceutical (Hong Kong) respectively. Therefore, the Group is the largest shareholder of Sirtex HoldCo.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 DISTRIBUTION AGREEMENTS

In September 2021, with the assistance of the Group, Sirtex Medical Pty Limited successfully completed China's first privileged licensed SIR-Spheres® 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.

The Group purchased approximately RMB21,200,000, RMB52,170,000 and RMB100,899,000 worth of the Products from Sirtex Medical in 2022, 2023 and 2024 (up to the date of this announcement), respectively, under relevant distribution agreements for resale in the PRC. For the ten months ended 31 October 2024, the revenue of Beijing Purevalley and Chengdu Purevalley increased by approximately 103.9% compared with the same period in 2023 (excluding the impact of changes in the exchange rate between the RMB and the Hong Kong dollar), mainly due to the rapid growth to the core clinical demand for the Products.

After reviewing the product sales forecast prepared by external professional consultants, the Directors are confident that there will be sustained strong demand for SIR-Spheres® microspheres injection in China. Consequently, entering into the 2024 Distribution Agreements will enable the Group to capitalize on its well-established sales and distribution network in the region.

In addition, the Group is systematically advancing the construction of a Class A qualified nuclide production platform. Looking ahead, the Group will continue to enhance research and development in the nuclear drug anti-tumor diagnosis and treatment sector, enriching the product pipeline and industrial framework. This will lead to the establishment of a core cluster of nuclear drug anti-tumor diagnosis and treatment products centered around Yigantai® Yttrium Y-90 microsphere injection, further solidifying the Group's position as a leading enterprise in the global nuclear drug anti-tumor diagnosis and treatment market.

As mentioned above, the Directors (including the independent non-executive Directors) believe that the entering into of the 2024 Distribution Agreements was carried out in the ordinary course of business of the Group, and the terms of the 2024 Distribution Agreements were determined on an arm's length basis between the relevant parties, are on normal commercial terms and are fair and reasonable, and the entering into of the 2024 Distribution Agreements was in the overall interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, none of the Directors has any material interest in the 2024 Distribution Agreements, and none of the Directors is required to abstain from voting on the board resolutions for approving the execution and performance of the 2024 Distribution Agreements by the Group.

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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.

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DEFINITIONS

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

“2023 Distribution Agreements”	the agreement entered into between Beijing Purevalley and Sirtex Medical and the agreement entered into between Chengdu Purevalley and Sirtex Medical dated 18 December 2023 in respect of the purchase of the Products by Beijing Purevalley and Chengdu Purevalley for resale in the PRC
“2024 Distribution Agreement A”	the agreement dated 15 November 2024 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
“2024 Distribution Agreement B”	the agreement dated 15 November 2024 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
“2024 Distribution Agreements”	collectively the 2024 Distribution Agreement A and the 2024 Distribution Agreement B
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Purevalley”	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
“Board”	the Board of Directors
“CDH Genetech”	CDH Genetech Limited, a company incorporated in the Cayman Islands with limited liability
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Grand Decade”	Grand Decade Developments Limited, a limited company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company

“Grand Pharm (China)”	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
“Grand Pharm (HK)”	China Grand Pharmaceutical (HK) Limited, a limited company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“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, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Products”	[SIR-Spheres® Y-90 microspheres]
“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)
“Sirtex HoldCo”	Grand Pharma Sphere Pte Ltd., a company incorporated under the laws of the Republic of Singapore with limited liability, which its 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
“Sirtex Medical”	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 36 hospitals located in the PRC set out in 2024 Distribution Agreement A (the “Designated Hospitals”); 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 People’s Republic of China
“%”	per cent.

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

Hong Kong, 15 November 2024

As at the date of this announcement, the Board comprises four executive directors, namely, Dr. Tang Weikun, Mr. Zhou Chao, Mr. Yang Guang and Ms. Lam Chit Yee Jessica, and four independent non-executive directors, namely, Ms. So Tosi Wan, Winnie, Dr. Xing Li Na, Dr. Pei Geng and Mr. Hu Yebi.

** For identification purpose only*