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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.

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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) JOINT INVESTMENT WITH JOINCARE AND
THE CONNECTED TRANSACTION**
(II) CONVENING THE EGM

The letter from the Board is set out on pages 3 to 9 of this circular.

The Company will hold the EGM 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 Tuesday, 20 December 2022. The notice convening the EGM has been dispatched on Tuesday, 29 November 2022, and the proxy form for use by the Shareholders of the Company at the EGM has also been dispatched on Tuesday, 29 November 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 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 H Share Registrar of the Company, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

2 December 2022

* For identification purpose only

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DEFINITIONS

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

“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)
“Articles of Association”	the articles of association of the Company
“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
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the 2022 fifth 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 Tuesday, 20 December 2022
“General Partner”	a limited liability company to be establish by the Company and Joicare by contributing RMB6 million and RMB4 million in cash, respectively
“Group”	the Company and its subsidiaries
“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)

DEFINITIONS

“H Shareholder(s)”	holder(s) of the H Share(s)
“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
“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 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.
“Joint Venture”	a limited liability partnership to be established by the Company, Joicare and the General Partner in the PRC
“Latest Practicable Date”	25 November 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shenzhen Listing Rules”	the Stock Listing Rules of the Shenzhen Stock Exchange (as amended in 2022)
“%”	per cent

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 purposes 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

2 December 2022

To the Shareholders

Dear Sir/Madam,

**(I) JOINT INVESTMENT WITH JOINCARE AND
THE CONNECTED TRANSACTION
(II) CONVENING THE EGM**

The purpose of this circular is to provide you with relevant information to enable you to make informed decisions in voting on the ordinary resolution in relation to the joint investment with Joincare and the connected transaction to be proposed at the EGM.

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LETTER FROM THE BOARD

I. JOINT INVESTMENT WITH JOINCARE AND THE CONNECTED TRANSACTION

On 28 November 2022, the Board approved the Company to enter into the Joint Investment Agreement with Joincare, pursuant to which, the Company and Joincare 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 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. Accordingly, the Company and Joincare will, directly and indirectly, be interested in 60% and 40%, respectively, of the Joint Venture.

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.

LETTER FROM THE BOARD

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 Joicare 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.

Joicare

Joicare 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 Joicare is Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company.

LETTER FROM THE BOARD

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 (RMB million)	Method of capital contribution	Equity interest (%)
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%
	<u>1,000</u>	<u>–</u>	<u>100.0%</u>

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.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

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.

II. CONVENING THE EGM

The Company will hold the EGM 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 Tuesday, 20 December 2022. The notice convening the EGM has been dispatched on Tuesday, 29 November 2022, and the proxy form for use by the Shareholders of the Company at the EGM has also been dispatched on Tuesday, 29 November 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 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 H Share Registrar of the Company, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

III. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the EGM will be Tuesday, 13 December 2022. In order to qualify as Shareholders to attend and vote at the EGM, 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 Tuesday, 13 December 2022.

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all the resolutions put forward at the EGM 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.

V. RECOMMENDATION

The Board considers that the resolution set out in the notice of the EGM in relation to the joint investment with Joincare and the connected transaction are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of the resolution to be proposed the EGM.

LETTER FROM THE BOARD

VI. 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

* *For identification purpose only*