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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)

CONNECTED TRANSACTION ESTABLISHMENT OF THE JOINT VENTURE

ESTABLISHMENT OF THE JOINT VENTURE

The Board announced that on 28 November 2022, the Company has entered into the Joint Investment Agreement with Joicare, pursuant to which, the Company and Joicare have agreed to establish the Joint Venture by way of investment in cash, of which (i) RMB10 million shall be contributed by the General Partner to be established by the Company and Joicare by contributing RMB6 million and RMB4 million in cash, respectively; (ii) RMB594 million shall be contributed by the Company in cash; and (iii) RMB396 million shall be contributed by Joicare in cash. Accordingly, the Company and Joicare will, directly and indirectly, be interested in 60% and 40%, respectively, of the Joint Venture.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the Latest Practicable Date, Joicare, together with its associates (as defined in the Hong Kong Listing Rules), directly and indirectly held approximately 44.77% of the total issued shares of the Company. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, Joicare is a connected person of the Company. Hence, the establishment of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the establishment of the Joint Venture under the Joint Investment Agreement exceeds 0.1% but less than 5% and the consideration for the establishment of the Joint Venture exceeds HK\$3,000,000, hence the establishment of the Joint Venture under the Joint Investment Agreement is subject to compliance with the reporting and announcement requirements, but is exempt from compliance with the requirement of approval by Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

JOINT INVESTMENT AGREEMENT

The major terms of the Joint Investment Agreement are as follows:

Date:	28 November 2022
Parties:	(a) the Company; and (b) Joincare
Subject matter:	The parties shall jointly establish a Joint Venture by way of investment in cash.
Amount of capital contribution:	The registered capital of the Joint Venture shall be RMB1,000 million, of which (i) RMB10 million shall be contributed by the General Partner to be established by the Company and Joincare by contributing RMB6 million and RMB4 million in cash, respectively; (ii) RMB594 million shall be contributed by the Company in cash; and (iii) RMB396 million shall be contributed by Joincare in cash.
Objectives of operation of the Joint Venture:	To conduct strategic investment through the Joint Venture in Wuhan and its surrounding areas which have rich medical project resources and talent resources.
Voting mechanism:	The Joint Venture shall set up an investment decision committee (the “ Committee ”) comprising five members, which will be responsible for making final decision in relation to investment and the investment realization. Any decision made by the Committee shall be passed by at least three Committee members, and the chairman of

the Committee has one vote of veto power.

Conditions precedent: The effectiveness and enforcement of the establishment of the Joint Venture is conditional upon the parties obtaining the necessary approvals or waivers for the entering into of the Joint Investment Agreement and the transactions contemplated thereunder, including but not limited to the approval by the Independent Shareholders of the Joint Investment Agreement at the EGM.

If the conditions precedent are not fulfilled within 60 days from the date of the Joint Investment Agreement or such other date as the Company and Joincare may agree in writing, the Joint Investment Agreement shall terminate with immediate effect without liability on any party.

INFORMATION OF THE PARTIES

The Company

The Company, through its subsidiaries, is principally engaged in the R&D, production and sales of drug preparation products, active pharmaceutical ingredients and intermediates, as well as diagnostic reagents and equipment.

Joincare

Joincare is a joint stock company incorporated in the PRC with limited liability and was listed on the Shanghai Stock Exchange in 2001, which is a controlling shareholder of the Company. It is principally engaged in three major business segments, namely R&D, production and sales of (i) drug preparation products, (ii) active pharmaceutical ingredients and intermediates, and (iii) food and health-care food. The ultimate beneficial owner of Joincare is Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company.

BASIS OF CAPITAL CONTRIBUTION

The registered capital of the Joint Venture is RMB1,000 million. The committed amounts of capital contribution, methods of capital contribution and equity interest ratios of the Joint Venture are set out below:

Name of shareholder	Committed amounts of capital contribution	Method of capital contribution	Equity interest
	<i>(RMB million)</i>		<i>(%)</i>
General Partner			
- The Company	6	Cash	0.6
- Joincare	4	Cash	0.4
	10	Cash	1%
The Company	594	Cash	59.4%
Joincare	396	Cash	39.6%
Total	1,000	-	100.0%

The amounts of capital contribution for the establishment of the Joint Venture have been agreed between the Company and Joincare through mutual negotiations in accordance with their respective direct or indirect equity interest in the Joint Venture after considering the development plans of and based on the principles of “voluntary, fair and reasonable, mutually beneficial and risk sharing”. Therefore, the Directors (including independent non-executive Directors) are of the view that the consideration for the establishment of the Joint Venture is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE

The Directors are of the view that the establishment of the Joint Venture through joint investment by the Company and Joincare, and seeking strategic investment in the projects within the industry in which the Company operates with the Joint Venture as the main body, which is in line with the Company’s long-term development strategy, conducive to strengthening the Company’s dominant position in the industry, expanding the layout of product pipelines, improving the comprehensive competitiveness, and has positive significance to the Company’s future development..

The Directors (including independent non-executive Directors) are of the view that the terms of the Joint Investment Agreement have been entered into on normal commercial terms, which are fair and

reasonable, and the establishment of the Joint Venture is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF ESTABLISHMENT OF THE JOINT VENTURE

The amount of consideration for the establishment of the Joint Venture is RMB600 million, which only accounts for approximately 4.61% of the latest audited total equity attributable to shareholders of the Company. Therefore, it will not have any material effect on the current and future financial position and operating results of the Company. After completion of the establishment of the Joint Venture, the Company will, by itself and through the General Partner, in aggregate hold 60% equity interest in the Joint Venture, and the Joint Venture will become a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the Latest Practicable Date, Joincare, together with its associates (as defined in the Hong Kong Listing Rules), directly and indirectly held approximately 44.77% of the total issued shares of the Company. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, Joincare is a connected person of the Company. Hence, the establishment of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the establishment of the Joint Venture under the Joint Investment Agreement exceeds 0.1% but less than 5% and the consideration for the establishment of the Joint Venture exceeds HK\$3,000,000, hence the establishment of the Joint Venture under the Joint Investment Agreement is subject to compliance with the reporting and announcement requirements, but is exempt from compliance with the requirement of approval by Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

IMPLICATIONS UNDER THE SHENZHEN LISTING RULES

According to Article 6.3.7 and Article 6.3.20 of the Shenzhen Listing Rules, the Joint Investment Agreement and the transaction contemplated thereunder are subject to the approval from the Shareholders by way of an ordinary resolution at the EGM.

A circular containing, among others, details of the Joint Investment Agreement and other information as required under the Hong Kong Listing Rules is expected to be dispatched to the Shareholders by the Company on or before 4 December 2022.

GENERAL

Since (i) Mr. Zhu Baoguo, the non-executive Director and the chairman of the Company, is also the chairman of Joincare, and indirectly holds 45.54% equity interest in Joincare as at the Latest Practicable Date; and (ii) Mr. Qiu Qingfeng and Mr. Yu Xiong, who are non-executive Directors, are also directors of Joincare, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng and Mr. Yu Xiong are deemed to have material interest in the establishment of the Joint Venture, and had abstained from voting at the Board meeting for approval of the establishment of the Joint Venture. Apart from Mr. Zhu Baoguo, Mr. Qiu Qingfeng and Mr. Yu Xiong, none of the other Directors are required to abstain from voting at the Board meeting for approval of the establishment of the Joint Venture.

Joincare and its associates will abstain from voting at the EGM in respect of the proposed resolution to approve the establishment of the Joint Venture. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the establishment of the Joint Venture and would be required to abstain from voting on the relevant resolution to be proposed at the EGM.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“Company”	Livzon Pharmaceutical Group Inc.*(麗珠醫藥集團股份有限公司), a joint stock company incorporated under the Company Law in the PRC on 26 January 1985 with limited liability, whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the directors of the Company

“EGM”	The 2022 fifth extraordinary general meeting to be held on 20 December 2022 by the Company to consider and approve matters relating to the Joint Investment Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries, collectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Shareholders other than Joicare and its associates
“Joicare”	Joicare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC, and listed on the Shanghai Stock Exchange in 2001 and is one of the Company’s controlling shareholders
“Joint Venture”	a limited liability partnership to be established by the Company, Joicare and the General Partner in the PRC
“Joint Investment Agreement”	a framework agreement entered into between the Company and Joicare on 28 November 2022, pursuant to which the Company and Joicare have agreed to establish a joint venture company by way of investment in cash, of which (i) RMB10 million shall be contributed by the General Partner; (ii) RMB594 million shall be contributed by the Company in cash; and (iii) RMB396 million shall be contributed by Joicare in cash.
“Latest Practicable Date”	25 November 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication

“General Partner”		a limited liability company to be established by the Company and Jointly by contributing RMB6 million and RMB4 million in cash, respectively
“PRC” or “China”		the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Regions and Taiwan
“RMB”		Renminbi, the lawful currency of the PRC
“Shareholder(s)”		the shareholder(s) of the Company
“Shenzhen Exchange”	Stock	the Shenzhen Stock Exchange (深圳證券交易所)
“Shenzhen Rules”	Listing	the Stock Listing Rules of the Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》)
“%”		per cent

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
28 November 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Tang Yanggang (President) and Mr. Xu Guoxiang (Vice Chairman and Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Tao Desheng (Vice Chairman), Mr. Qiu Qingfeng and Mr. Yu Xiong; and the Independent Non-Executive Directors of the Company are Mr. Bai Hua, Mr. Tian Qiusheng, Mr. Wong Kam Wa, Mr. Luo Huiyuan and Ms. Cui Lijie.

** For identification purpose only*