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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 CAPITAL CONTRIBUTION TO LIVZONBIO

CAPITAL CONTRIBUTION TO LIVZONBIO

The Board announced that on 17 November 2023, the Company entered into the Capital Contribution Agreement with LivzonBio, pursuant to which the Company has agreed to make capital contribution to LivzonBio in the amount of RMB1,000,000,000 in cash. Upon completion of the Capital Contribution, the Company's direct interest in LivzonBio will increase from 51.00% to 60.23%.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the Latest Practicable Date, Joicare indirectly holds 44.77% of the total issued shares of the Company, hence a controlling shareholder of the Company and, accordingly, a connected person of the Company. Since LivzonBio is a non-wholly owned subsidiary of the Company and Joicare directly holds 33.07% interest in LivzonBio, hence LivzonBio is a connected subsidiary and, accordingly, a connected person of the Company. Therefore, the Capital Contribution 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 under the Hong Kong Listing Rules) in respect of the Capital Contribution exceeds 0.1% but less than 5%, the Capital Contribution is subject to the reporting and announcement requirements, but is exempt from the requirement of approval by independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

SHAREHOLDERS' APPROVAL

The Capital Contribution is required to be approved by an ordinary resolution at the general meeting of the Company pursuant to the SZSE Rules. Please refer to the notice and the circular of the 2023 third extraordinary general meeting of the Company in relation to, among others, the Capital Contribution, dated 18 November 2023.

CAPITAL CONTRIBUTION AGREEMENT

The principal terms of the Capital Contribution Agreement are set out below:

Date: 17 November 2023

Parties: (a) the Company; and
(b) LivzonBio

Capital contribution: The Company has agreed to make capital contribution to LivzonBio in the amount of RMB1,000,000,000 in cash.

Upon completion of the Capital Contribution, the registered capital of LivzonBio will be increased from RMB889,023,284 to RMB1,095,472,334, with RMB659,850,925 to be registered capital attributable to the Company, and the Company's direct interest in LivzonBio will increase from 51.00% to 60.23%.

The Capital Contribution is expected to be funded by internal resources of the Company.

Terms of payment: The Capital Contribution shall be paid within 24 months after the completion of change with industrial and commercial registration of LivzonBio.

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.

LivzonBio

LivzonBio is principally engaged in independent innovative R&D and industrialization of biopharmaceuticals, including innovative vaccines, monoclonal antibodies, recombinant protein drugs, antibody conjugate drugs, CAR-T cell therapy, etc. with products covering tumors, autoimmune diseases and reproductive etc..

As at the date of this announcement, LivzonBio is directly owned as to 51.00%, 33.07%, 8.43% and 7.50% by the Company, Joicare, YF Pharmab and Lisheng Juyuan, respectively. Upon completion of the Capital Contribution, LivzonBio will be directly owned as to 60.23%, 26.84%, 6.84% and 6.09% by the Company, Joicare, YF Pharmab and Lisheng Juyuan, respectively.

The audited net loss (before and after taxation and extraordinary items) of LivzonBio prepared under the China Accounting Standards for Business Enterprise for the years ended 31 December 2021 and 31 December 2022 are set out below:

	For the year ended 31 December	
	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>
Net loss before taxation and extraordinary items	358.1	737.4
Net loss after taxation and extraordinary items	377.2	754.6

As at 30 September 2023, the unaudited negative net asset value of LivzonBio prepared under the China Accounting Standards for Business Enterprise was RMB1,089.1 million.

Upon completion of the Capital Contribution, LivzonBio will continue to be a non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of LivzonBio will continue to be consolidated into the accounts of the Group.

BASIS FOR DETERMINATION OF THE CAPITAL CONTRIBUTION

The amount of the Capital Contribution has been determined after arm's length negotiations between the parties, and with reference to (i) the subscription price of YF Subscription, being the last round of capital contribution to LivzonBio immediately before the Capital Contribution; and (ii) the funding needs of LivzonBio.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Capital Contribution will provide LivzonBio with additional working capital and greater financial flexibility to facilitate its R&D and daily operation activities, which is conducive to consolidating and enhancing the Company's existing competitive advantage in the field of biopharmaceuticals, 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) consider that although the Capital Contribution contemplated under the Capital Contribution Agreement is not conducted in the normal and usual course of business of the Group, the terms of the Capital Contribution Agreement and the Capital Contribution contemplated thereunder are fair and reasonable and are on normal commercial terms, and the Capital Contribution is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the Latest Practicable Date, Joincare indirectly holds 44.77% of the total issued shares of the Company, hence a controlling shareholder of the Company and, accordingly, a connected person of the Company. Since LivzonBio is a non-wholly owned subsidiary of the Company and Joincare directly holds 33.07% interest in LivzonBio, hence LivzonBio is a connected subsidiary and, accordingly, a connected person of the Company. Therefore, the Capital Contribution 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 under the Hong Kong Listing Rules) in respect of the Capital Contribution exceeds 0.1% but less than 5%, the Capital Contribution is subject to the reporting and announcement requirements, but is exempt from the requirement of approval by independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

SHAREHOLDERS' APPROVAL

The Capital Contribution is required to be approved by an ordinary resolution at the general meeting of the Company pursuant to the SZSE Rules. Please refer to the notice and the circular of the 2023 third extraordinary general meeting of the Company in relation to, among others, the Capital Contribution, dated 18 November 2023.

GENERAL

Since (i) Mr. Zhu Baoguo, being a non-executive Director and the chairman of the Company, is also the chairman of Joincare with 48.06% indirect equity interest in Joincare as at the Latest Practicable Date, and a director of LivzonBio; (ii) Mr. Tao Desheng, being a non-executive Director of the Company, and Mr. Tang Yanggang, being an executive Director of the Company, are directors of LivzonBio ; and (iii) Mr. Qiu Qingfeng and Mr. Yu Xiong, being non-executive Directors, are also directors of Joincare, therefore Mr. Zhu Baoguo, Mr. Tao Desheng, Mr. Tang Yanggang, Mr. Qiu Qingfeng and Mr. Yu Xiong are deemed to have material interest in the Capital Contribution, and had abstained from voting at the Board meeting for approval of the Capital Contribution. Save as disclosed above, none of the Directors had any material interest in the Capital Contribution and was required to abstain from voting on the relevant resolution at the Board meeting.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Capital Contribution”	the capital contribution in the amount of RMB1,000,000,000 in cash by the Company to LivzonBio pursuant to the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement dated 17 November 2023 entered into between the Company and LivzonBio in relation to the Capital Contribution

“Company”	Livzon Pharmaceutical Group Inc.*(麗珠醫藥集團股份有限公司), a joint stock company incorporated 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
“connected subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(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 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
“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
“Latest Practicable Date”	13 November 2023, being the latest practicable date for the purpose of ascertaining certain information for the inclusion in this announcement
“LivzonBio”	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary directly owned as to 51.00% by the Company as at the date of this announcement, which will be directly owned as to

60.23% by the Company after the completion of the Capital Contribution

“Lisheng Juyuan”	Hainan Lisheng Juyuan Investment Partnership (Limited Partnership)* 海南麗生聚源投資合夥企業（有限合夥），a limited partnership incorporated in the PRC and an employee incentive platform of LivzonBio
“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
“Reorganization”	a series of transactions to streamline and optimize the capital and shareholding structure of certain subsidiaries of the Company (including LivzonBio), the details of which are set out in the circular of the Company dated 16 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“SZSE Rules”	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange
“US\$”	US dollars, the lawful currency of the United States of America
“YF Pharmab”	YF Pharmab Limited, a company incorporated the British Virgin Islands with limited liability and an independent third party to the Company

“YF Subscription” the subscription of registered capital at a consideration of US\$50,000,000 for 8.43% interest in LivzonBio by YF Pharmab, an independent third party, pursuant to the Reorganization, being the last round of capital contribution to LivzonBio immediately before the Capital Contribution

“%” 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
17 November 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*