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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 NEW 2021 LABOUR SERVICES FRAMEWORK AGREEMENT

WITH LIVZON MAB

Entering into the New 2021 Labour Services Framework Agreement with Livzon MAB

On 4 June 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the adjustment to the cap of the continuing connected transactions in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.40 million to RMB22.06 million. On the same day, the Company and Livzon MAB entered into the New 2021 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Labour Services Framework Agreement entered into on 31 December 2021 ceased to be effective.

Implications of the Hong Kong Listing Rules

As at the date of this announcement, Joincare directly and indirectly owns approximately 44.81% equity interests in the Company, so it is the controlling Shareholder of the Company. Joincare indirectly owns 33.07% equity interests in Livzon MAB, so Livzon MAB is an associate of Joincare. Therefore, Joincare and its associates and Livzon MAB are the connected persons of the Company and the transactions contemplated under the New 2021 Labour Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As (i) Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company, is also the chairman of Joincare and indirectly holds 45.73% equity interest in Joincare as at the date of this announcement; (ii) Mr. Qiu Qingfeng, a non-executive Director, is a director and a vice president of Joincare; (iii) Mr. Yu Xiong, a non-executive Director, is the president of Joincare; and (iv) Mr. Tang Yanggang, an executive Director, and Mr. Tao Desheng, a non-executive Director, are both the directors of Livzon MAB, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng are deemed to have material interests in the New 2021 Labour Services Framework Agreement and the transactions contemplated thereunder, and have abstained from voting at the Board meeting in relation to the approval of the New 2021 Labour Services Framework Agreement and the transactions contemplated thereunder. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng, no other Directors are required to abstain from voting at the Board meeting in relation to the approval of the above matters.

As the highest applicable percentage ratios of the 2021 New Cap are higher than 0.1% but lower than 5%, respectively, the transactions contemplated under the New 2021 Labour Services 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.

New 2021 Labour Services Framework Agreement

On 4 June 2021, in order to meet the business development needs of Livzon MAB, the Company convened a Board meeting to consider and approve the adjustment to the cap of the continuing connected transactions in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.40 million to RMB22.06 million. On the same day, the Company and Livzon MAB entered into the New 2021 Labour Services Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Labour Services Framework Agreement entered into on 31 December 2021 ceased to be effective.

Date

4 June 2021

Parties

Purchaser: Livzon MAB

Seller: the Company

Term

From 1 January 2021 to 31 December 2021

Conditions precedent

The New 2021 Labour Services Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Board.

Subject Matter

Pursuant to the New 2021 Labour Services Framework Agreement, during the period from 1 January 2021 to 31 December 2021, the Group will provide Livzon MAB with management services in clinical research and development (“**R&D**”) and clinical trial, and commissioned production of drugs. The Group may enter into specific implementation contracts (including but not limited to settlement terms and payment arrangement) with Livzon MAB in respect of provision of labour services, provided that such detailed terms of the implementation contracts shall not contravene the terms of the New 2021 Labour Services Framework Agreement.

Transaction Cap and Basis of Determination

During the period from 1 January 2021 to 31 December 2021, the Group will provide Livzon MAB with management services in clinical R&D and clinical trial, and commissioned production of drugs, with a cap of RMB22.06 million. The transaction cap was determined by the Group and Livzon MAB on arm's length negotiations by taking into account factors such as stages of R&D, working hours involved, volume of commissioned production and production costs. The 2021 New Cap is higher than the annual caps set in previous years, and it was mainly due to an expected substantial growth in commissioned production as Livzon MAB has obtained the approval for the production of Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) and has started the commercial production.

Historical Transaction Amounts

Unit: RMB million

For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the five months ended 31 May 2021
0.5563	4.1104	9.0686	4.6100

Pricing Principles

The prices for the provision of management services in clinical R&D and clinical trial, and commissioned production of drugs by the Group to Livzon MAB will be determined on arm's length negotiations by reference to factors such as the operation costs, potential comprehensive income and the prevailing market prices of the comparable management services in clinical R&D and clinical trial and commissioned production.

Reasons and Benefits of Entering into the New 2021 Labour Services Framework Agreement

In regard to management services in clinical R&D and clinical trial, Livzon MAB can leverage long experience and resources of the Group in terms of management of drug R&D, so as to enhance its quality of management of clinical trial and accelerate the relevant progress; in regard to commissioned production of drugs, Livzon MAB can leverage the Group's sound production experience and a long history of excellence in the production of hormone drugs, fully utilize the Group's production workshops that meet the requirements for rHCG technique and preparation, and utilize the Group's part of surplus production capacity to optimize the capacity utilization of the production workshops of the Group. Meanwhile, Livzon MAB can focus its resources on R&D by avoiding the repeated construction of its production capacity. Therefore, the overall operation performance of the Group can be improved, as Livzon MAB is the controlling subsidiary of the Company.

After considering all relevant factors, the Directors (including independent non-executive Directors) considered that the New 2021 Labour Services Framework Agreement (including the proposed transaction 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.

Internal Control Measures

In order to ensure that the actual prices of provision of labour services 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 New 2021 Labour Services 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 provision of labour services have been conducted in accordance with the terms of the New 2021 Labour Services 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 New 2021 Labour Services Framework Agreement will not exceed the annual transaction caps, each subsidiary will submit monthly financial figures to the financial department of the Company for consolidation and analysis. The Group will provide labour services 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 with 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 New 2021 Labour Services Framework Agreement is expected to exceed the annual transaction 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 New 2021 Labour Services Framework Agreement.

(vi) The audit committee of the Company shall review the continuing connected transactions contemplated under the New 2021 Labour Services 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 New 2021 Labour Services 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.

Information of the Parties

The Company, through its subsidiaries, is principally engaged in the R&D, production and sales of drug preparation products, APIs 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 research, development and commercialization of biopharmaceutical products. Its ultimate beneficial owner is Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company.

Implications of the Hong Kong Listing Rules

As at the date of this announcement, Joincare directly and indirectly owns approximately 44.81% equity interests in the Company, so it is the controlling Shareholder of the Company. Joincare indirectly owns 33.07% equity interests in Livzon MAB, so Livzon MAB is an associate of Joincare. Therefore, Joincare and its associates and Livzon MAB are the connected persons of the Company and the transactions contemplated under the New 2021 Labour Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As (i) Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company, is also the chairman of Joincare and indirectly holds 45.73% equity interest in Joincare as at the date of this announcement; (ii) Mr. Qiu Qingfeng, a non-executive Director, is a director and a vice president of Joincare; (iii) Mr. Yu Xiong, a non-executive Director, is the president of Joincare; and (iv) Mr. Tang Yanggang, an executive Director, and Mr. Tao Desheng, a non-executive Director, are both the directors of Livzon MAB, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng are deemed to have material interests in the New 2021 Labour Services Framework Agreement and the transactions contemplated thereunder, and have abstained from voting at the Board meeting in relation to the approval of the New 2021 Labour Services Framework Agreement and the transactions contemplated thereunder. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng, no other Directors are required to abstain from voting at the Board meeting in relation to the approval of the above matters.

As the highest applicable percentage ratios of the 2021 New Cap are higher than 0.1% but lower than 5%, respectively, the transactions contemplated under the New 2021 Labour Services 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:

“2021 New Cap”	The amount of continuing connected transactions regarding the Group’s provision of labour services to Livzon MAB during 2021 approved by the Board on 4 June 2021, which amounted to RMB22.06 million
“Existing 2021 Labour Services Framework Agreement”	The framework agreement entered into between the Company and Joicare on 31 December 2020 in relation to the continuing connected transaction in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with a cap of RMB10.40 million, which is an agreement in relation to de minimis continuing connected transactions under the Hong Kong Listing Rules and ceased to be effective on 4 June 2021
“New 2021 Labour Services Framework Agreement ”	The framework agreement entered into between the Company and Joicare on 4 June 2021 in relation to the continuing connected transaction in relation to provision of labour services by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with a cap of RMB22.06 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
“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 one of the controlling shareholders 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 51.00% by the Company, which is a limited liability company established in the PRC in 2010
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenzhen Stock Exchange”	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. *
Yang Liang
Company Secretary

Zhuhai, China
4 June 2021

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. Zheng Zhihua, Mr. Xie Yun, Mr. Tian Qiusheng and Mr. Wong Kam Wa.

** For identification purpose only*