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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 16 January 2023, the Company entered into the Joint Venture Framework 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 the Company shall contribute RMB102 million and Joincare shall contribute RMB98 million. Accordingly, the Company and Joincare will directly be interested in 51% and 49%, respectively, of the Joint Venture.

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 Venture Framework 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 Venture

Framework 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 VENTURE FRAMEWORK AGREEMENT

The major terms of the Joint Venture Framework Agreement are as follows:

Date: 16 January 2023

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 RMB200 million, of which the Company shall contribute RMB102 million and Joincare shall contribute RMB98 million.

Organisation structure: The board of the Joint Venture shall comprise two directors nominated by the Company and one director nominated by Joincare. The chairman of the board of the Joint Venture shall be a director nominated by the Company. The board of the Joint Venture shall exercise the powers of appointing the general manager, formulating the overall business strategic plan, formulating the annual budget, R&D plan, production plan and sales plan and relevant powers stipulated under the Company Law.

The Joint Venture shall have a general manager to preside over the daily operation and management of the Joint Venture. Other senior management personnel shall be recruited by the Joint Venture according to actual operation needs.

There shall be no supervisory committee for the Joint Venture. The Joint Venture shall have a supervisor, who is nominated by Joincare, to exercise the relevant powers stipulated under the Company Law.

Objectives of operation of the Joint Venture: To coordinate and operate animal health care business through the Joint Venture.

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 Venture Framework Agreement and the transactions contemplated thereunder, including but not limited to the approval by the Board in accordance to the relevant regulations of the place where the Company is listed.

If the conditions precedent are not fulfilled within 60 days from the date of the Joint Venture Framework Agreement or such other date as the Company and Joincare may agree in writing, the Joint Venture Framework 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 RMB200 million. The Company shall contribute RMB102 million and Joicare shall contribute RMB98 million. Accordingly, the Company and Joicare will directly be interested in 51% and 49%, respectively, of the Joint Venture.

The amounts of capital contribution for the establishment of the Joint Venture have been agreed between the Company and Joicare through mutual negotiations after considering the development plans of both parties 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

Considering the characteristics and good development prospect of animal health care products-related business, the Company and Joicare make joint investment to establish the Joint Venture, aiming to integrate the advantageous resources of both parties in R&D, production, brand promotion, online and offline omni-channel marketing and other aspects and further accelerate the business layout and promotion in the field of animal health care, which is conducive to consolidating and enhancing the Company’s existing competitive advantage in the field of active pharmaceutical ingredients for animal health care products and comprehensive business competitiveness and entering the consumer market of animal health care preparations with repaid development, and in line with the Company’s strategic requirements for innovation and development and is of significant importance to the Company’s future development.

The Directors (including independent non-executive Directors) are of the view that the terms of the Joint Venture Framework 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 RMB102 million, which only accounts for approximately 0.78% 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 directly hold 51% 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 Venture Framework 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 Venture Framework 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.

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 45.53% 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.

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
“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
“Director(s)”	the directors of the Company
“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
“Joincare”	Joincare 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 company to be established by the Company and Joicare in the PRC
“Joint Venture Framework Agreement”		a framework agreement entered into between the Company and Joicare on 16 January 2023, pursuant to which the Company and Joicare have agreed to establish the Joint Venture by way of investment in cash, of which the Company shall contribute RMB102 million and Joicare shall contribute RMB98 million
“Latest Practicable Date”		13 January 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“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
“R&D”		research and development
“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
16 January 2023

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*