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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 TRANSACTIONS
ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A NON-
WHOLLY OWNED SUBSIDIARY

ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

The Board announced that on 17 November 2023, the Company entered into (i) the Li's Equity Transfer Agreement with Ms. Li, pursuant to which Ms. Li has agreed to sell 3% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB24.57 million; and (ii) the Shi's Equity Transfer Agreement with Mr. Shi, pursuant to which Mr. Shi has agreed to sell 5% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB40.95 million. Upon completion of the Acquisitions, the Company's equity interest in Livzon Diagnostics will increase from 39.43% to 47.43%.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, each of Ms. Li and Mr. Shi is a substantial shareholder of Livzon Diagnostics, and therefore each of them is a connected person of the Company at the subsidiary level. As such, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.82 of the Hong Kong Listing Rules, the acquisition of 3% and 5% equity interest in Livzon Diagnostics from Ms. Li and Mr. Shi respectively will be aggregated as these transactions involve the acquisition of equity interest in Livzon Diagnostics and are completed within a 12-month period.

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the Acquisitions exceeds 0.1% but less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the requirement of approval by independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are set out below:

Date: 17 November 2023

Parties: *With respect to the Li's Equity Transfer Agreement:*

- (a) the Company (as purchaser); and
- (b) Ms. Li (as vendor)

With respect to the Shi's Equity Transfer Agreement:

- (a) the Company (as purchaser); and
- (b) Mr. Shi (as vendor)

Subject matter and Consideration: *With respect to the Li's Equity Transfer Agreement:*

Ms. Li has agreed to sell 3% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB24.57 million.

The original acquisition cost of the 3% equity interest in Livzon Diagnostics was RMB3.657 million, being the amount of consideration in proportion to the 3% equity interest in Livzon Diagnostics acquired by Ms. Li from the previous owner.

With respect to the Shi's Equity Transfer Agreement:

Mr. Shi has agreed to sell 5% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB40.95 million.

The original acquisition cost of the 5% equity interest in Livzon Diagnostics was RMB6.095 million, being the amount of consideration in proportion to the 5% equity interest in Livzon Diagnostics by Mr. Shi acquired from the previous owner.

Basis of consideration and source of funds

The Considerations are determined based on the unaudited consolidated net asset value of Livzon Diagnostics as at 30 September 2023 (i.e. RMB818.9 million).

The Acquisitions will be funded by internal resources of the Company.

Conditions precedent: Completion under each of the Equity Transfer Agreements shall be conditional upon satisfaction of the following conditions precedent (the “**Conditions Precedent**”):

- (a) such agreement has been signed by the parties and becomes effective; and
- (b) the Board has approved such agreement and transaction contemplated thereunder.

Completion: Upon satisfaction of the Conditions Precedent, the parties shall complete the necessary registration to have the equity interest subject to the Acquisitions registered under the name of the Company (the “**Registration**”).

On the date of completion of the Registration (the “**Completion**”), the Company shall pay the respective consideration in full to Ms. Li and Mr. Shi respectively in one lump sum (subject to deduction of any taxes in relation to the Acquisitions withholds by the Company on behalf of Ms. Li and Mr. Shi (as the case may be) and the Possible Deduction (as defined below)).

Others:

Ms. Li and Mr. Shi shall be entitled to the profit sharing, distribution of dividends, capitalisation of capital reserves, etc. corresponding to the Target Equity Interest (as the case may be) that he or she has obtained from Livzon Diagnostics on or before 30 September 2023.

The Company shall be entitled to all rights and interests on the undistributed profits corresponding to the Target Equity Interest such as profit sharing, distribution of dividends, bonus shares, capitalisation of capital reserves, allotment of shares, etc. after 30 September 2023.

After signing of the Equity Transfer Agreements and before the Completion, in the event of profit sharing, distribution of dividends, bonus shares, capitalisation of capital reserves and allotment of shares of Livzon Diagnostics, Ms. Li and Mr. Shi shall hold all rights and interests on the undistributed profits corresponding to the Target Equity Interest (as the case may be) on behalf of the Company. On the same date of payment of the Considerations by the Company to Ms. Li and Mr. Shi (as the case may be), Ms. Li and Mr. Shi shall immediately transfer the aforesaid rights and interests to the Company at no cost or the Company shall deduct the equivalent amount from the Considerations payable to Ms. Li and Mr. Shi (as the case may be) (the “**Possible Deduction**”).

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.

Ms. Li

As at the date of this announcement, Ms. Li owns 20.96% equity interest in Livzon Diagnostics, and is a director of an associate company of the Company. Ms. Li was also a director of Livzon Diagnostics from November 2008 to November 2019.

Mr. Shi

As at the date of this announcement, Mr. Shi owns 10.32% equity interest in Livzon Diagnostics, and is a director and the general manager of an associate company of the Company. Mr. Shi was also a director of Livzon Diagnostics from November 2008 to November 2019.

INFORMATION OF LIVZON DIAGNOSTICS

Livzon Diagnostics is principally engaged in the R&D and production and sales of diagnostic reagents and equipment with a multi-faceted technology platform covering enzyme-linked immunosorbent assay, lateral flow rapid test, chemiluminescence immunoassay, multi-liquid chip technology, nucleic acid testing, etc.

The shareholding structure of Livzon Diagnostics as at the date of this announcement and upon Completion are set out below:

	As at the date of this announcement	Upon Completion
The Company	39.43%	47.43%
Ms. Li	20.96%	17.96%
Mr. Shi	10.32%	5.32%
Employee incentive platforms of the Company or Livzon Diagnostics	16.46%	16.46%
Other shareholders (including individuals who are current or former directors, senior management, supervisors and employees of Livzon Diagnostics or independent third parties)	12.83%	12.83%
Total	100.00%	100.00%

The audited consolidated net profit (before and after tax) of Livzon Diagnostics 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 profit before tax	50.5	70.9
Net profit after tax	58.6	72.1

Note: Livzon Diagnostics's net profit after tax exceeded its net profit before tax for the years ended 31 December 2021 and 31 December 2022 because the deferred income tax expense recognised exceeded the current income tax, resulting in negative tax expenses, for the relevant period.

The unaudited consolidated net asset value of Livzon Diagnostics prepared under the China Accounting Standards for Business Enterprise as at 30 June 2023 was RMB796.7 million.

Upon Completion, Livzon Diagnostics will continue to be a non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of Livzon Diagnostics will continue to be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company was informed by Ms. Li and Mr. Shi of their intentions to sell down part of their investments in Livzon Diagnostics for personal reasons, and taking into account Livzon Diagnostics's past financial performance and future business plans, the Directors are of the view that the Acquisitions will further increase the Company's control in Livzon Diagnostics, and also maintains Livzon Diagnostics's shareholder composition to ensure its stable operation and long-term development.

Considering that (i) calculation of the Consideration based on Livzon Diagnostics' net asset value represents the fair value of the underlying assets subject to the Acquisitions and (ii) the reasons for and benefits of the Acquisitions set out above, the Directors (including independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreements are fair and reasonable and the Equity Transfer Agreements and the Acquisitions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, each of Ms. Li and Mr. Shi is a substantial shareholder of Livzon Diagnostics, and therefore each of them is a connected person of the Company at the subsidiary level. As such, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.82 of the Hong Kong Listing Rules, the acquisition of 3% and 5% equity interest in Livzon Diagnostics from Ms. Li and Mr. Shi respectively will be aggregated as these transactions involve the acquisition of equity interest in Livzon Diagnostics and are completed within a 12-month period.

As one or more of the applicable percentage ratios (as defined under the Hong Kong Listing Rules) in respect of the Acquisitions exceeds 0.1% but less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the requirement of approval by independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

GENERAL

Mr. Tang Yanggang, being an executive Director of the Company, and Mr. Tao Desheng, being a non-executive Director of the Company, are also directors of Livzon Diagnostics and have abstained from voting on the relevant resolution considering and approving the Acquisitions at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the Acquisitions 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.

“Acquisitions”	the acquisition of 3% and 5% equity interest in Livzon Diagnostics from Ms. Li and Mr. Shi, respectively, by the Company
“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 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
“Considerations”		the respective consideration for the transfer of equity interest in Livzon Diagnostics pursuant to the Li’s Equity Transfer Agreement (i.e. RMB24.57 million) and the Shi’s Equity Transfer Agreement (i.e. RMB40.95 million)
“Director(s)”		the directors of the Company
“Equity Transfer Agreements”	Transfer	the Li’s Equity Transfer Agreement and the Shi’s Equity Transfer Agreement
“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”	Stock Exchange	The Stock Exchange of Hong Kong Limited
“Li’s Equity Transfer Agreement”	Transfer	the equity transfer agreement dated 17 November 2023 entered into between the Company and Ms. Li pursuant to which Ms. Li has agreed to sell 3% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB24.57 million
“Livzon Diagnostics”		Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Mr. Shi”		Mr. Shi Jianfeng (石劍峰), who owns 10.32% equity interest in Livzon Diagnostics as at the date of this announcement
“Ms. Li”		Ms. Li Lin (李琳), who owns 20.96% equity interest in Livzon Diagnostics as at the date of this announcement

“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 Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shi’s Equity Transfer Agreement”	the equity transfer agreement dated 17 November 2023 entered into between the Company and Mr. Shi pursuant to which Mr. Shi has agreed to sell 5% equity interest in Livzon Diagnostics to the Company at a total consideration of RMB40.95 million
“Target Equity Interest”	3% and 5% equity interest in Livzon Diagnostics to be sold by Ms. Li and Mr. Shi to the Company pursuant to the Li's Equity Transfer Agreement and the Shi’s Equity Transfer Agreement, respectively
“%”	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*