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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)

CONTINUING CONNECTED TRANSACTIONS

ENTERING INTO

THE 2025 LEASING ASSETS FRAMEWORK AGREEMENT AND THE 2025 PURCHASE FRAMEWORK AGREEMENT WITH LIVZON MAB

Entering into the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement with Livzon MAB

On 31 December 2024, the Company convened a Board meeting to consider and approve the continuing connected transactions for the period from 1 January 2025 to 31 December 2025 in relation to (1) leasing assets to Livzon MAB by the Group and (2) purchasing drugs from Livzon MAB by the Group, with an annual cap of RMB39.00 million and RMB54.00 million, respectively. On the same day, the Company and Livzon MAB entered into the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement in relation to the above-mentioned continuing connected transactions, respectively.

Implications of the Hong Kong Listing Rules

As at the date of this announcement, Joicare directly and indirectly owns approximately 45.96% equity interests in the Company, therefore it is the controlling shareholder of the Company. Joicare indirectly owns 26.84% equity interests in Livzon MAB. Therefore, Livzon MAB, as a connected subsidiary, is a connected person of the Company. As such, the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, respectively. As (i) Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company, is also the chairman of Joicare and indirectly holds 47.79% equity interest in Joicare as at the date of this announcement; (ii) Mr. Qiu Qingfeng, a non-executive Director, is a director and a vice president of Joicare; (iii) Mr. Lin Nanqi, a non-executive Director, is the president and a director of Joicare; and (iv) Mr. Tang Yanggang, an executive Director, and Mr. Tao Desheng, a non-executive Director, are also the directors of LivzonBio, which held 100% equity interest in Livzon MAB, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Lin Nanqi, Mr. Tang Yanggang and Mr. Tao Desheng are deemed to have material interests in the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement and the transactions contemplated thereunder, and have abstained from voting at the Board meeting in relation to the approval of the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework

Agreement and the transactions contemplated thereunder. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Lin Nanqi, Mr. Tang Yanggang and Mr. Tao Desheng, no other Directors are required to abstain from voting at the Board meeting in relation to the above matters.

As the highest applicable percentage ratios of the 2025 Lease Cap and the 2025 Purchase Cap are higher than 0.1% but lower than 5%, respectively, the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement are subject to the reporting and announcement requirements, but are exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

I. 2025 LEASING ASSETS FRAMEWORK AGREEMENT

On 31 December 2024, the Company and Livzon MAB entered into the 2025 Leasing Assets Framework Agreement in relation to the continuing connected transactions for leasing assets to Livzon MAB by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB39.00 million.

Date

31 December 2024

Parties

Purchaser: Livzon MAB

Seller: the Company

Term

From 1 January 2025 to 31 December 2025

Conditions precedent

The 2025 Leasing Assets Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Board.

Subject Matter

Pursuant to the 2025 Leasing Assets Framework Agreement, during the period from 1 January 2025 to 31 December 2025, the Group will lease factories and equipment to Livzon MAB. The Group may enter into specific implementation contracts (including but not limited to settlement terms and payment arrangement) with Livzon MAB in respect of leasing assets, provided that such detailed terms of the implementation contracts shall not contravene the terms of the 2025 Leasing Assets Framework Agreement.

Annual Cap and Basis of Determination

During the period from 1 January 2025 to 31 December 2025, the Group will lease factories and equipment to Livzon MAB, with an annual cap of RMB39.00 million. The annual cap was determined by the Group and Livzon MAB on arm’s length negotiations by taking into account factors such as the progress of R&D and production of Livzon MAB’s existing product varieties, factory space and equipment required and business demand.

Historical Transaction Amounts

Unit: RMB million

For the year ended 31 December 2022	For the year ended 31 December 2023	For the eleven months ended 30 November 2024
(Audited)	(Audited)	(Unaudited)
36.28	36.19	30.80

Pricing Principles and Policies

The prices for leasing factories and equipment to Livzon MAB by the Group will be determined on arm’s length negotiations with reference to factors such as the costs of operation and the prevailing rentals of comparable factories and equipment (taking into account the location, area and status of the factories as well as the number and conditions of equipment, etc.), and the terms of the transactions will be similar to those of the same type of transactions conducted with independent third parties, details of which are as follows:

- (1) The prices for leasing factories to Livzon MAB by the Group are calculated based on the maintenance costs for operating the factories, the area of the factories and the unit price of lease per square metre, which will be determined with reference to the prevailing market price of similar type of factories in the region where the factories are located, and shall be no less favourable than the rentals charged by the Group to independent third parties.
- (2) The prices for leasing equipment to Livzon MAB by the Group will be determined with reference to factors such as the acquisition cost of the equipment, the period of acquisition, the depreciation and impairment provision made, its importance in the production process, and whether it is substitutable, and with reference to comparable rentals of similar equipment provided by independent third parties, and shall be no less favourable than the rentals charged by the Group to independent third parties.

The Group will compare the prices for leasing factories and equipment to Livzon MAB with the prevailing rentals of at least two comparable factories and/or equipment.

The terms for leasing factories and equipment to Livzon MAB by the Group shall be determined based on normal commercial terms after arm’s length negotiations, and such terms shall be no less favourable than those of the comparable transactions of the same type between the Group and independent third parties, so as to ensure that the aforesaid transactions will be conducted in the interest of the Group.

Reasons and Benefits of Entering into the 2025 Leasing Assets Framework Agreement

Livzon MAB is located in the production site of Pharmaceutical Factory and is able to carry out relevant production activities in a convenient and efficient manner by leasing of the existing factories and equipment of Pharmaceutical Factory, while the existing factories and equipment of Pharmaceutical Factory can meet Livzon MAB's needs for its production. If Livzon MAB leases the factories and equipment from the independent third parties and outside the production site, the long distance is not conducive to the development of its production activities, and it will take time for Livzon MAB to complete various procedures and formalities, which may affect its production and operation. Therefore, leasing factories and equipment by Livzon MAB from Pharmaceutical Factory can reduce the potential impact on the production and operation of Livzon MAB and save costs, thereby improving the overall operation performance of the Group as Livzon MAB is a controlling subsidiary of the Company.

After considering all relevant factors, the Directors (including independent non-executive Directors) considered that the 2025 Leasing Assets Framework Agreement (including the proposed annual cap) was entered into by the Company on normal commercial terms in the ordinary and usual course of business of the Group, and that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. 2025 PURCHASE FRAMEWORK AGREEMENT

On 31 December 2024, the Company and Livzon MAB entered into the 2025 Purchase Framework Agreement in relation to the continuing connected transactions for purchasing drugs from Livzon MAB by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB54.00 million.

Date

31 December 2024

Parties

Purchaser: the Company

Seller: Livzon MAB

Term

From 1 January 2025 to 31 December 2025

Conditions precedent

The 2025 Purchase Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Board.

Subject Matter

Pursuant to the 2025 Purchase Framework Agreement, during the period from 1 January 2025 to 31 December 2025, the Group will purchase drugs from Livzon MAB, primarily Tocilizumab Injection (托珠單抗注射液) and Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素). The Group may enter into specific implementation contracts (including but not limited to settlement terms and payment arrangement) with Livzon MAB in respect of purchasing drugs, provided that such detailed terms of the implementation contracts shall not contravene the terms of the 2025 Purchase Framework Agreement.

Annual Cap and Basis of Determination

During the period from 1 January 2025 to 31 December 2025, the Group will purchase drugs from Livzon MAB, primarily Tocilizumab Injection (托珠單抗注射液) and Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素), with an annual cap of RMB54.00 million. The annual cap was determined by the Group and Livzon MAB on arm's length negotiations by taking into account factors such as the estimated market demand, market selling price, and estimated sales cost of the above drugs. The 2025 Purchase Cap is higher than the transaction amount in previous years, which is mainly due to the expected gradual development of new sales market resulting from the approval of two new indications of Tocilizumab Injection (托珠單抗注射液) in 2023 and the planned development of the market of Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素).

Historical Transaction Amounts

Unit: RMB million		
For the year ended 31 December 2022	For the year ended 31 December 2023	For the eleven months ended 30 November 2024
(Audited)	(Audited)	(Unaudited)
7.14	27.28	21.17

Pricing Principles and Policies

The prices for drugs to be purchased from Livzon MAB by the Group will be determined after arm's length negotiations with reference to factors such as the drugs' market selling price in various provinces and estimated sales costs. As the Group will sell the drugs purchased from Livzon MAB to external parties, therefore the prices for drugs purchased from Livzon MAB will be determined with reference to the Group's estimated sales cost, and a reasonable profit margin will be retained for the Group for selling such drugs to external parties. The estimated sales cost will be determined with reference to factors such as the estimated sales volume, the sales staff expenses and the operation costs, while the reasonable profit margin will be determined with reference to the average profit margin enjoyed by the Group in comparable transactions for the sales of the same type of drugs.

Meanwhile, the Group will obtain quotations for the same type of drugs from at least two independent third party suppliers, and such quotations will be comprehensively reviewed and assessed by the designated personnel of the Group, including the officers and managers of the purchasing department and the sales department, and the senior officer of the finance department who is specialised in procurement functions, after taking into account price and other non-price factors (such as the market competitiveness of the products, product quality and credit terms) to ensure that the prices of the drugs purchased from Livzon MAB are no less favourable than the prices and other terms and conditions offered by independent third parties for such drugs.

The terms of drugs to be purchased from Livzon MAB by the Group shall be determined based on normal commercial terms after arm's length negotiation, and such terms shall be no less favourable than those available to the Group from independent third party suppliers, so as to ensure that the aforesaid transactions will be conducted in the interest of the Group.

Reasons and Benefits of Entering into the 2025 Purchase Framework Agreement

Livzon MAB can leverage the Group's rich experience in the management of sales teams and advantages of sales pipeline layout and fully utilize the Group's existing sales system structure, and the Group's internal resources can be integrated, which can improve resource efficiency and reduce operating costs. Livzon MAB can focus its resources on R&D by avoiding the repeated construction of its sales teams. Therefore, the overall operation performance of the Group can be improved, as Livzon MAB is a controlling subsidiary of the Company.

After considering all relevant factors, the Directors (including independent non-executive Directors) considered that the 2025 Purchase Framework Agreement (including the proposed annual cap) was entered into by the Company on normal commercial terms in the ordinary and usual course of business of the Group, and that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. INTERNAL CONTROL MEASURES

In order to ensure that the actual prices of the transactions contemplated the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement between the Group and Livzon MAB are on normal commercial terms and on terms no less favourable to the Group than that available from third parties, the Group adopts the following internal control procedures for its daily operation:

(i) Each transaction to be conducted under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement will be signed by the designated staff of the department requesting such transaction and the finance department, and the general manager of the relevant subsidiary and/or the president of the Company.

(ii) The Group will conduct regular checks to review and assess whether the transactions have been conducted in accordance with the terms of the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement. Such checks will be conducted by the general manager of finance of the Company on a monthly basis and the secretary of the Board on a quarterly basis and will be reported to the Board.

(iii) To ensure the continuing connected transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement will not exceed the annual caps, each subsidiary will submit monthly financial figures to the financial department of the Company for consolidation and analysis. The Group will conduct transactions in accordance with the annual plan which

is formulated by the finance department of the Group at the year end of the preceding year and is subject to quarterly review. In particular, the finance department of the Company is responsible for monitoring the actual transactions amounts between the Group and Livzon MAB on a monthly basis to ensure that the annual caps will not be exceeded. In the event the amount of continuing connected transactions incurred and to be incurred under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement is expected to exceed the annual caps, the general manager of finance of the Company shall report to the management of the Company in a timely manner for its determination as to whether revision to the annual caps is required to ensure compliance of the requirements under the Hong Kong Listing Rules.

(iv) The relevant departments and the finance department of the Company will review the internal pricing policy or mechanism, provisions and implementation status with respect to the continuing connected transactions on an annual basis, including but not limited to identifying the connected persons of the Group and their processes for handling the continuing connected transactions. In the event that the relevant departments consider adjustment to the pricing policy or mechanism is required, they shall make amendment proposals with detailed reasons and supporting materials for the management of the Company to consider and determine appropriate actions to be taken.

(v) The auditor of the Company will conduct an annual review of the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement.

(vi) The audit committee of the Company shall review the continuing connected transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement twice a year to confirm whether the relevant transactions are on fair and reasonable terms and in the interest of the Company and the Shareholders as a whole.

Having considered the internal control measures mentioned above, the Directors (including the independent non-executive Directors) consider that such internal control measures are sufficient to ensure the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement will be entered into on normal commercial terms, and will not impair the interests of the Company and the Shareholders as a whole.

IV. INFORMATION OF THE PARTIES

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.

Livzon MAB is a company incorporated in the PRC with limited liability and is principally engaged in the R&D and commercialization of biopharmaceutical products. Its ultimate beneficial owner is Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company.

V. IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, Joicare directly and indirectly owns approximately 45.96% equity interests in the Company, therefore it is the controlling shareholder of the Company. Joicare indirectly owns 26.84% equity interests in Livzon MAB. Therefore, Livzon MAB, as a connected subsidiary, is a connected person of the Company. As such, the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, respectively. As (i) Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company, is also the chairman of Joicare and indirectly holds 47.79% equity interest in Joicare as at the date of this announcement; (ii) Mr. Qiu Qingfeng, a non-executive Director, is a director and a vice president of Joicare; (iii) Mr. Lin Nanqi, a non-executive Director, is the president and a director of Joicare; and (iv) Mr. Tang Yanggang, an executive Director, and Mr. Tao Desheng, a non-executive Director, are also the directors of LivzonBio, which held 100% equity interest in Livzon MAB, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Lin Nanqi, Mr. Tang Yanggang and Mr. Tao Desheng are deemed to have material interests in the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement and the transactions contemplated thereunder, and have abstained from voting at the Board meeting in relation to the approval of the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement and the transactions contemplated thereunder. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Lin Nanqi, Mr. Tang Yanggang and Mr. Tao Desheng, no other Directors are required to abstain from voting at the Board meeting in relation to the above matters.

As the highest applicable percentage ratios of the 2025 Lease Cap and the 2025 Purchase Cap are higher than 0.1% but lower than 5%, respectively, the transactions contemplated under the 2025 Leasing Assets Framework Agreement and the 2025 Purchase Framework Agreement are subject to the reporting and announcement requirements, but are exempted from the Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

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

“2025 Lease Cap”	The annual cap of RMB39.00 million regarding the Group’s leasing assets to Livzon MAB during the period from 1 January 2025 to 31 December 2025
“2025 Leasing Assets Framework Agreement”	The framework agreement entered into between the Company and Livzon MAB on 31 December 2024 in relation to the continuing connected transaction regarding leasing assets to Livzon MAB by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB39.00 million
“2025 Purchase Cap”	The annual cap of RMB54.00 million regarding the Group’s purchase of drugs from Livzon MAB during the period from 1 January 2025 to 31 December 2025

“2025 Purchase Framework Agreement”	The framework agreement entered into between the Company and Livzon MAB on 31 December 2024 in relation to the continuing connected transaction regarding purchasing drugs from Livzon MAB by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB54.00 million
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“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 with limited liability, the Shares of which are listed on the Shenzhen Stock Exchange and the Stock Exchange
“connected person(s)”	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 director(s) of the Company
“Group”	collectively the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended and supplemented or otherwise modified from time to time
“independent third party (ies)”	a person or persons or a company or companies that is not or are not the connected person(s) of the Group
“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 a controlling shareholder of the Group
“Livzon MAB”	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司), a subsidiary indirectly owned as to 60.23% by the Company, which is a limited liability company established in the PRC in 2010

“LivzonBio”		LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司), a subsidiary directly owned as to 60.23% by the Company, which is a limited liability company established in the PRC in 2017
“Pharmaceutical Factory”		Livzon Group Livzon Pharmaceutical Factory* (麗珠集團麗珠製藥廠), a wholly-owned subsidiary of the Company, which is a limited liability company established in the PRC in 1989
“R&D”		research and development
“PRC”		the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan district for the purpose of this announcement
“RMB”		Renminbi, the lawful currency of the PRC
“Shanghai Exchange”	Stock	the Shanghai Stock Exchange (上海證券交易所)
“Shareholder(s)”		holder(s) of the share(s) of the Company
“Shenzhen Exchange”	Stock	the Shenzhen Stock Exchange (深圳證券交易所)
“Stock Exchange”		The Stock Exchange of Hong Kong Limited
“%”		per cent

By order of the Board
麗珠醫藥集團股份有限公司
Livzon Pharmaceutical Group Inc. *
Liu Ning
Company Secretary

Zhuhai, China

31 December 2024

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. Lin Nanqi and Mr. Qiu Qingfeng; 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*