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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.***, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

(I) PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS
(II) NEW LIVZON MAB GUARANTEES
(III) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

FRONTPAGE 富比

The letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the New Livzon MAB Guarantees and the transactions contemplated thereunder is set out on page 18 of this circular. A letter from Frontpage Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the New Livzon MAB Guarantees and the transactions contemplated thereunder is set out from pages 19 to 37 of this circular.

The Company will hold the EGM at the Conference Room on the 3rd Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Thursday, 29 July 2021. The notice convening the EGM is set out on pages 45 to 46 of this circular. The proxy form for use by the Shareholders of the Company at the EGM are enclosed herein. The aforesaid documents are also available for download on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn).

If you would like to attend the EGM by proxy, please complete the proxy form in accordance with the instructions printed thereon and return it to the Secretariat of the Board of the Company (for A Shareholders) or the H Share Registrar of the Company, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

* *For identification purpose only*

7 July 2021

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

"A Share(s)"	the domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 000513)
"A Shareholder(s)"	holder(s) of the A Share(s)
"Agricultural Bank"	Agricultural Bank of China Limited
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Baiyeyuan"	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百業源投資有限公司)
"Bank of Communications"	Bank of Communications Co., Ltd.
"Banks"	the ten banks including Export-Import Bank of China, Bank of China Limited, Agricultural Bank, Industrial and Commercial Bank, China Construction Bank Corporation, Bank of Communications, China Merchants Bank, PingAn Bank Co., Ltd., China CITIC Bank and China Minsheng Banking Corp., Ltd.
"Begol"	Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司)
"Board"	the board of Directors of the Company
"China CITIC Bank"	China CITIC Bank Corporation Limited
"China Merchants Bank"	China Merchants Bank Co., Ltd.
"Company"	麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*, a joint stock company incorporated in the PRC in accordance with the Company Law on 26 January 1985 with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively

"Company Law"	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"COVID-19 pandemic" or "pandemic"	the outbreak of novel coronavirus (2019-nCoV) disease
"Director(s)"	director(s) of the Company
"EGM"	the 2021 third extraordinary general meeting of the Company to be held at the Conference Room on the 3rd Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Thursday, 29 July 2021
"Existing Livzon MAB Facilities"	the facilities up to a maximum of RMB1,005,000,000 (or its equivalent in foreign currencies) in aggregate to be applied by Livzon MAB from six banks
"Existing Livzon MAB Guarantees"	the financing guarantees up to a maximum of RMB1,005,000,000 (or its equivalent in foreign currencies) in aggregate to be provided by the Company in favour of six banks to secure the Existing Livzon MAB Facilities
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 01513)
"H Shareholder(s)"	holder(s) of the H Share(s)
"Haibin Pharma"	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)
"Hong Kong"	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

"Industrial and Commercial Bank"	Industrial and Commercial Bank of China Ltd.
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors
"Independent Financial Adviser" or "Frontpage Capital"	Frontpage Capital Limited, a licensed corporation registered to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and has been appointed by the Independent Board Committee as independent financial adviser to provide advice on the New Livzon MAB Guarantees and the contemplated transactions thereunder to the Independent Board Committee and Independent Shareholders
"Independent Shareholders"	Shareholders other than Joincare and its associates
"Joincare"	健康元藥業集團股份有限公司 Joincare Pharmaceutical Industry Group Co., Ltd.* (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange in 2001 and one of the Company's controlling shareholders
"Joincare Group"	Joincare and its subsidiaries (for the purpose of this circular, excluding the Group)
"Latest Practicable Date"	30 June 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Livzon Diagnostics"	Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司)
"Livzon HK"	Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)
"Livzon MAB"	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)
"LivzonBio"	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules

"New Livzon MAB Facilities"	the facilities up to a maximum of RMB2,350,000,000 (or its equivalent in foreign currencies) in aggregate to be applied by Livzon MAB from the Banks
"New Livzon MAB Guarantees"	the financing guarantees up to a maximum of RMB2,350,000,000 (or its equivalent in foreign currencies) in aggregate to be provided by the Company in favour of the Banks to secure the New Livzon MAB Facilities
"PRC" or "China"	the People's Republic of China, which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the shareholder(s) of the Company
"Shenzhen Listing Rules"	the Stock Listing Rules of the Shenzhen Stock Exchange (as amended in 2018) (《深圳證券交易所股票上市規則(2018年修訂)》)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Topsino"	Topsino Industries Limited (天誠實業有限公司)
"Xinbeijiang Pharmaceutical"	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司)
"2019-nCoV"	the novel coronavirus (2019-nCoV)
"2019-nCoV vaccine(s)"	the vaccine(s) for novel coronavirus (2019-nCoV)

In case of any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

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)

Executive Directors:
Mr. Tang Yanggang *(President)*
Mr. Xu Guoxiang *(Vice Chairman and Vice President)*

Non-executive Directors:
Mr. Zhu Baoguo *(Chairman)*
Mr. Tao Desheng *(Vice Chairman)*
Mr. Qiu Qingfeng
Mr. Yu Xiong

Independent Non-executive Directors:
Mr. Bai Hua
Mr. Xie Yun
Mr. Zheng Zhihua
Mr. Tian Qiusheng
Mr. Wong Kam Wa

Registered office:
Headquarters Building,
38 Chuangye North Road,
Jinwan District, Zhuhai,
Guangdong Province,
China

Principal place of business in Hong Kong:
Room 1301, 13/F.,
China Evergrande Centre,
38 Gloucester Road, Wanchai,
Hong Kong

7 July 2021

To the Shareholders

Dear Sir/Madam,

(I) PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS
(II) NEW LIVZON MAB GUARANTEES
(III) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

The purpose of this circular is to provide you with relevant information to enable you to make informed decisions in voting on the ordinary resolutions in relation to the proposed appointment of independent non-executive Directors and the special resolution in relation to the New Livzon MAB Guarantees to be proposed at the EGM.

* *For identification purpose only*

I. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Given that Mr. Zheng Zhihua and Mr. Xie Yun will retire as independent non-executive Directors due to expiration of their 6-year terms of office as directors, with effect from 29 July 2021, the Company is required to appoint two independent non-executive Directors as replacement in accordance with the Hong Kong Listing Rules, the Company Law, the Securities Law and other related laws and regulations, as well as relevant provisions of the Articles of Association. The nomination committee of the Board considered and approved the nomination of Mr. Luo Huiyuan and Ms. Cui Lijie and recommended for the approval to the Board. The Board considered and approved the appointment of Mr. Luo Huiyuan and Ms. Cui Lijie as the independent non-executive Directors of the tenth session of the Board on 6 July 2021. The independent non-executive Directors have also expressed an independent opinion approving the qualifications of Mr. Luo Huiyuan and Ms. Cui Lijie. Accordingly, the Company proposes the following ordinary resolutions in respect of the appointment of two independent non-executive Directors to be considered and approved at the EGM:

1. proposed appointment of Mr. Luo Huiyuan as an independent non-executive Director of the tenth session of the Board; and

2. proposed appointment of Ms. Cui Lijie as an independent non-executive Director of the tenth session of the Board.

The qualification and independence of each of Mr. Luo Huiyuan and Ms. Cui Lijie are subject to the filing and review of the Shenzhen Stock Exchange without objection before putting forward to the EGM for voting. Each of Mr. Luo Huiyuan and Ms. Cui Lijie has obtained the independent director qualification certificate recognized by the Shenzhen Stock Exchange.

Pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, the biographical details of Mr. Luo Huiyuan and Ms. Cui Lijie are set out as follows:

Mr. Luo Huiyuan (羅會遠), aged 54, graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law in 1993. He graduated from the school of law of Renmin University of China (中國人民大學) and obtained a master's degree in law in 2000. He is the principal and senior partner of Beijing Hai Run Law Firm (北京海潤天睿律師事務所). He concurrently serves a council member and the vice-chairman of Finance & Taxation Committee of Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會). He was a member of the sixth session of Listed Company Merger and Reorganization Examination Committee of China Securities Regulatory Commission (中國證券監督管理委員會第六屆上市公司併購重組審核委員會) from July 2016 to June 2019. He was an independent director of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ) from January 2018 to January 2021. He has been an independent director of Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH) since January 2016, an independent director of Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ) since January 2017, an independent director of Cnpc Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ) since April 2017, an independent director of Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH) since September 2017, and an independent director of Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司) since September 2020.

Ms. Cui Lijie (崔麗婕), aged 45, holds a postgraduate degree. She was a director and the secretary to the board of Zhuhai Ebang Pharmaceutical Co., Ltd. (珠海億邦製藥股份有限公司). She is a member of the Zhuhai Committee of Jiusan Society, a member of Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會) and an executive member of Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會). She has been an executive director and the general manager of Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司) since April 2016, an executive director and the general manager of Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司) since August 2016, the chairman of Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司) since December 2016, a supervisor of Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH) from May 2017 to May 2021, a director of Suzhou Yusen New Medicine Co.Ltd. (蘇州玉森新藥有限公司) since April 2018, a director of Deyi Sunshine (Beijing) Co., Ltd (德益陽光(北京)有限公司) since June 2020, and an non-independent director of Suzhou Iron Technology Co., Ltd. (688329.SH) since May 2021.

Each of Mr. Luo Huiyuan and Ms. Cui Lijie has not taken up any other position in the Company or any of its subsidiaries. Save as disclosed above, each of Mr. Luo Huiyuan and Ms. Cui Lijie has not held directorship in other listed companies in the present and last three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, each of Mr. Luo Huiyuan and Ms. Cui Lijie has confirmed that he/she has met the independence criteria as set out in Rule 3.13 of the Hong Kong Listing Rules. Each of Mr. Luo Huiyuan and Ms. Cui Lijie also confirms that he/she (i) has no relationship with any Directors, supervisors, senior management or substantial or controlling shareholders of the Company; and (ii) has no interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Upon the appointment of Mr. Luo Huiyuan and Ms. Cui Lijie, each of them will enter into a service contract with the Company, and each will be entitled to an annual director fee of RMB120,000 (before tax) during his/her tenure. Such fee is determined with reference to their duties and responsibilities within the Company, the Company's remuneration policy and the market salary range for the positions. The term of Mr. Luo Huiyuan's and Ms. Cui Lijie's appointment as independent non-executive Directors shall commence on the date of approval of their respective appointment at the EGM up to the expiry of the term of the tenth session of the Board.

Saved as disclosed above, there is no other matter which needs to be brought to the attention of the Shareholders in relation to the aforesaid proposed appointment of independent non-executive Directors and there is no information required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Listing Rules.

II. NEW LIVZON MAB GUARANTEES

Background

References are made to the announcement of the Company dated 15 April 2021 and the circular of the Company dated 24 April 2021 in relation to, among other things, the Existing Livzon MAB Guarantees. The resolution of the Existing Livzon MAB Guarantees was approved by the Shareholders at the 2020 annual general meeting of the Company convened on 20 May 2021. The cap of the Existing Livzon MAB Guarantees was set at no more than RMB1,005,000,000 (or its equivalent in foreign currencies) for a term of one year.

The global trend of COVID-19 pandemic remains rampant. Currently, given Livzon MAB's (i) acceleration in the R&D of vaccines for 2019-nCoV and its mutant strains (mainly against the South African and Indian strains), (ii) procurement costs of key raw materials for 2019-nCoV vaccines have increased, and (iii) expected increase in production capacity for its 2019-nCoV vaccines, as such the Board is of the view that the cap of the Existing Livzon MAB Guarantees (of no more than RMB1,005,000,000 or its equivalent in foreign currencies for a term of one year), granted for the purposes of financing the business and operations of Livzon MAB, is not sufficient to meet the requirements of business needs and R&D of Livzon MAB. Therefore, on 4 June 2021, the Board considered and approved the New Livzon MAB Guarantees and consented to revise the cap of the Existing Livzon MAB Guarantees to no more than RMB2,350,000,000 (or its equivalent in foreign currencies) for a term of one year.

Proposed Revision of the Existing Livzon MAB Guarantees

The details of the Existing Livzon MAB Guarantees and the New Livzon MAB Guarantees are set out below:

Guaranteed entity	Shareholding of the Company	Name of facility granting Bank	Currency	Revised maximum guarantee amount *(RMB)*	Original maximum guarantee amount *(RMB)*	Term of guarantee *(year)*	Type of guarantee	Note
Livzon MAB	51.00%	Export-Import Bank of China	RMB	200,000,000	N/A	1	Joint liability guarantee	
		Bank of China Limited	RMB	300,000,000	N/A	1		
		Agricultural Bank	RMB	200,000,000	200,000,000	1		Amount to be shared with the Group
		Industrial and Commercial Bank	RMB	300,000,000	105,000,000	1		
		China Construction Bank Corporation	RMB	200,000,000	N/A	1		
		Bank of Communications	RMB	150,000,000	100,000,000	1		
		China Merchants Bank	RMB	300,000,000	300,000,000	1		Amount to be shared with the Group
		PingAn Bank Co., Ltd.	RMB	300,000,000	N/A	1		Amount to be shared with the Group
		China CITIC Bank	RMB	200,000,000	200,000,000	1		Amount to be shared with the Group
		China Minsheng Banking Corp., Ltd.	RMB	200,000,000	100,000,000	1		
Total			RMB	2,350,000,000	1,005,000,000			

In order to ensure the fairness and equity of the New Livzon MAB Guarantees, Joincare, which indirectly holds 33.07% equity interests of Livzon MAB, will provide to the Company with a "Letter of Undertaking for Counter Guarantee" (the "**Letter of Undertaking**") subject to the approval by its shareholders, pursuant to which it will undertake to provide counter guarantees in proportion to its shareholdings in Livzon MAB (the "**Joincare Counter Guarantees**"), and the guarantee period of the Joincare Counter Guarantees will be expired on the expiry date of the Company's obligation under the New Livzon MAB Guarantees. Based

on an audited net assets of approximately RMB19,236.90 million and an unaudited net assets of approximately RMB19,836.71 million as at 31 December 2020 and 31 March 2021, respectively, of Joincare, the Directors are of the view that Joincare has sufficient financial ability to fulfil its obligation under the Joincare Counter Guarantees. In addition, Livzon MAB will only apply and draw down the New Livzon MAB Facilities and hence the Company will only enter into specific guarantee agreements with the Banks in respect of the New Livzon MAB Guarantees upon the shareholders of Joincare approving the Joincare Counter Guarantees.

Intended Use of the New Livzon Mab Facilities

The New Livzon MAB Facilities are intended to be used to finance the general operation and business of Livzon MAB to facilitate the R&D and the production of the 2019-nCoV vaccines of Livzon MAB, including the phase III clinical trial of the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) (which is expected to be carried out in the second half of 2021) and the relevant commercial production activities (including purchasing raw materials for producing 2019-nCoV vaccines), and the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains).

As at the Latest Practicable Date, except for (i) the guarantee agreement of RMB50.00 million entered into between the Company and Bank of Communications on 20 March 2020, (ii) the guarantee agreement of RMB300.00 million entered into between the Company and China Merchants Bank on 17 July 2020, (iii) the guarantee agreement of RMB60.00 million entered into between the Company and Agricultural Bank on 12 April 2021, (iv) the guarantee agreement of RMB200.00 million entered into between the Company and China CITIC Bank on 20 April 2021, and (v) the guarantee agreement of RMB105.00 million entered into between the Company and Industrial and Commercial Bank on 27 May 2021, the Company has not entered into any other relevant agreements in relation to the Existing Livzon MAB Guarantees. Please refer to the circular of the Company dated 24 April 2021 for further details.

Basis of Determination for the New Livzon Mab Guarantees

The cap of the New Livzon MAB Guarantees is determined with reference to:

(i) the expected amount to be used for the phase III clinical trial of the Recombinant SARS-CoV-2 Fusion Protein Vaccine researched and developed by Livzon MAB;

(ii) the expected amount to be used for the commercial production of the Recombinant SARS-CoV-2 Fusion Protein Vaccine researched and developed by Livzon MAB;

(iii) the expected amount to be used by Livzon MAB in accelerating the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains);

(iv) the Existing Livzon MAB Guarantees (please refer to the circular of the Company dated 24 April 2021 for details); and

(v) an additional buffer of 10% on the aggregate amount expected to be required as stated in (i) to (iii) above, for any unforeseeable increase in expenses of clinical trial and production and to cover the risk of the inability of the Banks to provide loans on a timely basis.

Internal Control Measures

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the New Livzon MAB Guarantees, which include the followings:

(i) Each transaction to be conducted in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees shall comply with the related financing management system of the Company.

(ii) After obtaining the approval of the facilities from any of the Banks, Livzon MAB shall submit it to the financial department (including designated staff and the general manager of finance) and the general manager of Livzon MAB, as well as the secretary of the Board, the financial department (including designated staff, the general manager of finance and the vice president in charge) and the president of the Company for endorsement. Upon such the endorsement, Livzon MAB and the Company can enter into the separate facilities agreements and guarantee agreements, respectively, with the Banks.

(iii) The financial department of the Company will conduct monthly checks to review and assess whether the transactions in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees have been conducted in accordance with the terms of the relevant agreements, and monitor the actual transaction amount of the New Livzon MAB Facilities. Such checks will be conducted by the financial department of the Company on a monthly basis and the secretary of the Board on a quarterly basis and shall be submitted to the Board for report.

(iv) In the event the amount of the New Livzon MAB Facilities is expected to exceed the approved 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.

(v) The auditor of the Company will conduct an annual review of the transactions in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees.

(vi) As a controlling shareholder of Livzon MAB, the Company shall strengthen the supervision and management of its financing risks through the directors of Livzon MAB appointed by the Company, so as to prevent Livzon MAB from defaulting its repayment of bank debts in its best efforts.

In addition, the Company has also adopted the following internal control procedures and taken the following steps to ensure Joincare will honour the Joincare Counter Guarantees:

(i) The Board has maintained active communication with the board of directors of Joincare. The Board was notified by the board of directors of Joincare that it considered and approved the Joincare Counter Guarantees on 10 June 2021, and the general meeting of Joincare considered and approved the Joincare Counter Guarantees on 29 June 2021. The Board was also notified that Joincare would issue the Letter of Undertaking to the Company immediately after approval of the Joincare Counter Guarantees at the general meeting of Joincare.

(ii) The Company ensures that Livzon MAB will only apply and draw down the New Livzon MAB Facilities and hence the Company will only enter into specific guarantee agreements with the Banks in respect of the New Livzon MAB Guarantees upon (1) the shareholders of Joincare approving the Joincare Counter Guarantees, (2) the Company obtaining the Letter of Undertaking, and (3) the Shareholders approving the New Livzon MAB Guarantees at the general meeting of the Company.

(iii) The Company has actively sought relevant legal opinions from its PRC legal adviser. As confirmed by its PRC legal adviser:

(a) once the Letter of Undertaking has become effective (that is, upon approval of the Joincare Counter Guarantees at the general meeting of Joincare), Joincare may be required to fulfill its obligations under the Joincare Counter Guarantees upon Livzon MAB defaulting its repayment of bank debts under the New Livzon MAB Facilities and the Company assuming its obligations under the New Livzon MAB Guarantees; and

(b) the Joincare Counter Guarantees are legally enforceable, and the Company has the legal right to require Joincare to fulfill its obligations under the Joincare Counter Guarantees according to the Letter of Undertaking. In the event that Joincare fails to fulfil its obligations under the Joincare Counter Guarantees, the Company is entitled to file a lawsuit in the court and apply to freeze Joincare's assets, and has priority to receive relevant compensation.

(iv) The Company will review the financial statements and financial position of both Joincare and Livzon MAB regularly to assess the risks of the Joincare Counter Guarantees.

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 that the New Livzon MAB Guarantees will be entered into on normal commercial terms, and will not impair the interests of the Company and the Shareholders as a whole.

Furthermore, taking into account that Livzon MAB is also a controlling subsidiary of Joincare, the New Livzon MAB Guarantees and the Joincare Counter Guarantees are also in the interests of Joincare and its shareholders as a whole. Having considered the maximum repayment amount under the Joincare Counter Guarantees of approximately RMB777 million, and the unaudited net assets of Joincare as at 31 March 2021 of approximately RMB19,836.71 million, the Directors (including the independent non-executive Directors) consider that Joincare has the ability to fulfill its counter guarantees, and its default risk is within the controllable range and is relatively low.

Reasons for and Benefit of the Proposed Revision of the Existing Livzon MAB Guarantees

As at the Latest Practicable Date, Livzon MAB is indirectly held as to 51.00% by the Company and is a controlling subsidiary of the Company. The Company, as the controlling shareholder of Livzon MAB, is of the view that the proposed revision of the Existing Livzon MAB Guarantees can better facilitate the rapid and foreseeable business development of Livzon MAB.

In addition, the Company has been closely monitoring the business development of Livzon MAB. The Board is of the view that the revision of the Existing Livzon MAB Guarantees within a short period of time is reasonable and in the interests of the Shareholders as (i) in early May 2021, the Recombinant SARS-CoV-2 Fusion Protein Vaccine (the "**Vaccine**") researched and developed by Livzon MAB made smoother progress for phase I and phase II clinical trials earlier than originally expected, and it is expected to enter phase III clinical trial in the second half of 2021 which is approximately three months ahead of the original schedule. Livzon MAB has since obtained quotations for carrying out the phase III clinical trial of the Vaccine in multiple countries, based on which an updated total R&D expenditure required by the phase III clinical trial was calculated. As Livzon MAB will carry out phase III clinical trial at multiple locations globally, the expenses of phase III clinical trial of the Vaccine are expected to be high, which is the main reason for increasing the Existing Livzon MAB Facilities and the Existing Livzon MAB Guarantees; (ii) if the Vaccine is approved for emergency use based on satisfactory data obtained under phase II clinical trial, Livzon MAB will commence the commercial production of the Vaccine in the second half of 2021. In such an event, Livzon MAB will also need to secure adequate funding to finance the operating cost and capital expenditures for commercial production of the Vaccine; and (iii) following the outbreak of pandemic due to 2019-nCoV mutant strains in various countries around the world between April 2021 and June 2021, Livzon MAB also intends to reserve additional funds to accelerate the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains), so as to produce effective vaccines to help controlling the current global pandemic.

Given Livzon MAB's (i) acceleration in the R&D of vaccines for 2019-nCoV and its mutant strains (mainly against the South African and Indian strains), (ii) procurement costs of key raw materials for 2019-nCoV vaccines has increased, and (iii) expected increase in production capacity for its 2019-nCoV vaccines, in order to cope with the global demand for 2019-nCoV vaccines, the Existing Livzon MAB Guarantees will no longer be sufficient to support the R&D activities of Livzon MAB to be carried out throughout the year and its expected annual production targets. The Directors (including the independent non-executive Directors) are of the view that the Company will benefit from the provision of the New Livzon MAB Guarantees which will facilitate the daily operation and business of Livzon MAB to be supported by the New Livzon MAB Facilities, and the Company will benefit from alleviating its capital contribution requirement into Livzon MAB and optimising its capital allocation to the other profitable business segments, therefore benefiting the overall business development and strengthening the financial position of the Group.

In addition, it is common commercial practice for banks in the PRC to require guarantee from the controlling shareholder of a borrower for financing facilities. In view that Joincare will undertake to provide counter guarantees for 33.07% of the obligation of the Company under the New Livzon MAB Guarantees in favour of the Company which corresponds to its shareholdings in Livzon MAB, the Directors (including independent non-executive Directors) consider that the risk exposure to the Company is relatively low.

The Directors (including the independent non-executive Directors) consider that the New Livzon MAB Guarantees are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Information on the Company, Livzon Mab and the Banks

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.

Livzon MAB

Livzon MAB is a limited liability company established in the PRC in 2010 which is indirectly held as to 51.00% by the Company, 33.07% by Joincare, 8.43% by YF Pharmab Limited (an independent third party) and 7.50% by Hainan Lisheng Juyuan Investment Partnership (Limited Partnership) (海南麗生聚源投資合夥企業(有限合夥)). It is principally engaged in research, development and commercialization of biopharmaceutical products.

Banks

The Banks are the financial institutions incorporated in the PRC. To the best knowledge, information and belief of the Board, having made all reasonable enquiries, each of the Bank and its ultimate beneficial owner are independent third parties.

Hong Kong Listing Rules Implications

As at the Latest Practicable Date, Joincare directly and indirectly held approximately 44.76% of the total issued share capital of the Company, and Livzon MAB is indirectly held as to 33.07% by Joincare. Therefore, Livzon MAB, being an associate of Joincare, is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the New Livzon MAB Guarantees constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) in respect of the New Livzon MAB Guarantees exceeds 5%, therefore the New Livzon MAB Guarantees are subject to the requirements of reporting, announcement, annual review and approval of the Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

As the Joincare Counter Guarantees to be provided in relation to the New Livzon MAB Guarantees by Joincare are on normal commercial terms or better and will not be secured by the assets of the Group, according to Rule 14A.90 of the Hong Kong Listing Rules, the Joincare Counter Guarantees will be fully exempt from reporting, annual review, announcements, and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

This resolution (i.e. the New Livzon MAB Guarantees) involves changes to the previous resolution (i.e. the Existing Livzon MAB Guarantees) approved at the previous general meeting (i.e. the 2020 annual general meeting of the Company). Therefore, if approval for the New Livzon MAB Guarantees is granted at the general meeting of the Company, the New Livzon MAB Guarantees will be implemented and the Existing Livzon MAB Guarantees will lapse.

According to the Shenzhen Listing Rules and the Articles of Association, the New Livzon MAB Guarantees will become effective subject to the approval of Shareholders by way of special resolution at the EGM. Therefore, it is proposed that Shareholders (including Independent Shareholders) shall grant approval to the New Livzon MAB Guarantees at the EGM, and it is proposed that authorization shall be granted to the Board and other persons authorised by the Board to negotiate with each of the Banks regarding the specific details of the amount of guarantees within the cap of the New Livzon MAB Guarantees, and to execute all relevant documents.

General

Given that (i) Mr. Zhu Baoguo, the non-executive Director and the chairman of the Company, is also the chairman of Joincare and indirectly held 45.73% equity interest in Joincare and 33.07% equity interest in Livzon MAB as at the Latest Practicable Date; (ii) Mr. Qiu Qingfeng and Mr. Yu Xiong, the non-executive Directors, are also a director and the president of Joincare, respectively, and (iii) Mr. Tang Yanggang, the executive Director, and Mr. Tao Desheng, the non-executive Director, are also directors of Livzon MAB, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tao Desheng and Mr. Tang Yanggang are deemed to have material interest in the New Livzon MAB Guarantees and have abstained from voting at the Board meetings approving the New Livzon MAB Guarantees. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tao Desheng and Mr. Tang Yanggang, no other Directors are required to abstain from voting at the Board meetings approving the New Livzon MAB Guarantees.

As at the Latest Practicable Date, as Joincare and its associates directly and indirectly held approximately 44.76% of the total issued share capital of the Company, hence they are required to abstain from voting on the resolution approving the New Livzon MAB Guarantees at the EGM.

III. CONVENING THE EGM

The Company will hold the EGM at the Conference Room on the 3rd Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Thursday, 29 July 2021. The notice convening the EGM is set out on pages 45 to 46 of this circular. The proxy form for use by the Shareholders of the Company at the EGM are enclosed herein. The aforesaid documents are also available for download on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn).

If you would like to attend the EGM by proxy, please complete the proxy form in accordance with the instructions printed thereon and return it to the Secretariat of the Board of the Company (for A Shareholders) or the H Share Registrar of the Company, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

IV. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the EGM will be on Thursday, 22 July 2021. In order to qualify as Shareholders to attend and vote at the EGM, H Shareholders who are not registered must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 July 2021.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, the resolutions put forward at the EGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow the resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company in accordance with Rule 13.39(5) of the Hong Kong Listing Rules after the EGM.

VI. RECOMMENDATION

The Board considers that the resolutions set out in the notice of the EGM in relation to, as applicable, the proposed appointment of independent non-executive Directors and the New Livzon MAB Guarantees are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of the resolution to be proposed the EGM.

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

* *For identification purpose only*

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)

7 July 2021

To the Independent Shareholders,

Dear Sir or Madam,

NEW LIVZON MAB GUARANTEES

We refer to the circular dated 7 July 2021 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the New Livzon MAB Guarantees and the transactions contemplated thereunder. Frontpage Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 19 to 37 of the Circular.

Having considered, among others, the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the New Livzon MAB Guarantees and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the New Livzon MAB Guarantees and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Bai Hua	**Mr. Zheng Zhihua**	**Mr. Xie Yun**	**Mr. Tian Qiusheng**	**Mr. Wong Kam Wa**

Independent non-executive Directors

* *For identification purpose only*

Set out below is the text of a letter received from Frontpage Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Livzon MAB Guarantees and the transactions contemplated thereunder for the purpose of inclusion in this circular.

FRONTPAGE 富比

7 July 2021

To the Independent Board Committee and the Independent Shareholders of Livzon Pharmaceutical Group Inc.

Dear Sirs or Madams,

NEW LIVZON MAB GUARANTEES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the New Livzon MAB Guarantees and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 7 July 2021 and issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

The resolution of the Existing Livzon MAB Guarantees was approved by the Shareholders at the 2020 annual general meeting of the Company convened on 20 May 2021. The cap of the Existing Livzon MAB Guarantees was set at an amount of no more than RMB1,005,000,000 (or its equivalent in foreign currencies) for a term of one year. On 4 June 2021, the Board has considered and approved the New Livzon MAB Guarantees and consent to revise the cap of the Existing Livzon MAB Guarantees to no more than RMB2,350,000,000 (or its equivalent in foreign currencies) for a term of one year.

As at the Latest Practicable Date, Joincare was a controlling shareholder of the Company, and Livzon MAB was indirectly held as to 33.07% by Joincare. Therefore, Livzon MAB, being an associate of Joincare, is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the New Livzon MAB Guarantees constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) in respect of the New Livzon MAB Guarantees exceeds 5%, the New Livzon MAB Guarantees are subject to the requirements of reporting, announcement, annual review and approval of the Independent Shareholders under Chapter 14A of the Hong Kong Listing Rules. The resolution to approve the New Livzon MAB Guarantees involves changes to the previous resolution approving the Existing Livzon MAB Guarantees passed at the 2020 annual general meeting of the Company. Therefore, if approval for the New Livzon MAB Guarantees is granted at the EGM, the New Livzon MAB Guarantees will be implemented and the Existing Livzon MAB Guarantees will lapse.

As at the Latest Practicable Date, Joincare directly and indirectly held 418,878,625 shares of the Company, representing approximately 44.76% of the total issued share capital of the Company, and indirectly held 33.07% equity interest in Livzon MAB. Accordingly, Joincare, which has a material interest in the New Livzon MAB Guarantees, and its associates shall abstain from voting at the EGM in respect of the resolution approving the New Livzon MAB Guarantees. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder has any material interest in the New Livzon MAB Guarantees and is required to abstain from voting on the resolution of the Company to be proposed at the EGM to approve the New Livzon MAB Guarantees.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Bai Hua, Mr. Zheng Zhihua, Mr. Xie Yun, Mr. Tian Qiusheng and Mr. Wong Kam Wa, being all the independent non-executive Directors, has been established to give advice and recommendation to the Independent Shareholders on the New Livzon MAB Guarantees and the transactions contemplated thereunder. Our role as Independent Financial Adviser is to give our opinion and recommendation to the Independent Board Committee as to whether the New Livzon MAB Guarantees are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the terms of the New Livzon MAB Guarantees; (ii) the terms of the Existing Livzon MAB Guarantees; (iii) the 2020 annual report and interim report of the Company; (iv) the audited financial statements of Livzon MAB for the year ended 31 December 2020; (v) the 2020 annual report of Joincare; and (vi) other information as set out in the Circular.

We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations provided to us, for which the Company and the Directors are fully responsible, are true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Company and the

Directors, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company, the Group, or any of their respective subsidiaries or associates. Our advice was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial Shareholders of the Company, the Group, Joincare, or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company as at the date hereof. No arrangement exists whereby we will receive any benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company, the Group, Joincare, or any of their respective subsidiaries or associates for our services to the Company in connection with this appointment aside from our professional fees. Within the two years prior to the Latest Practicable Date, we have acted as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company in relation to a continuing connected transaction of the Company, details of which were set out in the circular of the Company dated 5 September 2019. We consider that we are independent from the Company pursuant to Rule 13.84 of the Hong Kong Listing Rules and are accordingly eligible to provide an opinion to the Independent Board Committee and the Independent Shareholders on the New Livzon MAB Guarantees and the transactions contemplated thereunder due to the fact that under the previous engagement, (i) our role was independent in nature; and (ii) we were only entitled to receive normal professional fees that were comparable to market rates and in line with general market practice.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee on the New Livzon MAB Guarantees, we have taken into account the following principal factors:

1. Background information of the parties

1.1 Information of the Group

The Group is engaged in the pharmaceutical manufacturing industry. The nature of business and principal activities of the Group primarily include in the R&D, production and sale of pharmaceutical products, which cover drug preparation products, active pharmaceutical ingredients ("**APIs**") and intermediates as well as diagnostic reagents and equipment.

The following table summarises the audited consolidated income statements of the Group for the years ended 31 December 2019 and 2020 ("**Year 2019**" and "**Year 2020**", respectively) as extracted from the 2020 annual report of the Company:

	For the year ended 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Operating income	10,520,410	9,384,696
– Chemical drug preparation products	5,402,936	4,931,285
– APIs and intermediates	2,440,263	2,350,069
– Traditional Chinese drug preparation products	1,207,267	1,281,344
– Diagnostic reagents and equipment	1,382,771	754,415
Operating profit	2,500,449	1,729,853
Net profit	2,131,327	1,461,578

Source: 2020 annual report of the Company

The operating income of the Group was approximately RMB10,520 million for the Year 2020, representing an increase of approximately RMB1,135 million, or approximately 12.1% from approximately RMB9,385 million for the Year 2019. According to the management of the Group, such increase was mainly due to the Group's ongoing dedication to the marketing system reforms and implementation of refined management, with continuous enhancement of sales income from key drug preparation products as a percentage to the total operating income, including Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片). Moreover, Anti-viral Granules (抗病毒顆粒), a key traditional Chinese drug preparation product, achieved a significant increase in sales driven by the pandemic compared to the previous year, and diagnostic kits for antibody to novel coronavirus (新型冠狀病毒抗體檢測試劑) also achieved additional sales, which collectively contributed to the growth of the Company's overall performance under the influence of the COVID-19 pandemic. Driven by the increase in the operating income, the net profit of the Group increased by approximately RMB669 million, or approximately 45.8%, from approximately RMB1,462 million for the Year 2019 to approximately RMB2,131 million for the Year 2020.

The following table summarises the audited consolidated balance sheet of the Group as at 31 December 2019 and 2020 as extracted from the 2020 annual report of the Company:

	As at 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Non-current assets	5,963,459	5,103,261
Current assets	14,627,357	12,873,202
Total assets	**20,590,816**	**17,976,463**
Non-current liabilities	867,845	407,568
Current liabilities	6,082,889	5,293,657
Total liabilities	**6,950,734**	**5,701,225**
Equity attributable to shareholders of the parent company	12,107,242	11,166,753
Equity attributable to non-controlling interests	1,532,840	1,108,485
Total equity	**13,640,082**	**12,275,238**

Source: 2020 annual report of the Company

The Group's total assets amounted to approximately RMB20,591 million as at 31 December 2020, representing an increase of approximately RMB2,615 million, or approximately 14.5% as compared to approximately RMB17,976 million as at 31 December 2019. The Group's total liabilities amounted to approximately RMB6,951 million as at 31 December 2020, representing an increase of approximately RMB1,250 million, or approximately 21.9% to approximately RMB5,701 million as at 31 December 2019. The Group's total shareholders' equity increased by approximately RMB1,365 million, or approximately 11.1% to approximately RMB13,640 million as at 31 December 2020 from approximately RMB12,275 million as at 31 December 2019.

1.2 Information of Livzon MAB

As set out in the Letter from the Board, Livzon MAB is a limited liability company established in the PRC in 2010 which is indirectly held as to 51.00% by the Company, 33.07% by Joincare, 8.43% by YF Pharmab Limited (an independent third party) and 7.50% by Hainan Lisheng Juyuan Investment Partnership (Limited Partnership) (海南麗生聚源投資合夥企業(有限合夥)) as at the Latest Practicable Date. It is principally engaged in the research, development and commercialisation of biopharmaceutical products.

The following table summarises the audited consolidated income statements of Livzon MAB for the Year 2019 and Year 2020 as extracted from the audited financial statements of Livzon MAB for the Year 2020:

	For the year ended 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Operating income	1,053	630
R&D	(247,261)	(217,120)
Operating loss	(218,418)	(210,146)
Net loss	(218,562)	(210,336)

Source: the audited financial statements of Livzon MAB for the Year 2020

The Livzon MAB's operating income was approximately RMB1 million for the Year 2020, representing an increase of approximately RMB0.4 million, or approximately 67.0% from approximately RMB0.6 million for the Year 2019. The net loss for the Year 2020 was approximately RMB219 million as compared with that of approximately RMB210 million for the Year 2019, mainly due to the cost incurred in R&D for the respective years.

The following table summarises the audited consolidated balance sheet of Livzon MAB as at 31 December 2019 and 2020 as extracted from the 2020 audited financial statements of Livzon MAB:

	As at 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Non-current assets	509,830	412,534
Current assets	308,633	135,605
Total assets	**818,463**	**548,139**
Non-current liabilities	29,434	2,725
Current liabilities	233,632	49,174
Total liabilities	**263,066**	**51,899**
Equity attributable to shareholders of the parent company	555,249	495,972
Equity attributable to non-controlling interests	148	268
Total equity	**555,397**	**496,240**

Source: the audited financial statements of Livzon MAB for the Year 2020

According to the audited financial statements of Livzon MAB for the Year 2020, Livzon MAB's total assets amounted to approximately RMB818 million as at 31 December 2020, representing an increase of approximately RMB270 million, or approximately 49.3% as compared to approximately RMB548 million as at 31 December 2019. Livzon MAB's total liabilities amounted to approximately RMB263 million as at 31 December 2020, representing an increase of approximately RMB211 million, or approximately 406.9% to approximately RMB52 million as at 31 December 2019. Livzon MAB's total shareholders' equity increased by approximately RMB59 million, or approximately 11.9% to approximately RMB555 million as at 31 December 2020 from approximately RMB496 million as at 31 December 2019.

1.3 Information of Joincare

Joincare is a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (Shanghai Stock Exchange stock code: 600380), which is a controlling shareholder of the Company. It is principally engaged in three major business segments, namely R&D, production and sales of (i) drug preparation products; (ii) APIs and intermediates; and (iii) food and health-care food.

The following table summarises the audited consolidated income statements of Joincare for the Year 2019 and Year 2020 as extracted from the 2020 annual report of Joincare:

	For the year ended 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Operating income	13,521,606	11,980,153
R&D	(1,071,712)	(905,591)
Operating profit	2,972,955	2,187,138
Net profit	2,578,466	1,850,018

Source: 2020 annual report of Joincare

The operating income of Joincare was approximately RMB13,522 million for the Year 2020, representing an increase of approximately RMB1,542 million, or approximately 12.9% from approximately RMB11,980 million for the Year 2019. According to the 2020 annual report of Joincare, such increase was mainly due to the Joincare Group's ongoing dedication to the marketing system reforms and implementation of refined management, with continuous enhancement of sales income from key drug preparation products as a percentage to the total operating income, including Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) and Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片).

Moreover, Anti-viral Granules (抗病毒顆粒), a key traditional Chinese drug preparation product, achieved a significant increase in sales driven by the pandemic compared to the previous year, the export of Meropenem (美羅培南), a key chemical API variety, achieved a significant increase, and diagnostic kits for antibody to novel coronavirus (新型冠狀病毒抗體檢測試劑) also achieved additional sales, which collectively contributed to the growth of the Joincare Group's overall performance under the influence of the COVID-19 pandemic. Driven by the increase in the operating income, the net profit of the Joincare Group increased by approximately RMB728 million, or approximately 39.4%, from approximately RMB1,850 million for the Year 2019 to approximately RMB2,578 million for the Year 2020.

The following table summarises the audited consolidated balance sheet of Joincare as at 31 December 2019 and 2020 as extracted from the 2020 annual report of Joincare:

	As at 31 December	
	2020	**2019**
	RMB'000	*RMB'000*
Non-current assets	9,752,423	8,852,917
Current assets	18,404,555	16,584,696
Total assets	**28,156,978**	**25,437,613**
Non-current liabilities	1,117,965	680,917
Current liabilities	7,802,115	7,372,670
Total liabilities	**8,920,080**	**8,053,587**
Equity attributable to shareholders of the parent company	11,096,126	10,355,965
Equity attributable to non-controlling interests	8,140,772	7,028,061
Total equity	**19,236,898**	**17,384,026**

Source: 2020 annual report of Joincare

According to the 2020 annual report of Joincare, Joincare's total assets amounted to approximately RMB28,157 million as at 31 December 2020, representing an increase of approximately RMB2,719 million, or approximately 10.7% as compared to approximately RMB25,438 million as at 31 December 2019. Joincare's total liabilities amounted to approximately RMB8,920 million as at 31 December 2020, representing an increase of approximately RMB866 million, or approximately 10.8% to approximately RMB8,054 million as at 31 December 2019. Joincare's total shareholders' equity increased by approximately RMB1,853 million, or approximately 10.7% to approximately RMB19,237 million as at 31 December 2020 from approximately RMB17,384 million as at 31 December 2019.

1.4 Information of the Banks

The Banks are the financial institutions incorporated in the PRC. To the best knowledge, information and belief of the Board, having made all reasonable enquiries, each of the Bank and its ultimate beneficial owner are independent third parties.

2. Reasons for and benefits of the Proposed Revision of the Existing Livzon MAB Guarantees

As stated in the Letter from the Board, the Company, as the controlling shareholder of Livzon MAB, is of the view that the proposed revision of the Existing Livzon MAB Guarantees can better facilitate the business development of Livzon MAB. The Board is of the view that the revision of the Existing Livzon MAB Guarantees within a short period of time is reasonable and in the interests of the Shareholders as (i) in early May 2021, the Recombinant SARS-CoV-2 Fusion Protein Vaccine (the "**Vaccine**") researched and developed by Livzon MAB made smoother progress for phase I and phase II clinical trials earlier than originally expected, and it is expected to enter phase III clinical trial in the second half of 2021 which is approximately three months ahead of the original schedule. Livzon MAB has since obtained quotations for carrying out the phase III clinical trial of the Vaccine in multiple countries, based on which an updated total R&D expenditure required by the phase III clinical trial was calculated. As Livzon MAB will carry out phase III clinical trial at multiple locations globally, the expenses of phase III clinical trial of the Vaccine are expected to be high, which is the main reason for increasing the Existing Livzon MAB Facilities and the Existing Livzon MAB Guarantees; (ii) if the Vaccine is approved for emergency use based on satisfactory data obtained under phase II clinical trial, Livzon MAB will commence the commercial production of the Vaccine in the second half of 2021. In such an event, Livzon MAB will also need to secure adequate funding to finance the operating cost and capital expenditures for commercial production of the Vaccine; and (iii) following the outbreak of pandemic due to 2019-nCoV mutant strains in various countries around the world between April 2021 and June 2021, Livzon MAB also intends to reserve additional funds to accelerate the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains), so as to produce effective vaccines to help controlling the current global pandemic. Given Livzon MAB's (i) acceleration in the R&D of vaccines for 2019-nCoV and its mutant strains (mainly against the South African and Indian strains); (ii) procurement costs of key raw materials for 2019-nCoV vaccines has increased; and (iii) expected increase in production capacity for its 2019-nCoV vaccines, in order to cope with the global demand for 2019-nCoV vaccines, the Existing Livzon MAB Guarantees will no longer be sufficient to support the R&D activities of Livzon MAB to be carried out throughout the year and its expected annual production targets. The Directors are of the view that the Company will benefit from the provision of the New Livzon MAB Guarantees which will facilitate the daily operation and business of Livzon MAB to be supported by the New Livzon MAB Facilities, alleviating the need of the Company to increase capital contribution into Livzon MAB and optimising the Company's capital allocation to the other profitable business segments, therefore benefiting the overall business development and strengthening the financial position of the Group.

According to the Letter from the Board, the New Livzon MAB Facilities are intended to be used to finance the general operation and business of Livzon MAB to facilitate the R&D and the production of the 2019-nCoV vaccines of Livzon MAB, including the phase III clinical trial of the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) (which is expected to be carried out in the second half of 2021) and the relevant commercial production activities (including purchasing raw materials for producing 2019-nCoV vaccines), and the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains).

According to the 2020 annual report of the Company, the Company will adhere the vision of "becoming a leader in the pharmaceutical industry", taking unfulfilled clinical needs as the starting point for innovation and R&D, focusing on the major business of innovative pharmaceuticals and further strengthening the Group's advantages in innovative medicines and complex drug preparation platforms with high barriers, and investing in technological innovation. As Livzon MAB is principally engaged in research, development and commercialisation of biopharmaceutical products, and is currently undertaking the projects for a number of products including the 2019-nCoV vaccines, the Recombinant Humanized Anti-IL-6R Monoclonal Antibody for Injection (重組人源化抗人IL-6R單克隆抗體注射液), Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重組人源化抗PD-1單克隆抗體), the Recombinant Tumor Enzyme Specific Interferon α-2b Fc Fusion for Injection (注射用重組腫瘤酶特異性干擾素α-2bFc融合蛋白) and the Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重組抗人IL-17A/F人源化單克隆抗體注射液), we consider the New Livzon MAB Guarantees and the intended use of proceeds are in line with the strategic development plan of the Group.

As the revision of the Existing Livzon MAB Guarantees is primarily driven by the R&D activities and the commercial production of the 2019-nCoV vaccines by Livzon MAB, in assessing the fairness and reasonableness of the New Livzon MAB Guarantees, we have also taken into account the development progress of the 2019-nCoV vaccines by Livzon MAB and the general market demand for the 2019-nCoV vaccines. We have enquired the management of the Group and we understand that Livzon MAB is close to the completion of the clinical process of the phase I and phase II studies. It is expected that the immunogenicity and safety data of phase I and phase II clinical studies will be available in the form of interim analyses by the end of June in 2021, by then the application for domestic emergency use authorisation can be carried out. Livzon MAB also expected to carry out the phase III clinical study in a number of countries in the second half of 2021 which therefore requires additional funding to support the clinical studies and the production activities. Further, we have conducted research on the market conditions for the 2019-nCoV vaccines based on the information available on the public domain. We noted that there are various news articles reporting that there has been supply shortage of 2019-nCoV vaccines around the world. For instance, according to the news article published on 15 May 2021 by The New York Times titled "The world doesn't have nearly enough vaccine. Fixing that is complicated." (*https://www.nytimes.com/by/peter-s-goodman*), it was reported that according to the estimate by Duke University, about 11 billion shots are needed to vaccinate 70 percent of the world's population, the rough threshold needed for herd immunity, while only a fraction of that has been produced. And the global need might prove far greater than estimated, given that the coronavirus presents a moving target: dangerous new variants could emerge, requiring booster shots and reformulated vaccines, and countries could feel it necessary to lock up supply for their own people. Further, it was also reported in the news article published on 1 June 2021 by the British Broadcasting Corporation titled "新冠疫苗:人類實現全球群體免疫面臨的四大挑戰" ("COVID-19 Vaccine: Four Major Challenges for Humanity to Achieve Herd Immunization Globally") (*https://www.bbc.com/zhongwen/trad/world-57251762*) that the 2019-nCoV vaccines have been under supply. In view of the above, we concur with the Directors that the New Livzon MAB Guarantees can facilitate the business development of Livzon MAB.

Further, according to the 2020 annual report of the Company, Livzon MAB has incurred operating loss of over RMB218.4 million for the Year 2020 as most of its products were still in the R&D phase and have not been launched for sale in the market yet. Livzon MAB therefore would have to rely on external funding from financial institutions or capital investment from

its shareholders to support its R&D activities and operations. We also noted that it is a common commercial practice for banks in the PRC to require guarantee from the controlling shareholder of a borrower for the provision of financing facilities. Having considered the aforesaid reasons, including (i) the New Livzon MAB Guarantees and the intended use of proceeds are in line with the strategic development plan of the Group; (ii) the New Livzon MAB Guarantees can facilitate the business development of Livzon MAB; and (iii) the New Livzon MAB Guarantees can alleviate the need of the Company to increase its capital contribution into Livzon MAB, we concur with the Directors that the New Livzon MAB Guarantees are entered into in the ordinary and usual course of business of the Group, are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. Proposed Revision of the Existing Livzon MAB Guarantees

The details of the Existing Livzon MAB Guarantees and the New Livzon MAB Guarantees are set out below:

Guaranteed entity	Shareholding of the Company	Name of facility granting Bank	Currency	Revised maximum guarantee amount *(RMB)*	Original maximum guarantee amount *(RMB)*	Term of guarantee *(year)*	Type of guarantee	Note
Livzon MAB	51.00%	Export-Import Bank of China	RMB	200,000,000	N/A	1	Joint liability guarantee	
		Bank of China Limited	RMB	300,000,000	N/A	1		
		Agricultural Bank	RMB	200,000,000	200,000,000	1		Amount to be shared with the Group
		Industrial and Commercial Bank	RMB	300,000,000	105,000,000	1		
		China Construction Bank Corporation	RMB	200,000,000	N/A	1		
		Bank of Communications	RMB	150,000,000	100,000,000	1		
		China Merchants Bank	RMB	300,000,000	300,000,000	1		Amount to be shared with the Group
		PingAn Bank Co., Ltd.	RMB	300,000,000	N/A	1		Amount to be shared with the Group
		China CITIC Bank	RMB	200,000,000	200,000,000	1		Amount to be shared with the Group
		China Minsheng Banking Corp., Ltd.	RMB	200,000,000	100,000,000	1		
Total			RMB	2,350,000,000	1,005,000,000			

3.1 The guarantee arrangement

As stated in the Letter from the Board, Joincare, which indirectly holds 33.07% equity interests of Livzon MAB as at the Latest Practicable Date, will provide the Company with a "Letter of Undertaking for Counter Guarantee" subject to the approval by its shareholders, pursuant to which it will undertake to provide counter guarantees in proportion to its shareholdings in Livzon MAB, and the guarantee period of the Joincare Counter Guarantees will expire on the expiry date of the Company's obligation under the New Livzon MAB Guarantees. Based on the audited net assets of Joincare of approximately RMB19,236.90 million and the unaudited net assets of Joincare of approximately RMB19,836.71 million as at 31 December 2020 and 31 March 2021, respectively, the Directors are of the view that Joincare has sufficient financial ability to fulfil its obligation under the Joincare Counter Guarantees. In addition, according to the management of the Group, Livzon MAB will only apply and draw down the New Livzon MAB Facilities and hence the Company will only enter into specific guarantee agreements with the Banks in respect of the New Livzon MAB Guarantees upon the shareholders of Joincare approving the Joincare Counter Guarantees. Taking into account (i) that Joincare provides counter guarantees for 33.07% of the obligation of the Company under the New Livzon MAB Guarantees in favour of the Company which corresponds to its shareholding in Livzon MAB; and (ii) the financial position of Joincare and its ability to meet its obligation under the Joincare Counter Guarantees, we consider that the Joincare Counter Guarantees which can effectively reduce the risk exposure to the Company under the New Livzon MAB Guarantee to be fair and reasonable insofar as the Independent Shareholders are concerned.

In addition, we have enquired the Company and we understand from the Company that it has been the Company's practice to provide financing guarantees to its subsidiaries to finance their operation and business and to alleviate the Company's capital contribution requirement into its subsidiaries. We noted from the circular of the Company dated 24 April 2021 in relation to, among others, the proposed provision of financing guarantees to its subsidiaries, that the Company planned to provide joint liability guarantees in favour of 10 of its subsidiaries (excluding Livzon MAB) to various banks for applications of facility financing of no more than RMB11,443 million or its equivalent in foreign currencies (the "**Other Subsidiaries Guarantees**"), which the proposed resolution was later passed in the 2020 annual general meeting of the Company held on 20 May 2021. We noted that except for the term of the guarantee, the guarantee arrangement in the Other Subsidiaries Guarantees is similar to that of the New Livzon MAB Guarantee. As regards the term of the guarantee, the Other Subsidiaries Guarantees ranged from three to five years which are longer than the one-year term of the New Livzon MAB Guarantee. We consider that the shorter term of New Livzon MAB Guarantees is fair and reasonable insofar as the Independent Shareholders are concerned as (i) it allows the Company the flexibility to adjust the guarantee limit and terms along the business development of Livzon MAB; and (ii) the renewal or adjustment of the New Livzon MAB Guarantee will be subject to more frequent approval by the Independent Shareholders than the Other Subsidiaries Guarantees.

Having considered that (i) the Joincare Counter Guarantees are fair and reasonable and could help reduce the Company's risk exposure in the New Livzon MAB Guarantees; (ii) the provision of the New Livzon MAB Guarantees is in line with the Company's practice to provide financing guarantees to its subsidiaries to finance their operation and business and to alleviate the Company's capital contribution requirement into the subsidiaries; and (iii) the term of the New Livzon MAB Guarantees are considered fair and reasonable, we are of the view that the New Livzon MAB Guarantees are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.2 The revised cap

The revised maximum amount of the guarantees to be provided by the Company under the New Livzon MAB Guarantees is proposed to be RMB2,350 million (the "**Revised Cap**"). As stated in the Letter from the Board, the cap of New Livzon MAB Guarantees were determined by the Board after taking into consideration the following factors:

(i) the expected amount to be used for the phase III clinical trial of the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重組新型冠狀病毒融合蛋白疫苗) researched and developed by Livzon MAB;

(ii) the expected amount to be used for the commercial production of the Recombinant SARS-CoV-2 Fusion Protein Vaccine researched and developed by Livzon MAB;

(iii) the expected amount to be used by Livzon MAB in accelerating the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains);

(iv) the Existing Livzon MAB Guarantees (please refer to the circular of the Company dated 24 April 2021 for details); and

(v) an additional buffer of 10% on the aggregate amount expected to be required as stated in (i) to (iii) above to meet any unforeseeable increase in the expenses of clinical trial and production and to cover the risk of the inability of the Banks to provide loans on a timely basis.

We have discussed with the Company on the basis and assumption in determining the Revised Cap and the funding needs of Livzon MAB. As advised by the management of the Group, as Livzon MAB is expected to carry out the phase III clinical trial for the Recombinant SARS-CoV-2 Fusion Protein Vaccine, it is expected that Livzon MAB would incur a much higher amount of (i) R&D expenses for the clinical trial; and (ii) operating cost and capital expenditure for the commercial production of the Recombinant SARS-CoV-2 Fusion Protein Vaccine. Under the phase III clinical trial, Livzon MAB is planning to conduct clinical trials in multiple locations globally with large number of subjects targeted to be in excess of 20,000, which will lead to a much higher R&D expenses compared to the previous two phases that were smaller and done in the PRC. Due to the large number of subjects planned and based on the current global 2019-nCoV

vaccine shortage situation, Livzon MAB expects there will be a much greater demand and need to produce sufficient vaccine. As a result, the management of the Group expect Livzon MAB to have the funding needs of over RMB2,000 million for the fifteen months ending 30 June 2022, including over RMB1,000 million for carrying out the clinical trial and commercial production preparation for the Recombinant SARS-CoV-2 Fusion Protein Vaccine and accelerating the R&D of vaccines for 2019-nCoV mutant strains, which is higher than the cap of the Existing Livzon MAB Guarantees.

We have also obtained and reviewed the latest unaudited management accounts of Livzon MAB for the four months ended 30 April 2021. According to the management accounts, Livzon MAB recorded a net cash outflow used in operating activities of approximately RMB199.8 million for the four months ended 30 April 2021, which was approximately 2.8 times that of the corresponding period in 2020. For the same period, Livzon MAB's net cash outflow used in investing activities also increased to approximately RMB34.5 million which was approximately 7.7 times that of the corresponding period in 2020. In view that Livzon MAB is expected to incur an even larger amount of R&D costs, operating costs and capital expenditure for the Recombinant SARS-CoV-2 Fusion Protein Vaccine as it enters the phase III clinical trial in the second half of 2021, we concur with the Directors that there are needs to increase the financial resources available to Livzon MAB.

In assessing the reasonableness of the Revised Cap, we have also conducted research on the estimated cost for clinical trials based on the information available on the public domain. According to the article titled "How much do phase III trials cost" published on 30 October 2018 by Nature, a British scientific journal featuring peer-reviewed research from a variety of academic disciplines mainly in science and technology, (*https://www.nature.com/articles/nrd.2018.198*), it was reported that the cost of drug development could range from US$43 million to US$2.9 billion. The article also quoted work from analysts from KMR Group, a global company engaging in the provision and analysis of benchmarking and other data for the biopharmaceutical industry, the median phase III clinical trial cost US$21.4 million based on the clinical trial costs of more than 700 clinical trials that were run by seven pharmaceutical companies between 2010 and 2015. The aforesaid report however did not disclose the number of subjects in their trials. We also reviewed the article titled "Variation in the estimated costs of pivotal clinical benefit trials supporting the US approval of new therapeutic agents, 2015–2017: a cross-sectional study" published on 11 June 2020 by The BMJ, a peer-reviewed medical trade journal (*https://bmjopen.bmj.com/content/bmjopen/10/6/e038863.full.pdf*), for further information on clinical trial costs. Based on their study of the estimated costs of the pivotal clinical trials supporting the approval of 101 new therapeutic agents approved by the Food and Drug Administration of the United States from 2015 to 2017, the cost of trials for new drugs in infectious area had interquartile range from US$26 million to US$102 million with a median of US$54 million. In terms of per subject, this would translate into a median of US$37,175 per subject and an interquartile range of US$31,497 to US$49,283 per subject. According to the key findings of the article, the largest single factor driving the cost of clinical trials were the number of subject required to establish the treatment effects, which varied from 4 subjects to 8,442 subjects in their study, and the estimated cost rise exponentially as more subjects and clinic visits are required to establish a drug effect.

Based on a working paper titled "A Cost/Benefit Analysis of Clinical Trial Designs for COVID-19 Vaccine Candidates" published by the National Bureau of Economic Research, an American private, nonpartisan organization that facilitates cutting-edge investigation and analysis of major economic issues, (*https://www.nber.org/system/files/working_papers/w27882/w27882.pdf*), they used an estimated 30,000 subjects at US$5,000 per subject estimate for their analysis which they deem fit as the total was close to the estimated cost for rotavirus vaccines. They noted that their total estimated cost of US$150 million was significantly higher than the US$19 million median of other novel therapeutic agents. However, they stated that the high cost is not surprising because vaccine efficacy studies are "notorious for being costly due to the large sample sizes and lengthy follow-up durations". We have also noted NASDAQ listed Inovio Pharmaceuticals, Inc. (NASDAQ:INO) made a press release on 8 June 2021 stating that they have entered into a partnership with Advaccine Biopharmaceuticals Suzhou Co., Ltd. to jointly conduct a global phase III trial on their 2019-nCoV vaccine. Under their planned collaboration, the total cost of the planned global phase III trial is estimated to be approximately US$100 million, which will cover countries primarily in Latin America and Asia. Based on the above information, we can conclude that a phase III clinical trial costing US$100 million to US$150 million is fair and reasonable.

We have compared the budget plan of Livzon MAB for its phase III clinical trial of the Recombinant SARS-CoV-2 Fusion Protein Vaccine to the aforesaid clinical trial cost statistics we obtained from the public domain. We understand from the Company that Livzon MAB plans to conduct the phase III clinical trial in multiple locations globally with large number of subjects targeted to be in excess of 20,000, which if estimated at US$5,000 per subject would approximate to a total of US$100 million. In addition, the global and large scale nature of the phase III clinical trials and the ever evolving 2019-nCoV virus is creating significant uncertainty in the development and clinical trials leading to possible additional costs that is not foreseeable in the future. In view of the urgency of Recombinant SARS-CoV-2 Fusion Protein Vaccine, Livzon MAB is trying to use a relatively short turnaround time for completing the clinical trials for the Recombinant SARS-CoV-2 Fusion Protein Vaccine, which will increase direct clinical trial costs, as well as the need for increased raw materials and production of the Recombinant SARS-CoV-2 Fusion Protein Vaccine.

Having considered the above, including that (i) the Revised Cap is generally in line with the budget plan and funding needs of Livzon MAB for the fifteen months ending 30 June 2022; (ii) the Revised Cap can provide Livzon MAB steady financial resources to carry out its development plan for the Recombinant SARS-CoV-2 Fusion Protein Vaccine in an accelerated manner, coupled with the increase in production capacity to address the potential demand for the Recombinant SARS-CoV-2 Fusion Protein Vaccine; (iii) the expected amount of cost to be incurred by Livzon MAB in accelerating the R&D of vaccines for 2019-nCoV mutant strains (mainly against the South African and Indian strains); (iv) the Existing Livzon MAB Guarantees; and (v) an additional 10% buffer to meet any unforeseeable increase in expenses of clinical trial and production and to cover the risk of the inability of the Banks to provide loans on a timely basis, we concur with the Directors that the Revised Cap is fair and reasonable insofar as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

4. Internal control measures

As stated in the Letter from the Board, the Group has adopted internal approval and monitoring procedures relating to the New Livzon MAB Guarantees, which include the following:

(i) Each transaction to be conducted in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees shall comply with the related financing management system of the Company;

(ii) After obtaining the approval of the facilities from any of the Banks, Livzon MAB shall submit it to the financial department (including designated staff and the general manager of finance) and the general manager of Livzon MAB, as well as the secretary of the Board, the financial department (including designated staff, the general manager of finance and the vice president in charge) and the president of the Company for endorsement. Upon such endorsement, Livzon MAB and the Company can enter into separate facilities agreements and guarantee agreements, respectively, with the Banks;

(iii) The financial department of the Company will conduct monthly checks to review and assess whether the transactions in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees have been conducted in accordance with the terms of relevant agreements, and monitor the actual transaction amount of the New Livzon MAB Facilities. Such checks will be conducted by the financial department of the Company on a monthly basis and the secretary of the Board on a quarterly basis and shall be submitted to the Board for report;

(iv) In the event the amount of the New Livzon MAB Facilities is expected to exceed the approved 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;

(v) The auditor of the Company will conduct an annual review of the transactions in respect of the New Livzon MAB Facilities and the New Livzon MAB Guarantees; and

(vi) As a controlling shareholder of Livzon MAB, the Company shall strengthen the supervision and management of its financing risks through the directors of Livzon MAB appointed by the Company, so as to prevent Livzon MAB from defaulting its repayment of bank debts in its best efforts.

We are further advised by the Company, for each and every guarantee granted or to be granted under the New Livzon MAB Guarantees, the financial department of the Company will consider the overall debt situation of the Company, review the terms of relevant financing contracts and related corporate guarantee documents to ensure that they are on normal commercial terms and comply to the Hong Kong Listing Rules obligations. The financial department of the Company will also assess the default risks of Livzon MAB taking into account the business operations and financial position of Livzon MAB. The management of the Group will approve the guarantee amount that meets the requirements of Livzon MAB based on the funding and cash flow projections of Livzon MAB at the time of application and subject to the confirmation of the overall solvency of the Company and Livzon MAB, to ensure that each guaranteed loans is in line with the business development needs of Livzon MAB.

We have reviewed a copy of the Group's internal policy on approving and monitoring capital lending and corporate guarantees. We have also reviewed one set of approval documents in relation to the provision of guarantee regarding the Livzon MAB's application for facility in 2021. Based on our review, we noted that the relevant documents has been reviewed and endorsed by the responsible departments and personnels accordingly.

Having considered that (i) there are sufficient internal control procedures for the Group to approve and monitor the New Livzon MAB Guarantees; and (ii) the documents reviewed by us are consistent with the relevant internal control measures as aforementioned, we are of the view that the internal control procedures are in place and in compliance with the internal control measures as mentioned above.

In addition, as stated in the Letter from the Board, the Company has also adopted the following internal control procedures and taken the following steps to ensure that Jonicare will honour the Joincare Counter Guarantees:

(i) The Board has maintained active communication with the board of directors of Joincare. The Board was notified by the board of directors of Joincare that it considered and approved the Joincare Counter Guarantees on 10 June 2021, and the general meeting of Joincare considered and approved the Joincare Counter Guarantees 29 June 2021. The Board was also notified that Joincare would issue the Letter of Undertaking to the Company immediately after approval of the Joincare Counter Guarantees at the general meeting of Joincare;

(ii) The Company ensures that Livzon MAB will only apply and draw down the New Livzon MAB Facilities and hence the Company will only enter into specific guarantee agreements with the Banks in respect of the New Livzon MAB Guarantees upon (1) the shareholders of Joincare approving the Joincare Counter Guarantees; (2) the Company obtaining the Letter of Undertaking; and (3) the Shareholders approving the New Livzon MAB Guarantees at the general meeting of the Company;

(iii) The Company has actively sought relevant legal opinions from its PRC legal adviser. As confirmed by its PRC legal adviser:

(a) once the Letter of Undertaking has become effective (that is, upon approval of the Joincare Counter Guarantees at the general meeting of Joincare), Joincare may be required to fulfill its obligations under the Joincare Counter Guarantees upon Livzon MAB defaulting its repayment of bank debts under the New Livzon MAB Facilities and the Company assuming its obligations under the New Livzon MAB Guarantees;

(b) the Joincare Counter Guarantees are legally enforceable, and the Company has the legal right to require Joincare to fulfill its obligations under the Joincare Counter Guarantees according to the Letter of Undertaking. In the event that Joincare fails to fulfil its obligations under the Joincare Counter Guarantees, the Company is entitled to file a lawsuit in the court and apply to freeze Joincare's assets, and has priority to receive relevant compensation; and

(iv) The Company will review the financial statements and financial position of both Joincare and Livzon MAB regularly to assess the risks of the Joincare Counter Guarantees.

We have reviewed (i) the correspondence between the Board and the board of directors of Joincare; (ii) the announcements published by Joincare in relation to the Joincare Counter Guarantees; (iii) the internal review documents on monitoring the financial position of Joincare and Livzon MAB; and (iv) the relevant PRC legal opinion on the effectiveness and legal enforceability of the Letter of Undertaking. Having considered that the documents reviewed by us are consistent with the relevant internal control measures as aforementioned, we are of the view that there are sufficient internal control procedures for the Company to ensure that Joincare will honour its counter guarantee.

5. Financial effects

The provision of the New Livzon MAB Guarantees will not have any immediate effect on the earnings, assets and liabilities of the Company unless and until such time that an event of default is materialised and the loan is called upon. As Livzon MAB is an indirect subsidiary of the Company, the assets and liabilities of Livzon MAB will be consolidated into the consolidated balance sheet of the Company. According to the 2020 annual report of the Company, as at 31 December 2020, the gearing ratio of the Group, which was derived by total debt divided by Shareholders' equity of the Group, was approximately 20.7%. For illustration purpose, assuming Livzon MAB will fully draw down the New Livzon MAB Facilities, it is expected that the total debt of the Group will be increased by the RMB2,350 million. As such, assuming the Shareholders' equity of the Group will remain at same level, it is expected that the gearing ratio will increase to approximately 38.0%.

Pursuant to the New Livzon MAB Guarantees, in the event that Livzon MAB fails to make payment of any guaranteed banking facilities, or fails to perform its other obligations and undertakings, the Company, as the guarantor, will be responsible for up to RMB2,350 million, being the maximum amount of the New Livzon MAB Guarantees provided by the Company. Based on the 2020 annual report of the Company, as at 31 December 2020, the Group's cash at bank and on hand amounted to over RMB9,954 million and its net current assets amounted to over RMB8,544 million, which are significantly higher than the guarantee amount under the New Livzon MAB Guarantees. In addition, the Company will also be entitled to seek compensation from Joincare for an amount up to 33.07% of the obligation of the Company, which is approximately RMB777 million, under the New Livzon MAB Guarantees pursuant to the Joincare Counter Guarantees. Based on the 2020 annual report of Joincare, the consolidated cash at bank and on hand and consolidated net current assets of Joincare amounted to approximately RMB12,289 million and approximately RMB10,602 million as at 31 December 2020, respectively. We therefore are of the view that Joincare has sufficient financial ability to fulfill its obligation under the Joincare Counter Guarantees.

Having considered the above, we concur with the Directors that the provision of the New Livzon MAB Guarantees will not have any material effects on the Company taking into account its financial position and performance.

OUR OPINION

Taking into account the principal factors and reasons as stated above, we consider that the New Livzon MAB Guarantees are entered into in the ordinary and usual course of business of the Group, the New Livzon Guarantees are fair and reasonable insofar as the Independent Shareholders are concerned, and the transactions contemplated under the New Livzon MAB Guarantees are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend that the Independent Board Committee advise the Independent Shareholders, and we recommend that, the Independent Shareholders vote in favour of the special resolution to be proposed at the EGM to approve the New Livzon MAB Guarantees and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Frontpage Capital Limited
Chai Yee Choong
Director

Note: Mr. Chai Yee Choong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. He has more than 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Interest in shares/underlying shares of the Company

Name of Director	Capacity	Number of shares/ underlying shares interested *(Long position)*	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Mr. Zhu Baoguo	Interest of controlled corporation	255,513,953 A Shares[(1)(2)]	41.05%	27.31%
		163,364,672 H Shares[(1)(3)]	52.15%	17.46%
Mr. Tao Desheng	Beneficial owner	859,850 A Shares[(4)(21)]		
	Interest of spouse	207,646 A Shares[(5)(6)(21)]		
		1,067,496 A Shares	0.17%	0.11%
Mr. Xu Guoxiang	Beneficial owner	859,850 A Shares[(7)(21)]	0.14%	0.09%
Mr. Tang Yangang	Beneficial owner	405,803 A Shares[(8)(21)]	0.07%	0.04%

Interest in shares of associated corporations of the Company

Name of Director	Name of the associated corporation	Capacity	Equity interest/number of shares *(Long position)*	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo	Baiyeyuan	Beneficial owner	72,000,000 (RMB)[(1)]	90.00%[(1)]
	Joincare	Interest of controlled corporation	895,653,653 shares[(1)(9)]	45.73%[(10)]
	LivzonBio[(11)]	Interest of controlled corporation	294,000,000 (RMB)[(1)(12)]	33.07%[(11)]
	Livzon HK[(11)]	Interest of controlled corporation	4,000 shares[(1)(13)]	100.00%[(11)]
	Livzon MAB[(11)]	Interest of controlled corporation	1,453,330,000 (RMB)[(1)(14)]	100.00%[(11)]
Mr. Tang Yanggang	Xinbeijiang Pharmaceutical[(15)]	Interest of controlled corporation	20,238,780 shares[(15)]	8.44%
	Livzon Diagnostics[(16)]	Interest of controlled corporation	8,382,100 shares[(16)]	9.03%
Mr. Qiu Qingfeng	Joincare	Beneficial owner	717,409 shares[(18)]	0.04%
Mr. Xu Guoxiang	Livzon Diagnostics[(17)]	Others	500,000 shares[(17)]	0.54%
Mr. Yu Xiong	Joincare	Beneficial owner	800,000 shares[(19)]	
		Interest of spouse	3,720 shares[(20)]	
			803,720 shares	0.04%

Notes:

(1) Joincare is 45.73% held by Baiyeyuan which is in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo is deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joincare is or is deemed to be interested by virtue of the SFO.

(2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd.* (珠海市麗士投資有限公司), on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare) and 16,830,835 shares are held directly by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.

(3) These shares are held directly by Topsino, a wholly-owned subsidiary of Joincare.

(4) These shares include 152,100 share options, which can subscribe for 152,100 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.

(5) These shares include 60,840 share options, which can subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.

(6) As these shares and underlying shares are held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng is deemed to be interested in these shares and underlying shares.

(7) These shares include 152,100 share options, which can subscribe for 152,100 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.

(8) These shares include 60,840 share options, which can subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.

(9) Baiyeyuan held 895,653,653 shares of Joincare.

(10) The total issued share capital of Joincare was 1,958,593,217 shares. Therefore, the shareholding in Joincare held by Baiyeyuan was 45.73%.

(11) LivzonBio is directly held as to 33.07% by Joincare. Livzon HK and Livzon MAB are directly held as to 100% by LivzonBio.

(12) These equity interests are held by Joincare.

(13) These shares are held by LivzonBio.

(14) These equity interests are held by LivzonBio.

(15) Xinbeijiang Pharmaceutical is directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)* (珠海中匯源投資合夥企業(有限合夥)), which is in turn directly held as to 45.50% by Mr. Tang Yanggang.

(16) Livzon Diagnostics is directly held as to 39.425% by the Company, and as to 9.025% (i.e. 8,382,100 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership)* (珠海麗英投資管理合夥企業(有限合夥)) ("**Liying**"), and Mr. Tang Yanggang is a general partner of Liying who directly holds 19.9234% equity interest in Liying and has sole discretion to decide all matters of Liying.

(17) Mr. Xu Guoxiang directly holds 5.9651% equity interest in Liying, and therefore Livzon Diagnostics is indirectly held as to 0.54% by Mr. Xu Guoxiang.

(18) These shares include 180,000 share options, which can subscribe for 180,000 A shares of Joincare pursuant to the 2018 share options incentive scheme of Joincare.

(19) These shares include 240,000 share options, which can subscribe for 240,000 A shares of Joincare pursuant to the 2018 share options incentive scheme of Joincare.

(20) As these shares are held directly by Ms. Qian Lingyun (錢凌雲女士), the spouse of Mr. Yu Xiong, hence Mr. Yu Xiong is deemed to be interested in these shares.

(21) For details of the aforesaid 2018 Share Options Incentive Scheme, please refer to the relevant information of the "Share Options Incentive Scheme"in Section IV of the 2020 annual report of the Company dated 31 March 2021.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations which were recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors, the supervisors or chief executive of the Company) has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares interested	Position	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Baiyeyuan	Interest of controlled corporation	255,513,953 A Shares(1)	Long position	41.05%	27.31%
	Interest of controlled corporation	163,364,672 H Shares(2)	Long position	52.15%	17.46%
Ms. Liu Guangxia	Interest of spouse	255,513,953 A Shares(3)	Long position	41.05%	27.31%
		163,364,672 H Shares(3)	Long position	52.15%	17.46%
Joincare	Beneficial owner	221,376,789 A Shares	Long position		
	Interest of controlled corporation	16,830,835 A Shares(4)	Long position		
	Holder of security interest in shares	17,306,329 A Shares(5)	Long position		
		255,513,953 A Shares		41.05%	27.31%
	Interest of controlled corporation	163,364,672 H Shares(2)	Long position	52.15%	17.46%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	52.15%	17.46%

Notes:

(1) Among these shares, 238,683,118 shares and 16,830,835 shares are directly held by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.

(2) These shares are directly held by Topsino, a wholly-owned subsidiary of Joincare.

(3) As Ms. Liu Guangxia is the spouse of Mr. Zhu Baoguo, she is deemed to be interested in the shares in which Mr. Zhu Baoguo is deemed to be interested.

(4) These shares are directly held by Haibin Pharma, a wholly-owned subsidiary of Joincare.

(5) These shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd.* (珠海市麗士投資有限公司), on 2 January 2004 and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, there has been no material adverse change in the Group's financial or trading position since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up).

5. MATERIAL ACQUISITION

During the period subsequent to 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) and up to the Latest Practicable Date, none of the subsidiaries of the Company had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose assets and profits make or would make a material contribution to the figures in the auditor's report or in the next published accounts of the Company.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no service contract that cannot be terminated within one year without payment of compensation (other than statutory compensation) had been or proposed to be entered into between the Company and the Directors or the supervisors of the Company.

7. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company, directly or indirectly, had any interest in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors or supervisors of the Company were materially interested in and which was significant to the business of the Group.

8. DIRECTORS' AND SUPERVISORS' COMPETING INTERESTS

As disclosed in the section headed "Relationship with Our Controlling Shareholders" in the listing document of the Company dated 14 January 2014, both of the Group and Joincare Group have been engaged in the research, development, production and/or sale of four different types of drugs, namely: (i) cardio-cerebrovascular drugs; (ii) systemic anti-infective drugs/antibiotics; (iii) blood and hemopoietic system drugs; and (iv) blood management drugs. However, the drugs researched, developed, produced and/or sold by the Group are of different categories from those of Joincare Group. Although both groups adopt similar distribution models for the sales and distribution of drug preparation products in the PRC, which is in line

with the industry practice, and their targeted end customers are similar (including hospitals, clinics and pharmacies), the Directors are of the view that the Group and Joincare Group are two separate groups operating independently of each other with individual listing status. Furthermore, the sales teams of the Group are separate from and independent of Joincare Group, and the Group does not share its customer resources and databases with Joincare Group. Accordingly, the Directors are of the view that there is no substantial competition between the Group's production and sales of products and those of Joincare Group.

Save as mentioned above, as at the Latest Practicable Date, none of the Directors or the supervisors of the Company and their respective close associates (as defined in the Hong Kong Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder of the Company.

9. LITIGATION

As at the Latest Practicable Date, no subsidiary of the Company was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any subsidiary of the Company.

10. QUALIFICATIONS AND CONSENTS OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualifications
Frontpage Capital	Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Frontpage Capital, being the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, Frontpage Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Frontpage Capital did not, directly or indirectly, had any interest in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Yang Liang.

(ii) The registered office of the Company is situated at Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, China.

(iii) The principal place of business of the Company in Hong Kong is located at unit 1301, 13/F, China Evergrande Centre, 38 Gloucester Road, Wan Chai, Hong Kong.

(iv) The H share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1301, 13/F, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM (excluding any Saturdays, Sundays and public holidays):

(i) the agreement(s) in relation to the Existing Livzon MAB Guarantees;

(ii) the letter from the Independent Board Committee as set out on page 18 of this circular;

(iii) the letter from the Independent Financial Adviser as set out on page 19 to 37 of this circular;

(iv) the written consent from the Independent Financial Adviser as mentioned in the section headed "Qualifications and Consents of Expert" in this appendix;

(v) the annual reports of the Company for each of the years ended 31 December 2019 and 2020; and

(vi) this circular.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.

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)

NOTICE OF THE 2021 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 third extraordinary general meeting (the "**EGM**") of 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.* (the "**Company**") will be held at the Conference Room on the 3rd Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China on Thursday, 29 July 2021 at 2:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions. Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular for the EGM issued by the Company on 7 July 2021.

ORDINARY RESOLUTIONS

1. To consider and approve the appointment of independent non-executive Directors of the tenth session of the Board.

   1.1 To consider and approve the appointment of Mr. Luo Huiyuan as an independent non-executive Director of the tenth session of the Board.

   1.2 To consider and approve the appointment of Ms. Cui Lijie as an independent non-executive Director of the tenth session of the Board.

SPECIAL RESOLUTION

2. To consider and approve the Company's provision of financing guarantees to its controlling subsidiary Livzon MAB.

Notes:

1. All resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.livzon.com.cn) in accordance with the Listing Rules.

2. The record date for determining the qualification of the holders of the shares of the Company ("**Shareholder(s)**") to attend and vote at the EGM will be Thursday, 22 July 2021. In order to qualify as Shareholders to attend and vote at the EGM, holders of H shares of the Company ("**H Shareholders**") who are not registered must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 July 2021.

3. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more persons as his proxy to attend and vote in his stead. A proxy need not be a Shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the class of shares and number in respect of which each such proxy is so appointed.

4. A Shareholder shall attend the EGM by his proxy duly authorised in writing: the instrument appointing a proxy must be signed by the Shareholder(s) or his attorney duly authorised in writing; where the Shareholder is a legal person, the proxy form shall be executed under its common seal or under the hand of its director or a legal representative or an attorney duly authorised. If the proxy form is signed by the attorney of the Shareholder, the power of attorney or other documents of authorisation must be notarised. To be valid, the A Shareholders must lodge the proxy form and the notarised power of attorney or other documents of authorisation (if any) with the secretariat of the board of directors of the Company (the "**Secretariat of the Board**") at Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China (postal code: 519090) no later than 24 hours before the holding of the EGM. To be valid, the H Shareholders must lodge the proxy form with the H Share Registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 24 hours before the holding of the EGM. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof in person, and in such event, the proxy form shall be deemed to be revoked.

5. Contact details of the Secretariat of the Board are as follows:

Address:	The Secretariat of the Board, Livzon Pharmaceutical Group Inc., Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China
Postal code:	519090
Contact persons:	Mr. Ye Delong, Ms. Yuan Ailing
Telephone:	(86) 756 8135888
Fax:	(86) 756 8891070

6. Shareholders or their proxies shall produce their identity proof when attending the EGM.

7. The EGM is expected to last for one and a half hours. Shareholders who attend the EGM (in person or by proxy) should be responsible for their own travelling, accommodation and the other related costs.

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
7 July 2021

As at the date of this notice, 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*