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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 WATER ELECTRICITY FRAMEWORK AGREEMENT WITH LIVZON MAB

Entering into the New 2021 Water Electricity 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 water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.09 million to RMB24.05 million. On the same day, the Company and Livzon MAB entered into the New 2021 Water Electricity Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Water Electricity 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, Joicare directly and indirectly owns approximately 44.81% equity interests in the Company, so it is the controlling Shareholder of the Company. Joicare indirectly owns 33.07% equity interests in Livzon MAB, so Livzon MAB is an associate of Joicare. Therefore, Joicare and its associates and Livzon MAB are the connected persons of the Company and the transactions contemplated under the New 2021 Water Electricity 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 Joicare and indirectly holds 45.73% 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. Yu Xiong, a non-executive Director, is the president of Joicare; 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 Water Electricity 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 Water Electricity 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 Water Electricity 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 Water Electricity 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 water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with the cap changed from RMB10.09 million to RMB24.05 million. On the same day, the Company and Livzon MAB entered into the New 2021 Water Electricity Framework Agreement in relation to the above-mentioned continuing connected transactions, and the de minimis Existing 2021 Water Electricity 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 Water Electricity Framework Agreement and the transactions contemplated thereunder are subject to the approval of the Board.

Subject Matter

Pursuant to the New 2021 Water Electricity Framework Agreement, during the period from 1 January 2021 to 31 December 2021, the Group will provide Livzon MAB with water, electricity, steam and sewage treatment. 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 water, electricity, steam and sewage treatment, provided that such detailed terms of the implementation contracts shall not contravene the terms of the New 2021 Water Electricity 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 water, electricity, steam and sewage treatment, with a cap of RMB24.05 million. The transaction cap was determined by the Group and Livzon MAB on arm's length negotiations by taking into account factors such as the historical transaction amounts, progress expectations of the research and development (“R&D”) and production of the vaccines, and production plan for 2021. The 2021 New Cap is higher than the annual caps set in previous years, and it was mainly due to the estimated volume for water, electricity, steam and sewage treatment in the commercial production of 2019-nCoV vaccines by Livzon MAB. As the global demand for 2019-nCoV vaccines continues to rise, it is expected that the planned annual amount of 2019-nCoV vaccines manufactured by Livzon MAB will increase by more than double, therefore the volume for water, electricity, steam and sewage treatment in the production will also substantially increase in response to the business requirements of Livzon MAB.

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 |
|--|--|--|--|
| 7.8709 | 8.8112 | 8.2530 | 4.0800 |

Pricing Principles

The prices for provision of water, electricity and steam by the Group to Livzon MAB will be determined on arm's length negotiations by reference to the prevailing market prices, and the prices of sewage treatment will be calculated with reference to the volume of sewage treatment and the relevant costs of materials consumed.

Reasons and Benefits of Entering into the New 2021 Water Electricity Framework Agreement

The production and operation of Livzon MAB require water, electricity, steam and sewage treatment. If Livzon MAB purchases such utilities separately from the independent third parties, it may take time for Livzon MAB to complete various procedures and formalities, which may affect its recent continuously growing production and operation, and Livzon MAB will have to pay for the relevant activation fees and bear the additional administrative costs incurred. Therefore, the provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB 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 the controlling subsidiary of the Company.

After considering all relevant factors, the Directors (including independent non-executive Directors) considered that the New 2021 Water Electricity 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 water, electricity, steam and sewage treatment 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 Water Electricity 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 water, electricity, steam and sewage treatment have been conducted in accordance with the terms of the New 2021 Water Electricity 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 Water Electricity 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 water, electricity, steam and sewage treatment 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 Water Electricity 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 Water Electricity Framework Agreement.

(vi) The audit committee of the Company shall review the continuing connected transactions contemplated under the New 2021 Water Electricity 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 Water Electricity 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 Water Electricity 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 Water Electricity 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 Water Electricity 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 Water Electricity 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:

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|---|---|
| “2021 New Cap” | The amount of continuing connected transactions regarding the Group’s provision of water, electricity, steam and sewage treatment to Livzon MAB during 2021 approved by the Board on 4 June 2021, which amounted to RMB24.05 million |
| “Existing 2021 Water Electricity Framework Agreement” | The framework agreement entered into between the Company and Joincare on 31 December 2020 in relation to the continuing connected transaction in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with a cap of RMB10.09 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 Water Electricity Framework Agreement ” | The framework agreement entered into between the Company and Joincare on 4 June 2021 in relation to the continuing connected transaction in relation to provision of water, electricity, steam and sewage treatment by the Group to Livzon MAB for the period from 1 January 2021 to 31 December 2021, with a cap of RMB24.05 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 |
| “2019-nCoV” | novel coronavirus (2019-nCoV) |
| “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