
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1513)

**(I) PROPOSED ADOPTION OF THE 2022 SHARE OPTIONS
INCENTIVE SCHEME**

**(II) PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR
APPRAISAL SYSTEM OF THE 2022 SHARE OPTIONS INCENTIVE SCHEME**

**(III) CONVENING THE EGM, THE A SHAREHOLDERS' CLASS MEETING
AND THE H SHAREHOLDERS' CLASS MEETING**

The letter from the Board is set out on pages 4 to 14 of this circular.

The Company will hold the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m., 3:30 p.m. (or immediately after the conclusion of the EGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment) respectively on Friday, 14 October 2022. Notices and proxy forms have been dispatched regarding the EGM and the H Shareholders' Class Meeting by the Company on 22 September 2022. The aforesaid documents are also available for download on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn).

If you would like to attend the EGM and/or the H Shareholders' Class Meeting by proxy, please complete the proxy form in accordance with the instructions printed thereon and return it to the Secretariat of the Board of the Company (for A Shareholders) or the Company's H Share Registrar, Tricolor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof in person if you so wish.

27 September 2022

* For identification purpose only

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Appendix I The Incentive Scheme	15
Appendix II The Administrative Measures for Appraisal System	46

DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“2018 Incentive Scheme”	the Company’s 2018 Share Options Incentive Scheme adopted on 5 September 2018
“A Share(s)”	the domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 000513)
“A Shareholder(s)”	holder(s) of the A Share(s)
“A Shareholders’ Class Meeting”	the 2022 second class meeting of A Shareholders of the Company to be convened at 3 p.m. (or immediately after the conclusion or adjournment of the EGM) on Friday, 14 October 2022, if thought fit, to approve (1) the proposed adoption of the Incentive Scheme and its related matters and (2) the proposed adoption of the Administrative Measures for Appraisal System
“Administrative Measures for Appraisal System”	Administrative Measures for the Appraisal System of the 2022 Share Options Incentive Scheme, which is set out in Appendix II to this circular and was considered and approved by the Board on 29 August 2022
“Announcement”	the announcement of the Company published on www.cninfo.com.cn (巨潮資訊網) dated 30 August 2022 in relation to the Incentive Scheme (First Draft)
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Company”	麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*, a joint stock company incorporated in the PRC in accordance with the Company Law on 26 January 1985 with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively
“Company Law”	Company Law of the PRC (中華人民共和國公司法), as adopted at the Fifth Session of the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993, effective from 1 July 1994, as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the 2022 second extraordinary general meeting of the Company to be held at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Friday, 14 October 2022
“First Grant”	the grant of up to 18,000,000 Share Options to the Incentive Participants pursuant to the Incentive Scheme
“H Share(s)”	the overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 01513)
“H Shareholder(s)”	holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the 2022 second class meeting of H Shareholders of the Company to be convened at 4 p.m. (or immediately after the conclusion or adjournment of the EGM and the A Shareholders’ Class Meeting) on Friday, 14 October 2022, if thought fit, to approve (1) the proposed adoption of the Incentive Scheme and its related matters and (2) the proposed adoption of the Administrative Measures for Appraisal System
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Participants”	the directors, senior management, mid-level management and relevant core personnel (excluding independent directors and supervisors) of the Company who may be granted the Share Options pursuant to the Incentive Scheme
“Incentive Scheme”	the 2022 Share Options Incentive Scheme (Revised Draft), which is set out in Appendix I to this circular and was considered and approved by the Board on 21 September 2022
“Incentive Scheme (First Draft)”	the 2022 Share Options Incentive Scheme (Draft) which was considered and approved by the Board on 29 August 2022
“Latest Practicable Date”	20 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Reserved Grant”	the grant of up to 2,000,000 Share Options to the Incentive Participants pursuant to the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Share Option(s)”	the right to be granted by the Company to an Incentive Participant to acquire certain number of A Shares of the Company in a particular period of time and subject to certain terms and conditions under the Incentive Scheme
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Supervisor(s)”	supervisor(s) of the Company

In case of any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

* For identification purpose only

LETTER FROM THE BOARD



丽珠医药
LIVZON

麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1513)

Executive Directors:

Mr. Tang Yanggang (*President*)

Mr. Xu Guoxiang (*Vice Chairman and Vice President*)

Non-executive Directors:

Mr. Zhu Baoguo (*Chairman*)

Mr. Tao Desheng (*Vice Chairman*)

Mr. Qiu Qingfeng

Mr. Yu Xiong

Independent Non-executive Directors:

Mr. Bai Hua

Mr. Tian Qiusheng

Mr. Wong Kam Wa

Mr. Luo Huiyuan

Ms. Cui Lijie

Registered office:

Headquarters Building
38 Chuangye North Road
Jinwan District Zhuhai
Guangdong Province
China

Principal place of business

in Hong Kong:

Room 1301, 13/F
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

27 September 2022

To the Shareholders

Dear Sir/Madam,

**(I) PROPOSED ADOPTION OF THE 2022 SHARE OPTIONS
INCENTIVE SCHEME**

**(II) PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR
APPRAISAL SYSTEM OF THE 2022 SHARE OPTIONS INCENTIVE SCHEME**

**(III) CONVENING THE EGM, THE A SHAREHOLDERS' CLASS MEETING
AND THE H SHAREHOLDERS' CLASS MEETING**

The purpose of this circular is to provide you with relevant information regarding the (1) Incentive Scheme and (2) the Administrative Measures for Appraisal System to enable you to make informed decisions in voting on the special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting.

* For identification purpose only

LETTER FROM THE BOARD

I. PROPOSED ADOPTION OF THE INCENTIVE SCHEME

As at the Latest Practicable Date, all share options under the 2018 Incentive Scheme have been granted to the relevant incentive participants, and the number of outstanding share options granted under the 2018 Incentive Scheme is 5,386,180 A Shares. The exercise period of the aforesaid share options will expire on 27 October 2022. The Company will cancel such share options as soon as practicable upon expiry of the exercise period, and the 2018 Incentive Scheme will automatically terminate upon cancellation of the aforesaid share options. The Company will make further announcements upon completion of cancellation of share options under the 2018 Incentive Scheme.

In order to enable the continuity of the share option scheme of the Company, on 29 August 2022 and 21 September 2022, the Board considered and approved the resolutions in relation to, among others, the proposed adoption of the Incentive Scheme (First Draft) and the Incentive Scheme, respectively. The Incentive Scheme is subject to the approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. Full text of the terms of the Incentive Scheme is set out in Appendix I to this circular.

Purpose of the Incentive Scheme

The Incentive Scheme has been formulated to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding employees, fully motivate the directors, senior management, mid-level management and relevant core personnel (i.e. the other employees who have made valuable contributions or possess of key technical expertise) of the Company and effectively integrate Shareholders' interests, the Company's interests and individual interests of the core team members so that the parties will make joint efforts for the Company's long-term development.

The Incentive Participants include directors (excluding independent directors) and employees of the Company only. The Incentive Scheme also prescribes the vesting period of the Share Options and performance targets which must be achieved before the Share Options can be exercised. The exercise price of the Share Options is also specified in the Incentive Scheme. The Directors consider that the aforesaid criteria and rules help serve the purpose of the Incentive Scheme and to motivate the Incentive Participants to remain employed with the Group during the vesting period, which allows the Group to benefit from their continued services, and use their best endeavours to meet the performance targets, which contributes to the growth and development of the Company. Moreover, the Incentive Scheme also specifies a claw-back mechanism under different circumstances, which may, as applicable, involve cancellation of the outstanding Share Options and recovery of gains received by the Incentive Participants, which serves to align the interests of the Company and the Incentive Participants.

LETTER FROM THE BOARD

Source of Underlying Shares of the Incentive Scheme

The source of the underlying shares of the Incentive Scheme comprise the A Shares to be issued to the Incentive Participants by the Company. Only new A Shares will be issued upon exercise of the Share Options to be granted under the Incentive Scheme and no H Shares will be issued under the Incentive Scheme. The A Shares to be issued upon exercise of the Share Options will be subject to the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid A Shares in issue, and accordingly will entitle the holders to voting, dividend, transfer and other rights, including those arising from liquidation of the Company. The Share Option(s) per se will not entitle the relevant Incentive Participant(s) the aforesaid rights.

Number of Underlying Shares of the Incentive Scheme

Incentive Participants are proposed to be granted 20,000,000 Share Options under the Incentive Scheme, which involve a total of 20,000,000 A Shares, representing approximately 2.14% of the Company's total issued share capital and approximately 3.20% of the A Share in issue as at the date of the approval of the special resolution in relation to the adoption of the Incentive Scheme (based on the total issued share capital of 935,070,606 shares (comprising 625,239,389 A Shares and 309,831,217 H Shares) as at the Latest Practicable Date and assuming there is no change in the issued share capital before the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting).

In particular, 18,000,000 Share Options will be granted under the First Grant, representing 90.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 1.92% of the Company's total issued share capital and approximately 2.88% of the A Shares in issue; and 2,000,000 Share Options will be reserved for the Reserved Grant, representing 10.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 0.21% of the Company's total issued share capital and approximately 0.32% of the A Shares in issue.

During the period from the date of the Announcement to the completion of the exercise of Share Options by the Incentive Participants, the number of Share Options shall be adjusted accordingly in the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company.

LETTER FROM THE BOARD

Conditions Precedent for the Adoption of the Incentive Scheme

The Incentive Scheme shall be effective upon the approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Scope of the Incentive Participants

The Incentive Participants for the First Grant comprise a total of 1,034 persons who are the Directors, senior management, mid-level management and relevant core personnel of the Company. The Incentive Participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the *de facto* controllers and their spouses, parents or children.

Among the Incentive Participants aforementioned, Directors and senior management must be elected by the general meetings or appointed by the Board of the Company. All Incentive Participants shall have employment or service relationship with the Company (including its branch companies and subsidiaries) at the time of grant of interest under the Incentive Scheme.

Incentive Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and approved at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. The reserved entitlements shall become invalid where the Incentive Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The criteria for determining the Incentive Participants for the Reserved Grant shall be the same as the criteria for the First Grant.

LETTER FROM THE BOARD

Allocation of Share Options to be Granted to the Incentive Participants

The allocation details of the Share Options to be granted to each Incentive Participant under the Incentive Scheme are as follows:

Name	Position	Number of Share Options to be granted <i>(0'000 share options)</i>	Percentage to total number of Share Options to be granted	Percentage to A Shares in issue as at the Latest Practicable Date	Percentage to total share capital in issue as at the Latest Practicable Date
Tang Yanggang	Director and President	16.00	0.80%	0.03%	0.02%
Xu Guoxiang	Director and Vice President	16.00	0.80%	0.03%	0.02%
Yang Daihong	Vice President	12.00	0.60%	0.02%	0.01%
XU PENG	Vice President	12.00	0.60%	0.02%	0.01%
Si Yanxia	Vice President, Chief Financial Officer	12.00	0.60%	0.02%	0.01%
Huang Yuxuan	Vice President	12.00	0.60%	0.02%	0.01%
Yang Liang	Vice President, Secretary of the Board and Company Secretary	12.00	0.60%	0.02%	0.01%
Zhou Peng	Vice President	9.60	0.48%	0.02%	0.01%
Mid-level management and relevant core personnel of the Company (1,026 persons)		1,698.40	84.92%	2.72%	1.82%
Reserved Grant		200.00	10.00%	0.32%	0.21%
Total (1,034 persons)		<u>2,000.00</u>	<u>100.00%</u>	<u>3.20%</u>	<u>2.14%</u>

None of the Incentive Participant will be granted Share Options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted to such Incentive Participant (excluding any options and awards lapsed) under the Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant (the “**Individual Limit**”). Any grant of further Share Option(s) above the Individual Limit shall be separately approved by the Shareholders in general meeting and, if required, class meetings of A Shareholders and H Shareholders with such Incentive Participant and his/her close associates (or associates (as defined under the Hong Kong Listing Rules) if such Incentive Participant is a connected person (as defined under the Hong Kong Listing Rules)) abstaining from voting, and a circular in relation to the proposal for such further grant of Share Option(s) having been sent by the Company to its Shareholders containing such information from time to time required by the Hong Kong Listing Rules. The number and terms of the Share Option(s) to be granted to such Incentive Participant shall be fixed before the approval of the Shareholders.

LETTER FROM THE BOARD

The total number of A Shares which may be issued in respect of all options or awards to be granted under the Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the Incentive Scheme by the Shareholders (the “**Scheme Mandate Limit**”). Options or awards lapsed in accordance with the terms of the Incentive Scheme or any other share option scheme(s) or share award scheme(s) of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

There is no trustee regime under the Incentive Scheme. Accordingly, none of the Directors is a trustee of the Incentive Scheme or has any direct or indirect interest in any trustee.

Vesting Period, Exercise Conditions and Performance Targets

The vesting period of the Incentive Scheme refers to the period between the registration date of grant of the Share Options and the exercise date of the Share Options. The vesting period of the Share Options under the First Grant of the Incentive Scheme are 12 months, 24 months and 36 months, respectively. If the Reserved Grant is completed before the 2022 third quarterly report of the Company is published, the vesting period of the Share Options under the Reserved Grant are 12 months, 24 months and 36 months, respectively. If the Reserved Grant is completed after the 2022 third quarterly report of the Company is published, the vesting period of the Share Options under the Reserved Grant are 12 months and 24 months, respectively. The Incentive Participants can only exercise the Share Options according to the exercise schedule in tranches if the exercise conditions and performance targets specified under the Incentive Scheme are met.

Exercise Price of the Share Options and Basis for Determination

1. Basis for determining the exercise price of the Share Options under the First Grant

The exercise price of the A Share Options under the First Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company on the last trading day preceding the date of the Announcement (i.e. 30 August 2022) (the total transaction value of the A Shares on the last trading day/the total trading volume of the A Shares on the last trading day), being RMB30.679 per A Share;
- (2) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of the Announcement (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB31.303 per A Share.

LETTER FROM THE BOARD

2. Basis for determining the exercise price of the Share Options under the Reserved Grant

Before each grant of the Share Options under the Reserved Grant, the Company shall hold a Board meeting to pass the relevant resolution, and shall disclose a summary of such grant. The exercise price of the Share Options under the Reserved Grant shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average price of the A Shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of the Share Options under the Reserved Grant;
- (2) the average price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the Board resolution on the grant of the Share Options under the Reserved Grant.

During the period from the date of the Announcement to the completion of the exercise of Share Options by the Incentive Participants, the exercise price of the Share Options shall be adjusted accordingly in the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company.

Waiver from Strict Compliance with the Hong Kong Listing Rules

According to Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules, the exercise price of the share options must be at least the higher of (i) the closing price of the securities as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Pursuant to Rule 19A.39C of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may waive the requirement under Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules for a share option scheme of a PRC issuer dually listed on the Hong Kong Stock Exchange and a PRC stock exchange, provided that: (i) the scheme involves only shares listed on the PRC stock exchange; and (ii) the scheme contains provisions to ensure that the exercise price of the options is no less than the prevailing market price of the relevant shares on the PRC stock exchange at the time of grant of the options.

The Company has applied for and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules in respect of the exercise price of the Share Options that may be granted under the Incentive Scheme under Rule 19A.39C of the Hong Kong Listing Rules on the basis that:

LETTER FROM THE BOARD

- (i) the grant of Share Options, if any, shall involve A Shares only;
- (ii) as confirmed by the Company's PRC legal advisers, the determination of the exercise price of the Share Options is required by and in accordance with the relevant laws and regulations of the PRC, in particular, Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) promulgated by the CSRC;
- (iii) the exercise price of the Share Options will reflect the prevailing market price of the A Shares with reference to the time the terms of the First Grant or the Reserved Grant (as applicable) are fixed at the time of the relevant Board resolutions, which is generally in line with the rationale behind Note (1) to Rule 17.03(9) and Rule 19A.39C of the Hong Kong Listing Rules;
- (iv) the Company confirms that, save for the determination of the exercise price, all other terms of the Incentive Scheme are in compliance with Chapter 17 of the Hong Kong Listing Rules;
- (v) the Incentive Scheme, which includes the determination of the exercise price, is subject to the approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, whereby the H Shareholders will have the opportunity to fully consider and evaluate the terms of the Incentive Scheme based on its merits and the interest of the H Shareholders will not be prejudiced;
- (vi) the full text of the Incentive Scheme, which includes the determination of the exercise price, are set out in Appendix I to this circular, which would provide the H Shareholders and potential investors on H Shares with sufficient information to make a relevant assessment of the Company in their investment decision making process. The details of any subsequent grant of the Share Options, the exercise price and other principal terms will be disclosed by way of announcement(s) in accordance to the Hong Kong Listing Rules; and
- (vii) the waiver will not prejudice the interest of the investing public based on the reasons above and that the amount of A Shares to be issued upon exercise of the Share Options to be granted under the Incentive Scheme will be insignificant.

II. PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM

Under the Incentive Scheme, the Incentive Participants shall meet the performance targets before the exercise of the Share Options. A special resolution will be proposed at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to approve the adoption of the Administrative Measures for Appraisal System, the full text of which is set out in Appendix II to this circular.

LETTER FROM THE BOARD

III. CONVENING THE EGM, THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

The Company will hold the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m., 3:30 p.m. (or immediately after the conclusion of the EGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment) respectively on Friday, 14 October 2022. Notices and proxy forms have been dispatched regarding the EGM and the H Shareholders' Class Meeting by the Company on 22 September 2022. The aforesaid documents are also available for download on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn).

If you would like to attend the EGM and/or the H Shareholders' Class Meeting by proxy, please complete the proxy form in accordance with the instructions printed thereon and return it to the Secretariat of the Board of the Company (for A Shareholders) or the Company's H Share Registrar, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof in person if you so wish.

Please note that Mr. Tian Qiusheng, an independent non-executive Director, has sent the proxy form for the solicitation of voting rights by independent non-executive director (the "**Independent Director's Proxy Form**") in accordance with the relevant regulations of the PRC to solicit votes from the Shareholders on the special resolutions in respect of the Incentive Scheme and its related matters at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. Should you wish to appoint Mr. Tian Qiusheng as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions in respect of the adoption of the Incentive Scheme and the Administrative Measures for Appraisal System and related matters, please complete, sign and return the Independent Director's Proxy Forms to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the EGM and/or H Shareholders' Class Meeting or any adjournment thereof. Alternatively, if you wish to appoint any person other than Mr. Tian Qiusheng as your proxy to vote for you and on your behalf at the EGM and/or the H Shareholders' Class Meeting on the special resolutions to be proposed at the EGM and/or the H Shareholders' Class Meeting, you may disregard the Independent Director's Proxy Forms and complete and return the Proxy Forms instead. The report on the public solicitation of voting rights by the independent non-executive Directors prepared by Mr. Tian Qiusheng has also been published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn) by an announcement of the Company dated 22 September 2022.

* For identification purpose only

LETTER FROM THE BOARD

The Incentive Participants, who are also the Shareholders, and their respective associates (to the extent that any of them owns any A Shares or H Shares as at the record date) shall abstain from voting on the special resolutions to be proposed at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. As at date of the Board meeting approving the proposed adoption of the Incentive Scheme (First Draft) (i.e. 29 August 2022), 599 Incentive Participants (including Mr. Tang Yanggang, Mr. Xu Guoxiang, Mr. Yang Daihong, Mr. Xu Peng, Ms. Si Yanxia, Ms. Huang Yuxuan, Mr. Yang Liang, Mr. Zhou Peng (the “**Incentive Directors and Senior Management**”) and 591 employees (the “**Other Incentive Employees**”)) and their respective associates held 9,871,553 A Shares and 38,635 H Shares in total and they shall abstain from voting on the proposed special resolutions. As at the date of the Board meeting approving the proposed adoption of the Incentive Scheme (First Draft), none of the Incentive Directors and Senior Management held more than 0.13% of the A Shares in issue and 0.08% of the total issued share capital of the Company, and none of the Other Incentive Employees held more than 0.03% of the A Shares in issue and 0.02% of the total issued share capital of the Company. So far as the Directors are aware having made all reasonable enquiries, save for the aforesaid, none of other Shareholders is required to abstain from voting on the proposed special resolutions (assuming there is no other Incentive Participant (including his/her associates) who owns A Shares or H Shares at the record date).

IV. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the EGM and the H Shareholders' Class Meeting will be Monday, 10 October 2022. In order to qualify as Shareholders to attend and vote at the EGM and the H Shareholders' Class Meeting, the H Shareholders who are not registered must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 October 2022.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all the resolutions put forward at the EGM and the H Shareholders' Class Meeting will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company in accordance with Rule 13.39(5) of the Hong Kong Listing Rules after the EGM and the H Shareholders' Class Meeting.

VI. RECOMMENDATION

The Board considers that all special resolutions set out in the notices of the EGM and the H Shareholders' Class Meeting are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of all the resolutions to be proposed the EGM and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board
麗珠醫藥集團股份有限公司
Livzon Pharmaceutical Group Inc.*
Yang Liang
Company Secretary

Zhuhai, China

The following is the full text of the Incentive Scheme:



麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1513)

2022 SHARE OPTIONS INCENTIVE SCHEME (REVISED DRAFT)

DECLARATION

The Company and all its directors and supervisors warrant that no false statements, misleading representation or material omissions are contained in the Incentive Scheme and its summary, and severally and jointly accept legal liability for the truthfulness, accuracy and completeness of the contents thereof.

SPECIAL NOTICE

- I.** The Incentive Scheme has been formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures on Share Incentives of Listed Companies and other applicable laws, regulations and regulatory documents as well as the Articles of Association of Livzon Pharmaceutical Group Inc.
- II.** Livzon Pharmaceutical Group Inc. (hereinafter referred to as "**Livzon Group**" or the "**Company**") intends to grant 20,000,000 Share Options to the Incentive Participants, which involve A Shares denominated in RMB representing approximately 2.14% of the Company's total share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme. Specifically, 18,000,000 Share Options will be granted initially (the "**First Grant**"), representing 90.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 1.93% of the Company's total share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme; and 2,000,000 Share Options will be reserved (the "**Reserved Grant**"), representing 10.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 0.21% of the Company's total share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme.

* For identification purpose only

On 18 August 2018, the Company announced and implemented the 2018 Share Options Incentive Scheme (Revised Draft). As at the announcement date of the Incentive Scheme, there are 5,446,182 share options still within the validity period, accounting for 0.58% of the Company's total share capital of 935,010,604 shares. The total number of underlying shares involved in the Company's equity incentive schemes during the entire validity period shall not exceed 10.00% of the total share capital of the Company. The number of shares of the Company granted to any Incentive Participant under the equity incentive schemes during the entire validity period shall not exceed 1.00% of the total share capital of the Company.

III. In the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company during the period from the date of the announcement of the Incentive Scheme to the date on which the Incentive Participants complete the Exercise of the Share Options, the number of Share Options shall be adjusted accordingly.

IV. The Exercise Price of the Share Options of the First Grant under the Incentive Scheme shall be RMB31.31 per A Share.

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company during the period from the date of the announcement of the Incentive Scheme to the date on which the Incentive Participants complete the Exercise of the Share Options, the Exercise Price of the Share Options shall be adjusted accordingly.

V. The Incentive Participants under the First Grant of the Incentive Scheme comprise a total of 1,034 persons who are the directors, senior management, mid-level management and relevant core personnel of the Company (including its branch companies and subsidiaries, the same below) holding office in the Company.

VI. The Validity Period of the Incentive Scheme shall commence from the registration date of the First Grant of the Share Options and end on the date on which all the Share Options granted to the Incentive Participants have been exercised or otherwise cancelled, which shall not be longer than 60 months.

VII. None of the following circumstances under which a share incentive scheme shall not be implemented as stipulated in Article 7 of the Administrative Measures on Share Incentives of Listed Companies has occurred to the Company:

- (i) Issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates its inability to give an opinion;
- (ii) Issue of an audit report containing an adverse opinion or indication of its inability to give an opinion by a certified public accountant with respect to the internal control of the financial report for the most recent accounting year;
- (iii) Failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;

- (iv) Prohibition from implementation of a share incentive scheme by laws and regulations;
 - (v) Other circumstances as determined by the CSRC.
- VIII.** The Incentive Participants under the Incentive Scheme shall exclude any supervisors and independent directors of the Company. None of the shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children have participated in the Incentive Scheme. All Incentive Participants meet the requirements stipulated in Article 8 of the Administrative Measures on Share Incentives of Listed Companies, and none of the following circumstances which led them not allowed as the Incentive Participants exist:
- (i) Having been declared an inappropriate candidate by SSE in the past 12 months;
 - (ii) Having been declared an inappropriate candidate by the CSRC or its local counterparts in the past 12 months;
 - (iii) Having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local counterparts in the past 12 months due to material violation of laws and regulations;
 - (iv) Being prohibited from acting as a director or a member of senior management of the Company by the Company Law;
 - (v) Being prohibited from participating in any share incentive scheme of listed companies by laws and regulations;
 - (vi) Other circumstances as determined by the CSRC.
- IX.** The Company undertakes that it shall not provide loans, and any other forms of financial assistance to the Incentive Participants for their exercise of the Share Options under the Incentive Scheme, including provision of guarantees for their loans.
- X.** The Incentive Participants undertake, in the event that the Incentive Participants become unqualified to be granted or to exercise relevant entitlements due to false statements, misleading representation or material omissions contained in the relevant information disclosure documents of the Company, to return all entitlements received from the Incentive Scheme to the Company after the date of confirmation that there are false statements, misleading representation or material omissions contained in the relevant information disclosure documents.
- XI.** The implementation of the Incentive Scheme is subject to approval at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company as well as other applicable regulatory approval which may be required.

- XII.** Within 60 days from the approval of the Incentive Scheme at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, the Company shall hold a board meeting in accordance with relevant requirements to first grant relevant Share Options to the Incentive Participants, and complete announcement, registration and other procedures, failing which the Incentive Scheme will be terminated and the Share Options which have not been granted will lapse.
- XIII.** The implementation of the Incentive Scheme will not cause the shareholding structure of the Company to fail to meet listing requirements.

CONTENTS

Chapter I.	Definitions	20
Chapter II.	Purposes and Principles of the Incentive Scheme	21
Chapter III.	Administrative Body of the Incentive Scheme	22
Chapter IV.	Basis for Determining the Incentive Participants and the Scope of the Incentive Participants	23
Chapter V.	Source, Number and Allocation of the Share Options	24
Chapter VI.	Validity Period, Date of Grant, Vesting Period, Exercise Date and Lock-up Period of the Incentive Scheme	26
Chapter VII.	Exercise Price of the Share Options and Basis for Determination	29
Chapter VIII.	Conditions of Grant and Exercise of the Share Options	30
Chapter IX.	Method and Procedures for Adjustment for the Incentive Scheme	35
Chapter X.	Accounting Treatment of the Share Options	37
Chapter XI.	Procedures of Implementation of the Incentive Scheme	39
Chapter XII.	Respective Rights and Obligations of the Company or the Incentive Participants	42
Chapter XIII.	Handling Unusual Changes to the Company or the Incentive Participants	43
Chapter XIV.	Miscellaneous	45

CHAPTER I. DEFINITIONS

Unless the context specifies otherwise, the following expressions shall have the following meanings herein:

A Share(s)	the domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 000513)
A Shareholder(s)	holder(s) of the A Shares
Administrative Measures	the Administrative Measures on Share Incentives of Listed Companies
Articles of Association	the articles of association of Livzon Pharmaceutical Group Inc.*
Company Law	the Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Date of Grant	the date on which the Company grants the Share Options to an Incentive Participant, which must be a trading day
exercise	the behaviour of an incentive participant exercising his/her share options pursuant to a share incentive scheme. Under the Incentive Scheme, the exercise means the behaviour of an Incentive Participant acquiring the A Shares of the Company in accordance with the conditions stipulated under the Incentive Scheme
Exercise Conditions	the conditions to be fulfilled for an Incentive Participant to exercise the Share Options under the Incentive Scheme
Exercise Date	the date on which an Incentive Participant is entitled to exercise, which must be a trading day
Exercise Price	the price determined under the Incentive Scheme for an Incentive Participant to acquire the A Shares of the Company
H Share(s)	the overseas-listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange (stock code: 1513)
H Shareholder(s)	holder(s) of the H Shares
Hong Kong	Hong Kong Special Administrative Region

Incentive Participants	the directors, senior management, mid-level management and relevant core personnel of the Company to be granted the Share Options pursuant to the Incentive Scheme
Incentive Scheme	the 2022 Share Options Incentive Scheme of Livzon Pharmaceutical Group Inc.
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
PRC or China	the People's Republic of China, which, for purpose of this Incentive Scheme, does not include Hong Kong, the Macau Special Administrative Region and Taiwan RMB Renminbi
RMB	Renminbi
Share Options	the right to be granted by the Company to an Incentive Participant to acquire certain number of A Shares of the Company according to pre-determined conditions in a particular period of time
Securities Law	the Securities Law of the People's Republic of China
SSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Validity Period	the period commencing from the registration completion date of the First Grant of the Share Options and ending on the date of elapse of the Share Options

Notes:

1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data prepared on a consolidation basis and the financial indicators calculated based on such financial data, respectively.
2. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

CHAPTER II. PURPOSES AND PRINCIPLES OF THE INCENTIVE SCHEME

The Incentive Scheme has been formulated to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding employees, fully motivate the directors, senior management, mid-level management and relevant core personnel of the Company and effectively integrate shareholders' interests, the Company's interests and individual interests of the core team members so that the parties will make joint efforts for the Company's long-term development. The Incentive Scheme has been developed on the precondition of fully safeguarding shareholders' interests pursuant to the the principle of benefits being in proportion to contributions and in accordance with provisions of the relevant laws, regulations and regulatory documents including the Company Law, the Securities Law and the Administrative Measures, as well as the Articles of Association.

CHAPTER III. ADMINISTRATIVE BODY OF THE INCENTIVE SCHEME

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorise the board of directors to handle certain matters relating to the Incentive Scheme.
- II. The board of directors shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The remuneration and assessment committee under the board of directors shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the board of directors for review and approval. Upon approval by the board of directors, the Incentive Scheme shall be further submitted to the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders for consideration and approval. The board of directors may handle other matters relating to the Incentive Scheme within its scope of authority as delegated by the general meeting.
- III. The supervisory committee and independent directors shall act as the supervisory authority for the Incentive Scheme, and shall issue opinions as to whether the Incentive Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the shareholders as a whole. The supervisory committee shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, regulations, regulatory documents and operational rules of the SSE, and shall be responsible for verifying the list of Incentive Participants. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.

Where amendments have been made to the Incentive Scheme before the Incentive Scheme is passed at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, the independent directors and the supervisory committee shall issue independent opinions as to whether the amended Incentive Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the shareholders as a whole.

Before any entitlements are granted to an Incentive Participant, the independent directors and the supervisory committee shall issue clear opinions on the conditions to be fulfilled for the Incentive Participant to receive such entitlements as set out in the Incentive Scheme. In the event of any discrepancy between the entitlements granted to an Incentive Participant and the arrangement under the Incentive Scheme, the independent directors and the supervisory committee (where there is a change of the Incentive Participants) shall simultaneously issue clear opinions thereon.

Before the exercise by an Incentive Participant, the independent directors and the supervisory committee shall issue clear opinions as to whether the conditions stipulated under the Incentive Scheme for the Incentive Participant to exercise such entitlements have been fulfilled.

CHAPTER IV. BASIS FOR DETERMINING THE INCENTIVE PARTICIPANTS AND THE SCOPE OF THE INCENTIVE PARTICIPANTS

I. Basis for determining the Incentive Participants

(i) Legal basis for determining the Incentive Participants

The Incentive Participants of the Incentive Scheme are determined after taking into account the circumstances of the Company and in accordance with the requirements of the relevant laws, regulations and regulatory documents of the PRC including the Company Law, the Securities Law and the Administrative Measures, as well as the Articles of Association.

(ii) Position basis for determining the Incentive Participants

The Incentive Participants of the Incentive Scheme shall include the directors, senior management, mid-level management and relevant core personnel (excluding independent directors and supervisors) of the Company.

II. Scope of the Incentive Participants

The Incentive Participants of the Incentive Scheme for the First Grant comprise a total of 1,034 persons who are the directors, senior management, mid-level management and relevant core personnel of the Company.

The Incentive Participants of the Incentive Scheme shall exclude independent directors and supervisors, as well as shareholders individually or in aggregate holding 5% or more of the shares of the Company or the *de facto* controllers and their spouses, parents or children.

Among the Incentive Participants aforementioned, directors and senior management must be elected by the general meetings or appointed by the board of directors of the Company. All Incentive Participants shall have employment or service relationship with the Company (including its branch companies and subsidiaries) at the time of grant of interest under the Incentive Scheme.

Incentive Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders. Following the proposals from the board of directors, issue of clear opinions by the independent directors and the supervisory committee as well as issue of professional opinions and legal opinions by the legal adviser, the Company shall promptly and accurately disclose the relevant information in relation to such Incentive Participants on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the Incentive Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The criteria for determining the Incentive Participants for the Reserved Grant shall be the same as the criteria for the First Grant.

III. Verification of the Incentive Participants

- (i) After the Incentive Scheme is reviewed and approved by the board of directors, the Company shall internally publish the names and the positions of the Incentive Participants for a period of not less than 10 days.
- (ii) The supervisory committee of the Company shall verify the list of the Incentive Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the Incentive Participants five days before the Incentive Scheme is considered at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company. Any adjustments to the lists of the Incentive Participants made by the board of directors shall also be subject to verification by the supervisory committee of the Company.

CHAPTER V. SOURCE, NUMBER AND ALLOCATION OF THE SHARE OPTIONS**I. Source of shares of the Incentive Scheme**

The underlying shares under the Incentive Scheme comprise the Company's A Shares to be issued to the Incentive Participants by the Company.

II. Number of the Share Options to be granted

Incentive Participants are proposed to be granted 20,000,000 Share Options under the Incentive Scheme, which involve A Shares denominated in RMB, representing approximately 2.14% of the Company's total issued share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme. Specifically, 18,000,000 Share Options will be granted initially, representing 90.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 1.93% of the Company's total issued share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme; and 2,000,000 Share Options will be reserved, representing 10.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 0.21% of the Company's total issued share capital of 935,010,604 shares as at the date of announcement of the Incentive Scheme.

III. Allocation of the Share Options to be granted to the Incentive Participants

The allocation details of the Share Options to be granted to each Incentive Participant under the Incentive Scheme are as follows:

Name	Position	Number of Share Options to be granted (0'000 share options)	Percentage to the total number of Share Options to be granted	Percentage to the current total share capital
Tang Yanggang	Director and President	16.00	0.80%	0.02%
Xu Guoxiang	Vice Chairman and Vice President	16.00	0.80%	0.02%
Yang Daihong	Vice President	12.00	0.60%	0.01%
XU PENG	Vice President	12.00	0.60%	0.01%
Si Yanxia	Vice President, Chief Financial Officer	12.00	0.60%	0.01%
Huang Yuxuan	Vice President	12.00	0.60%	0.01%
Yang Liang	Vice President and Secretary of the Board	12.00	0.60%	0.01%
Zhou Peng	Vice President	9.60	0.48%	0.01%
Mid-level management and relevant core personnel of the Company (1,026 persons)		1,698.40	84.92%	1.82%
Reserved Grant		200.00	10.00%	0.21%
Total (1,034 persons)		2,000.00	100.00%	2.14%

Note: None of the Incentive Participant will be granted Share Options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted to such Incentive Participant (excluding any options and awards lapsed) in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant. The total number of A Shares which may be issued in respect of all options or awards to be granted under the Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the Incentive Scheme by the Shareholders.

**CHAPTER VI. VALIDITY PERIOD, DATE OF GRANT, VESTING PERIOD,
EXERCISE DATE AND LOCK-UP PERIOD OF THE INCENTIVE SCHEME****I. Validity Period of the Incentive Scheme**

The Validity Period of the Incentive Scheme shall commence from the registration date of the First Grant of the Share Options and end on the date on which all the Share Options granted to the Incentive Participants have been exercised or otherwise cancelled, which shall not be longer than 60 months.

II. Date of Grant of the Incentive Scheme

The Date of Grant shall be determined by the board of directors after the Incentive Scheme is considered and passed at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company, and must be a trading day. The Company shall first grant the Share Options and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and passed at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company, failing which the Incentive Scheme will be terminated and the Share Options which have not been granted will lapse. The Date of Grant of the Share Options under the Reserved Grant will be determined by the board of directors of the Company within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders.

No offer for the grant of any Share Option shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Hong Kong Listing Rules. In particular, no Share Option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the board of directors (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules); and
- (ii) the last date on which the Company must publish an announcement of its results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules),

and ending on the date of the results announcement.

The Directors may not grant any Share Option to an Incentive Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Hong Kong Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

III. Vesting period of the Incentive Scheme

The vesting period of the Incentive Scheme refers to the period between the registration date of grant of the Share Options and the exercise date of the Share Options. The vesting periods of the Share Options under the First Grant of the Incentive Scheme are 12 months, 24 months and 36 months, respectively. If the Reserved Grant is completed before the 2022 third quarterly report of the Company is published, the vesting periods of the Share Options under the Reserved Grant are 12 months, 24 months and 36 months, respectively; if the Reserved Grant is completed after the 2022 third quarterly report of the Company is published, the vesting periods of the Share Options under the Reserved Grant are 12 months and 24 months, respectively.

IV. Exercise Date of the Incentive Scheme

After the approval of the Incentive Scheme, the Share Options may be exercised upon the expiry of their vesting periods since the Date of Grant. The Exercise Date must be a trading day and shall not fall within any of the following periods:

- (i) within 30 days before the Company's announcement of its annual report and interim report, or if the date of announcement of the annual report and interim report is postponed due to special reasons, the period starting from 30 days before the original date of announcement to the day before the announcement;
- (ii) within 10 days before the quarterly report, the announcement of performance estimation and the announcement of performance preview of the Company;
- (iii) the period starting from the date of occurrence or the decision-making process of a major event that may have a significant impact on the trading price of the Company's securities and its derivatives to the date of disclosure according to law;
- (iv) other periods as stipulated by the CSRC and the SSE.

If the relevant laws, administrative regulations, departmental rules have other provisions on the period during which the exercise is not allowed, the relevant provisions shall prevail.

During the Validity Period of the Incentive Scheme, if the exercise conditions stipulated in the Incentive Scheme are fulfilled, the Incentive Participants shall exercise their Share Options within 12 months after the expiry of the respective vesting periods of the Share Options. The following table sets forth the exercise period, the exercise schedule for each tranche and the exercise proportion of the Share Options under the First Grant:

Exercise arrangement	Duration	Exercise proportion
First exercise period for Share Options under the First Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the First Grant and ending on the last trading day of the 24-month period from the registration completion date of the First Grant	40%
Second exercise period for Share Options under the First Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the First Grant and ending on the last trading day of the 36-month period from the registration completion date of the First Grant	30%
Third exercise period for Share Options under the First Grant	Commencing on the first trading day after expiry of the 36-month period from the registration completion date of the First Grant and ending on the last trading day of the 48-month period from the registration completion date of the First Grant	30%

If the Share Options of the Reserved Grant are granted before the 2022 third quarterly report is published, the exercise periods, the exercise schedule for each tranche and the exercise proportion will be consistent with the First Grant; if the Share Options of the Reserved Grant are granted after the 2022 third quarterly report is published, the exercise periods, the exercise schedule for each tranche and the exercise proportion are shown in the table below:

Exercise arrangement	Duration	Exercise proportion
First exercise period for Share Options under the Reserved Grant	Commencing on the first trading day after expiry of the 12-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 24-month period from the registration completion date of the Reserved Grant	50%
Second exercise period for Share Options under the Reserved Grant	Commencing on the first trading day after expiry of the 24-month period from the registration completion date of the Reserved Grant and ending on the last trading day of the 36-month period from the registration completion date of the Reserved Grant	50%

V. Lock-up period of the Incentive Scheme

The lock-up arrangement under the Incentive Scheme shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, regulations and regulatory documents as well as the Articles of Association. Specific contents are as follows:

- (i) Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company which may be transferred by the Incentive Participant each year during his term of office shall not exceed 25% of the total number of the shares of the Company held by him. No shares of the Company held by him shall be transferred within six months after his termination of office.
- (ii) Where an Incentive Participant is a director or a member of the senior management of the Company and he disposes of any shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the Board will collect all such gains.
- (iii) Shareholding reduction by an Incentive Participant shall be in compliance with relevant requirements including the Several Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies (《上市公司股東、董監高減持股份的若干規定》) and the Implementation Rules for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Management of Listed Companies on Shenzhen Stock Exchange (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持實施細則》).
- (iv) If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Incentive Participants during the relevant times.

CHAPTER VII. EXERCISE PRICE OF THE SHARE OPTIONS AND BASIS FOR DETERMINATION**I. Exercise Price of the Share Options under the First Grant**

The Exercise Price of the Share Options under the First Grant of the Incentive Scheme shall be RMB31.31 per A Share, i.e., each Share Option granted to an Incentive Participant may, upon fulfillment of the Exercise Conditions, be exercised to purchase one A Share of the Company at the price of RMB31.31 per A Share during the Validity Period.

II. Basis for determining the Exercise Price of the Share Options under the First Grant

The Exercise Price of the Share Options under the First Grant shall not be lower than the par value of the A shares, and shall be the higher of the following:

- (i) the average trading price of the A Shares of the Company on the last trading day preceding the date of announcement of the Incentive Scheme (i.e. 30 August 2022) (the total transaction value of the A Shares on the last trading day/the total trading volume of the A Shares on the last trading day), being RMB30.679 per A Share;
- (ii) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the Incentive Scheme (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB31.303 per A Share.

III. Basis for determining the Exercise Price of the Share Options under the Reserved Grant

Before each grant of the Share Options under the Reserved Grant, the Company shall hold a board meeting to pass the relevant resolution, and shall disclose a summary of such grant. The Exercise Price of the Share Options under the Reserved Grant shall not be lower than the par value of the A shares, and shall be the higher of the following:

- (i) the average price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the grant of the Share Options under the Reserved Grant;
- (ii) the average price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the grant of the Share Options under the Reserved Grant.

CHAPTER VIII. CONDITIONS OF GRANT AND EXERCISE OF THE SHARE OPTIONS**I. Conditions of grant of the Share Options**

Share Options may be granted to the Incentive Participants by the Company upon satisfaction of all of the following conditions. In other words, Share Options cannot be granted to Incentive Participants if any of the following conditions of grant is not satisfied.

- (i) There is no occurrence of any of the following events on the part of the Company:
 - (a) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;

- (b) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - (c) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - (d) prohibition from implementation of a share incentive scheme by laws and regulations;
 - (e) any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
- (a) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 - (b) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - (c) imposition of administrative penalties or measures prohibiting the Incentive Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;
 - (d) circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
 - (e) circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
 - (f) any other circumstances as determined by the CSRC.

II. Exercise Conditions of the Share Options

During the exercise period, the Share Options granted to the Incentive Participants can only be exercised upon satisfaction of all of the following conditions:

- (i) There is no occurrence of any of the following events on the part of the Company:
 - (a) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;

- (b) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - (c) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;
 - (d) prohibition from implementation of a share incentive scheme by laws and regulations;
 - (e) any other circumstances as determined by the CSRC.
- (ii) There is no occurrence of any of the following events on the part of the Incentive Participants:
- (a) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
 - (b) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - (c) imposition of administrative penalties or measures prohibiting the Incentive Participant from entering into the market by the CSRC and its resident agencies in the last 12 months due to material non-compliance of laws or regulations;
 - (d) circumstances under which the Incentive Participant is prohibited from acting as a director and a member of the senior management of the Company pursuant to the Company Law;
 - (e) circumstances under which the Incentive Participants are not allowed by the laws and regulations to participate in share incentive schemes of a listed company;
 - (f) any other circumstances as determined by the CSRC.

If any of the events specified in (i) above occurs on the part of the Company, all Share Options granted to the Incentive Participants according to the the Incentive Scheme but not exercised shall be cancelled by the Company; If any of the events specified in (ii) above occurs on the part of an Incentive Participant, the Share Options granted to the Incentive Participant according to the Incentive Scheme but not exercised shall be cancelled by the Company.

- (iii) Performance targets at the Company level

The Share Options granted under the Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the Incentive Participant is a condition to exercise the Share Options.

The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

Note: The above indicators of “net profit” and “compound growth rate of the net profit” are calculated based on the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss and excluding the share-based payment expense under the Incentive Scheme, and the same below.

If the Share Options of the Reserved Grant are granted before the 2022 third quarterly report is published, the performance targets of the Reserved Grant will be the same as that of the First Grant; if the Share Options of the Reserved Grant are granted after the 2022 third quarterly report is published, the performance targets for each year are shown in the table below:

Exercise period	Performance target
First exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Second exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

In the event the Company fails to meet the performance targets above, all Share Options which are exercisable by the Incentive Participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

(iv) Performance targets at individual level

The assessment of the Incentive Participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the Incentive Participants for each assessment year will be graded as follows:

Appraisal results	Excellent	Good	Qualified	Fail
Exercise percentage	100%	100%	80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an Incentive Participant for the respective year = exercise percentage × the scheduled personal exercise amount of the Incentive Participant for the respective year.

The Company shall cancel the Share Options granted to the Incentive Participant which cannot be exercised in the respective year.

III. The scientificity and reasonableness of the appraisal indicators

The Share Option appraisal indicators of Livzon Group are categorised into two levels, i.e. performance appraisal at the Company level and performance appraisal at individual level.

The performance indicator at the Company level is the compound growth rate of the net profit, which is a reasonable forecast based on the realisation of the Company's performance in previous years and taking into account the development trends of the industry for the coming three years. The performance targets are finally resolved as follows: on the basis of net profit in 2021, the compound growth rate of the net profit for each year from 2022 to 2024 is not less than 15%.

Besides of performance appraisal at the Company level, Livzon Group has established a strict performance appraisal system at individual level for the Incentive Participants, which evaluates comprehensively the performance of Incentive Participants in an accurate and all-round manner. The Company will determine whether the Incentive Participants meet the exercise conditions based on their performance appraisal results for the previous year.

Given the above, the appraisal system for the Incentive Scheme of the Company is all-round, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Incentive Participants and can serve the appraisal goal of the Incentive Scheme.

**CHAPTER IX. METHOD AND PROCEDURES
FOR ADJUSTMENT FOR THE INCENTIVE SCHEME**

I. Method for adjustment of Share Option's number

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company prior to any exercise of Share Options, the number of Share Options shall be adjusted in the following manner accordingly:

- (i) Capitalisation issue, bonus issue and sub-division of share capital

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Share Options prior to adjustment; n represents the rate of increase per A Share resulting from capitalisation issue, bonus issue and subdivision of share capital (i.e. the increase in number of Shares per Share upon capitalisation issue, bonus issue and sub-division of the share capital); Q represents the number of Share Options after adjustment.

- (ii) Rights issue

$$Q = Q_0 \times [P_1 \times (1 + n)] / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Share Options prior to adjustment; P_1 represents the closing price of A Shares on the record date; P_2 represents the subscription price of the rights issue of A Shares; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue of A Shares to the total share capital of the Company prior to the rights issue); Q represents the number of Share Options after adjustment.

- (iii) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Share Options prior to adjustment; n represents the ratio of share consolidation (i.e. one A Share shall be consolidated into n share of A Share); Q represents the number of Share Options after adjustment.

- (iv) New issue of shares

In the event of new issue of A Shares, no adjustment shall be made to the number of Share Options.

II. Method for adjustment of Share Option's Exercise Price

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company prior to any exercise of Share Options, the Exercise Price of Share Options shall be adjusted in the following manner accordingly:

- (i) Capitalisation issue, bonus issue and sub-division of share capital

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Exercise Price of Share Options prior to adjustment; n represents the rate of increase per A Share resulting from capitalisation issue, bonus issue and sub-division of share capital; P represents the Exercise Price of Share Options after adjustment.

- (ii) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the Exercise Price of Share Options prior to adjustment; P_1 represents the closing price of A Shares on the record date; P_2 represents the subscription price of the rights issue of A Shares; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue of A Shares to the total share capital of the Company prior to the rights issue); P represents the Exercise Price of Share Options after adjustment.

- (iii) Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Exercise Price of Share Options prior to adjustment; n represents the ratio of share consolidation; P represents the Exercise Price of Share Options after adjustment.

- (iv) New issue of shares

In the event of new issue of A Shares, no adjustment shall be made to the Exercise Price of Share Options.

- (v) Declaration of dividend

In the event of declaration of dividend, no adjustment shall be made to the Exercise Price of Share Options.

III. Adjustment procedures for the Incentive Scheme

The board of directors of the Company shall pass a resolution for adjusting the number and the Exercise Price of Share Options upon occurrence of any of the abovementioned circumstances. The Company shall engage a legal adviser to give professional advice to the board of directors on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Scheme. After the resolution for above-mentioned adjustment is reviewed and passed by the board of directors, the Company shall disclose an announcement on the resolution by the board of directors timely, and announce the opinions of the legal adviser.

CHAPTER X. ACCOUNTING TREATMENT OF THE SHARE OPTIONS

According to the relevant requirements of Enterprise Accounting Standard No. 11 – Share-based Payments, the Company will update the expected amount of Share Options exercisable on each balance sheet date during the vesting period based on subsequent information such as the latest available number of Incentive Participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserve based on the fair value of the Share Options on the date of grant.

I. Fair value and determination of Share Options

On 15 February 2006, the Ministry of Finance issued Enterprise Accounting Standard No. 11 – Share-based Payments and Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement, which came into effect among listed companies on 1 January 2007. According to the relevant requirements regarding the recognition of fair value under Enterprise Accounting Standard No. 22 – Financial Instruments: Recognition and Measurement, an appropriate valuation model shall be selected for the calculation of the fair value of Share Options.

The Company selected the Black-Scholes Model to calculate the fair value of Share Options and on 29 August 2022 used this model to make an estimation on the fair value of the 18,000,000 Share Options granted under the First Grant (official calculation will be conducted at the time of grant). Specific parameters are listed as follows:

- (i) Price of A Shares: RMB30.65 per share (closing price of A Shares on 29 August 2022)
- (ii) Validity Period: one year, two years and three years, respectively (period commencing from registration completion date of the grant and ending on the first date of exercise for each respective period)
- (iii) Historic volatility: 21.00%, 20.26%, 21.81% (based on the volatility rate of the SSE Composite Index in the latest 12 months, 24 months, 36 months, respectively)

- (iv) Risk-free interest rate: 1.50%, 2.10%, 2.75% (based on one-year, two-year, three-year deposit rate, respectively, of financial institutes announced by the People's Bank of China)
- (v) Dividend yield: 3.96%, 3.24%, 3.11% (calculated based on the average of the dividend rate of the Company in one year, two years and three years preceding the date of announcement of the Incentive Scheme, respectively)

The calculation results of the value of the Share Options are subject to a number of assumptions of the parameters used hereinabove and the limitation of the valuation model adopted and therefore, the estimated fair value of the Share Options may be subjective and uncertain.

II. Amortisation method of Share Option expenses

The Company will determine the fair value of the Share Options on the date of grant according to the related valuation tools and ultimately recognise the share based payment expenses for the Incentive Scheme. Such payment expenses will be amortised by instalments as per exercise proportion during the implementation of the Incentive Scheme. The costs of Share Options incurred under the Incentive Scheme will be recorded as expenses in recurring profits and losses.

According to the requirement of Chinese Accounting Standards, based on the Company's schedule and assuming that the Company will grant the Share Options in October 2022, the impact of Share Options granted under the First Grant of the the Incentive Scheme on accounting cost for each period is as follows:

Share Options of the First Grant (0'000)	Total costs to be amortised (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)	2025 (RMB0'000)
1,800	4,897.80	464.40	2,559.60	1,302.30	571.50

Based on the current circumstances, the Company estimates that, regardless of the stimulation effects of the Incentive Scheme on the performance of the Company, amortisation of the costs of the Share Options will affect the net profit of each year during the Validity Period, but not significantly. In view of the positive effect of the Incentive Scheme on the development of the Company, including mobilisation of enthusiasm of the management, improvement of operation efficiency and reduction in agency costs, improvement of performance of the Company brought by the Incentive Scheme will outweigh the increase in costs.

The accounting treatment of the Share Options under the Reserved Grant will be the same as the accounting treatment of the Share Options under the First Grant.

**CHAPTER XI. PROCEDURES OF IMPLEMENTATION OF
THE INCENTIVE SCHEME**

I. The implementation of the Incentive Scheme is subject to approval at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company as well as other applicable regulatory approval which may be required. During the voting process of the Incentive Scheme at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, independent directors shall collect proxy voting rights regarding the Incentive Scheme from all shareholders, and the Company will provide the choice of voting on site and via the Internet (Note: voting via the Internet is available to A Shareholders only).

II. Procedures of Granting the Share Options

- (i) Upon consideration and approval of the Incentive Scheme at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, the Company will sign the share incentive agreement with the Incentive Participants whereby the rights and obligations of and the relationship between the parties are stipulated.
- (ii) The board of directors shall consider and review and announce whether the conditions of a grant to an Incentive Participant as set out in the Incentive Scheme have been satisfied before the Company makes a grant to such Incentive Participant.

The independent directors and the board of supervisors shall both express their views explicitly. The legal advisors shall issue legal opinions on whether the conditions for the granting of Share Options are fulfilled or not.

- (iii) The board of supervisors shall verify the grant date of the Share Options and the list of Incentive Participants and issue their views on such verification.
- (iv) If there is any discrepancy between the grant of Share Options to Incentive Participants and the arrangement of the Incentive Scheme, the independent directors, the board of supervisors (in case of change of the Incentive Participants), legal advisors, independent financial advisor shall all express their views explicitly.
- (v) The Company shall first grant Incentive Participants with Share Options and complete the announcement and registration procedures within 60 days after the Incentive Scheme is considered and approved at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders. The board of directors of the Company shall disclose the implementation status thereof timely by way of announcement after the completion of registration of the Share Options granted. In the event the Company fails to complete the procedures mentioned above within such 60 days, the Incentive Scheme shall be terminated, and the board of directors shall disclose the reason for such failure timely and shall not be allowed to review a share incentive scheme in the next three months.

Incentive Participants eligible for the Share Options under the Reserved Grant shall be confirmed within 12 months after the Incentive Scheme is considered and approved at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders. If Incentive Participants are not confirmed within 12 months, the reserved entitlements will lapse.

- (vi) The Company shall make an application to relevant stock exchange first before any Share Option is granted, and securities registration and clearing institution will conduct registration procedure thereof upon confirmation by such stock exchange.
- (vii) No amount is payable on application or acceptance of the Share Options.

III. Procedures for the Exercise of the Share Options

- (i) The Company shall confirm whether an Incentive Participants satisfy the Exercise Conditions before the date of exercise. The board of directors shall consider and review whether the Exercise Conditions as set out in the Incentive Scheme have been satisfied. The independent directors and the board of supervisors shall both express their views explicitly. The legal advisors shall issue legal opinions on whether the conditions for the exercising of Share Options by the Incentive Participants are fulfilled or not. For the Incentive Participants who satisfy the Exercise Conditions, the board of directors of the Company may decide that the Company shall handle the issues concerning the exercise of the Share Options collectively or the Incentive Participants shall exercise the Share Options at their own discretion, and for the Incentive Participants who fail to satisfy the Exercise Conditions, the Company will cancel their Share Options corresponding to the respective exercise. The Company shall disclose the implementation status thereof timely by way of announcement.
- (ii) An Incentive Participant may transfer the shares of the Company obtained pursuant to the exercise of the Share Options, but the transfer of shares held by the directors and senior management must be in compliance with requirements of relevant laws, regulations and regulatory documents.
- (iii) The Company shall make an application to the stock exchange first before any Share Option is exercised, and a securities registration and clearing institution will conduct registration procedure thereof upon confirmation by such stock exchange.

IV. Amendment and termination procedures of the Incentive Scheme**1. Amendment procedures of the Incentive Scheme**

- (i) If the Company intends to amend the Incentive Scheme before it is considered at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, such amendment shall be considered and approved by the board of directors.
- (ii) If the Company intends to amend the Incentive Scheme after it is considered and approved at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, such amendment shall be considered and determined at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders given that such amendment shall not result in the following:
 - (a) accelerating the exercise of the Share Options;
 - (b) reducing the Exercise Price.

2. Termination procedures of the Incentive Scheme

- (i) If the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, such termination shall be considered and approved by the board of directors.
- (ii) If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, such termination shall be considered and approved at general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders.

If the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders or the board of directors of the Company have considered and passed a resolution terminating the implementation of the Incentive Scheme, they shall not consider and review a share incentive scheme within three months from the date of announcement of such resolution.

**CHAPTER XII. RESPECTIVE RIGHTS AND OBLIGATIONS OF
THE COMPANY OR THE INCENTIVE PARTICIPANTS****I. Rights and obligations of the Company**

- (i) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Incentive Participants based on the requirements under the Incentive Scheme. If an Incentive Participant fails to fulfill the Exercise Conditions required under the Incentive Scheme, the Company will cancel the Share Options, which have not been exercised by the Incentive Participant, in accordance with the principles under the Incentive Scheme.
- (ii) The board of directors shall be authorised to allocate and adjust the total amount of the Share Options among the Incentive Participants in accordance with the established methods and procedures before the grant of the entitlements.
- (iii) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Incentive Participants with respect to the exercise of Share Options under the Incentive Scheme.
- (iv) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Incentive Scheme in accordance with the relevant requirements.
- (v) The Company shall actively support the Incentive Participants who have fulfilled the Exercise Conditions to exercise their Share Options in accordance with the relevant requirements including those of the Incentive Scheme, CSRC, SSE, China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for any loss suffered by an Incentive Participant arising from the incapability to exercise as he desires due to reasons relating to CSRC, SSE or China Securities Depository and Clearing Corporation Limited.

II. Rights and obligations of the Incentive Participants

- (i) An Incentive Participant shall comply with the requirements of his position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (ii) Source of funds shall be self-financed by the Incentive Participants.
- (iii) Any gains of the Incentive Participants generated from the Incentive Scheme are subject to individual income tax and other taxes according to PRC tax laws.

- (iv) The Incentive Participants undertakes, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the Share Options, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading statements or material omissions.
- (v) Share Options granted to the Incentive Participants shall not be transferred or assigned or used as guarantee or for repayment of debts.
- (vi) Upon consideration and approval of the Incentive Scheme at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders, the Company will sign the share incentive agreement with each Incentive Participant whereby the rights and obligations of and the relationship between the parties are stipulated.
- (vii) Other relevant rights and obligations as stipulated by laws, regulations and the Incentive Scheme.

CHAPTER XIII. HANDLING UNUSUAL CHANGES TO THE COMPANY OR THE INCENTIVE PARTICIPANTS

I. Handling unusual changes to the Company

- (i) The Incentive Scheme shall be terminated immediately if any of the following events occurs to the Company. The Share Options which have been granted to the Incentive Participants but not yet exercised shall not be exercised any more and shall be cancelled by the Company:
 - (a) change in control of the Company;
 - (b) merger and spin-off of the Company;
 - (c) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
 - (d) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
 - (e) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months after listing;

- (f) prohibition from implementation of a share incentive scheme by laws and regulations;
 - (g) other circumstances under which the Incentive Scheme shall be terminated as determined by the CSRC;
 - (h) other circumstances under which the Incentive Scheme shall be terminated as determined by the board of directors of the Company.
- (ii) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the Share Options, all outstanding Share Options shall be cancelled by the Company. In respect of the Share Options already exercised by the Incentive Participants, the Incentive Participants concerned shall return to the Company all interests granted. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of the Share Options granted may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Incentive Scheme.

The board of directors shall recover the gain received by the Incentive Participants in accordance with the aforesaid provisions and the relevant arrangements under the Incentive Scheme.

II. Change in personal particulars of the Incentive Participants

- (i) In case an Incentive Participant has a change in job positions but still works in the Company or a branch or a subsidiary of the Company, the Share Options granted to him will be fully regulated by the procedures as specified in the Incentive Scheme before the change of his job positions.

However, in case an Incentive Participant has a job position change because he is not qualified for his job, violates laws, disobeys professional ethics, reveals confidential information of the Company, fails to discharge his duties or has wilful misconduct, causing damages to the interest or reputation of the Company; or the Company terminates his employment contract for any of the above reasons, the Share Options granted to him but not yet exercised shall not be exercised, and shall be cancelled by the Company.

- (ii) In case an Incentive Participant leaves the Company due to resignation or redundancy, the Share Options granted to him but not yet exercised which satisfy the restriction on time of exercise and performance target for that year can still be exercised after he leaves the Company, and the remaining which not yet satisfy the restriction on time of exercise and performance target will be cancelled by the Company.

- (iii) In case an Incentive Participant who retires and is not re-employed by the Company, the Share Options granted to him but not yet exercised which satisfy the restriction on time of exercise and performance target for that year can still be exercised after he leaves the Company, and the remaining which not yet satisfy the restriction on time of exercise and performance target will be cancelled by the Company. But in case an Incentive Participant retires and is re-employed by the Company, the Share Options granted to him shall be operated entirely in accordance with the procedures as stipulated in the Incentive Scheme before his job positions changes.
- (iv) In case an Incentive Participant leaves the Company because of death or loss of his capability of civil conduct, the Share Options granted to him but not yet exercised which satisfy the restriction on time of exercise and performance target for that year can still be exercised after he leaves the Company and be held by his lawful successor or himself, and the remaining which not yet satisfy the restriction on time of exercise and performance target will be cancelled by the Company.
- (v) The board of directors shall decide other unspecified circumstances and determine the handling thereof.

III. RESOLUTION OF DISPUTES BETWEEN THE COMPANY AND INCENTIVE PARTICIPANTS

Any dispute between the Company and the Incentive Participants shall be resolved in accordance with provisions of the Incentive Scheme and share incentive agreement. Disputes not clearly covered by the provisions shall be resolved in accordance with PRC laws and on arm's length negotiation. Where the disputes cannot be settled through negotiations, they shall be referred to the People's Court with jurisdiction over the Company's place of domicile.

CHAPTER XIV. MISCELLANEOUS

- I. The Incentive Scheme shall become effective upon obtaining approvals from shareholders of the Company at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders.
- II. The Incentive Scheme is subject to interpretation of the board of directors of the Company.

Livzon Pharmaceutical Group Inc. *
The Board of Directors

22 September 2022

Note: If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

* *For identification purpose only*

The full text of the Administrative Measures for Appraisal System is set out as follows:



麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1513)

**ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF
2022 SHARE OPTIONS INCENTIVE SCHEME**

These measures are formulated in accordance with the relevant requirements of the PRC and the actual situation of Livzon Pharmaceutical Group Inc.* (hereinafter referred to as the “Company”) in order to ensure satisfactory implementation of the 2022 Share Options Incentive Scheme of the Company, to further refine the corporate governance structure of the Company, to develop a good and balanced value distribution system, to motivate the Company’s directors, senior management, mid-level management and relevant core personnel to work diligently so as to ensure steady growth of the Company’s performance and realisation of the Company’s development strategy and business objectives.

I. PURPOSE OF APPRAISAL

The purpose of the appraisal is to further refine the corporate governance structure of the Company, establish and optimise the Company’s incentive mechanism, ensure satisfactory implementation of the Incentive Scheme, maximise the benefits of the Incentive Scheme, promote the overall quality of the staff, provide a basis to justify staff’s promotion, reward and punishment, and facilitate the shared growth of the Company and its staff, so as to ensure the realisation of the Company’s development strategy and business objectives.

* For identification purpose only

II. PRINCIPLES OF APPRAISAL

The appraisal must be conducted according to the principles of righteous, open and fair and in strict compliance with these measures based on the performance of appraisees so as to realise the linkage between the Incentive Scheme and the performance and contribution of the appraisees. This will in turn improve the management performance and maximise the interests of the Company and all its shareholders.

III. SCOPE OF APPRAISAL

These measures are applicable to all the incentive participants as determined under the Incentive Scheme, including but not limited to the directors, senior management, mid-level management and relevant core personnel.

IV. APPRAISAL INSTITUTION

The remuneration and assessment committee of the Company's board of directors shall be responsible for leading and organising the appraisal work as well as carrying out assessment of the incentive participants.

V. TARGETS AND STANDARD OF PERFORMANCE APPRAISAL**1. Performance targets at the Company level**

An individual granted with Share Options under the Incentive Scheme will be assessed annually and the exercising of Share Options shall be conducted annually for the three accounting years during the exercise period, that achieving of the performance target by the Incentive Participant is a condition of exercising of the Share Options.

The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

Note: The above indicators of “net profit” and “compound growth rate of the net profit” are calculated based on the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss and excluding the share-based payment expense under the Incentive Scheme, and the same below.

If the Share Options of the Reserved Grant are granted before the 2022 third quarterly report is published, the performance targets of the Reserved Grant will be the same as that of the First Grant; if the Share Options of the Reserved Grant are granted after the 2022 third quarterly report is published, the performance targets for each year are shown in the table below:

Exercise period	Performance target
First exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Second exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

In the event the Company fails to meet the performance targets above, all Share Options which are exercisable by the Incentive Participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

2. Performance targets at individual level

The assessment of the Incentive Participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the Incentive Participants for each assessment year will be graded as follows:

Appraisal results	Excellent	Good	Qualified	Fail
Exercise percentage	100%	100%	80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an Incentive Participant for the respective year = exercise percentage × the scheduled personal exercise amount of the Incentive Participant for the respective year.

The Company shall cancel the Share Options granted to the Incentive Participant which cannot be exercised in the respective year.

VI. APPRAISAL PERIOD AND FREQUENCY

1. Appraisal period

The appraisal period is the accounting year preceding the exercise of the relevant Shares Options for an incentive participant.

2. Appraisal frequency

The appraisal will be conducted once a year during the term of the Incentive Scheme.

VII. APPRAISAL PROCEDURES

The Company's human resources department shall be responsible for the specific appraisal work under the guidance of the remuneration and assessment committee of the board of directors. The Company's human resources department conducts appraisal on the staff's work attitude, work efficiency, work quality and contributions at the end of each year with the involvement of the leaders and departments concerned of the Company. It shall keep records of the appraisal results, formulate a performance appraisal report based on the results and submit it to the remuneration and assessment committee of the board of directors.

VIII. MANAGEMENT OF APPRAISAL RESULTS**1. Feedback on appraisal results and complaint**

The appraisee shall have the right to be informed of his/her appraisal results. The direct supervisor of the employee shall inform the appraisee of his/her appraisal results within five working days from completion of the appraisal. After appraisal, each department will provide the appraisees with relatively poor results with improvement directions and suggestions, and persuade those who failed to resign. In the event that an appraisee has objection to the appraisal results, he/she may communicate with human resources department to resolve it. If it cannot be resolved by communications, the appraisee may lodge a complaint with the human resources department, and the human resources department shall review the appraisal results and determine the final appraisal results or grade within 10 working days.

2. Filing of appraisal results

After the appraisal, appraisal results shall be kept and filed as confidential information.

IX. MISCELLANEOUS

1. These measures are formulated, interpreted and amended by the board of directors.
2. These measures shall be implemented upon approval by the general meeting of the Company and taking effect of the Incentive Scheme.

*Livzon Pharmaceutical Group Inc.**

The Board of Directors

30 August 2022

Note: If there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

* *For identification purpose only*