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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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麗珠医药
LIVZON

麗珠醫藥集團股份有限公司

LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 1513)

**PROPOSED CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANIZATION
AND**

REVISED NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



The letter from the Board is set out on pages 6 to 20 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 Friday, 8 January 2021. The revised notice convening the EGM is set out on pages 48 to 50 of this circular. The revised proxy form for use by the Shareholders of the Company at the EGM is 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 revised 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 revised 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

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DEFINITIONS

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

“A Share(s)”	the 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)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baiyeyuan”	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百業源投資有限公司)
“Begol”	Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司)
“Board”	the board of Directors
“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 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“EGM”	the 2021 first extraordinary general meeting of the Company to be held on Friday, 8 January 2021 to consider and approve the Reorganization and the Reorganization Framework Agreement
“Employee Incentive Platform(s)”	one or more corporations, limited partnerships or entities in any other form to be incorporated in the PRC and/or offshore jurisdictions by employee(s) designated by LivzonBio for the purpose of implementing the New Subsidiary Share Incentive Scheme
“Group”	the Company and its subsidiaries

DEFINITIONS

“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)
“Haibin Pharma”	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Reorganization
“Independent Financial Adviser”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Reorganization Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Joincare and its associates
“Independent Third Party”	to the best of the Directors’ knowledge having made all reasonable enquiries, any third party independent of the Company and its connected persons
“Joincare”	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC 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)
“Joincare BVI”	Joincare Pharmaceutical Group Industry Co., Ltd., a company incorporated in the British Virgin Islands with limited liability which is an indirect wholly-owned subsidiary of Joincare

DEFINITIONS

“Kadi”	Zhuhai Kadi Medical Biotechnology Inc.* (珠海市卡迪生物醫藥有限公司), a company incorporated in the PRC with limited liability and a variable interest entity controlled by LivzonBio through contractual arrangements
“Latest Practicable Date”	10 December 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong
“Livzon Cayman”	Livzon Biologics Limited, a company established in the Cayman Islands and a subsidiary indirectly owned as to 55.13% by the Company
“Livzon Cayman Shares”	shares of Livzon Cayman
“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), a company established in Hong Kong and a subsidiary indirectly owned as to 55.13% by the Company
“Livzon International”	Livzon International Limited, a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of the Company
“Livzon MAB”	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司), a company incorporated in the PRC with limited liability on 2 July 2010 and a subsidiary indirectly owned as to 55.13% by the Company
“LivzonBio”	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司), a company incorporated in the PRC with limited liability on 23 November 2017, which is a subsidiary indirectly owned as to approximately 55.13% by the Company prior to the Reorganization and will be directly owned as to approximately 51.00% by the Company after the Reorganization

DEFINITIONS

“Lizhu HK”	Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司), a company established in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Long Stop Date”	4 December 2021, being one year from the date of the Reorganization Framework Agreement, or any other date as the Company and the Parties may agree in writing for fulfillment of the conditions precedent
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“New Subsidiary Share Incentive Scheme”	the share incentive scheme to be adopted by LivzonBio to reflect and replace the Subsidiary Share Incentive Scheme
“Parties”	the parties to the Reorganization Framework Agreement
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Reorganization”	a series of transactions contemplated under the Reorganization Framework Agreement
“Reorganization Framework Agreement”	an agreement dated 4 December 2020 entered into by parties set out in the section “Principal Terms of the Reorganization Framework Agreement” of this circular
“Reorganization Group”	Livzon Cayman, LivzonBio, the Target Companies, Aetio Biotherapy, Inc., SCC VENTURE VI 2018-B. L.P. and Livzon MABPharm USA, Inc., a group of companies in the Group which are collectively subject to the Reorganization
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholders of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)

DEFINITIONS

“Subsidiary Share Incentive Scheme”	the share incentive scheme adopted by Livzon Cayman on 5 September 2018
“Target Companies”	Livzon MAB, Kadi, and Livzon HK
“Topsino”	Topsino Industries Limited (天誠實業有限公司)
“US\$”	United States Dollar
“Xinbeijiang Pharmaceutical”	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司)

* *For identification purposes only*

LETTER FROM THE BOARD



丽珠医药
LIVZON

麗珠醫藥集團股份有限公司

LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1513)

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. Zheng Zhihua
Mr. Xie Yun
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

16 December 2020

To the Shareholders

Dear Sir/Madam,

**PROPOSED CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANIZATION
AND**

REVISED 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 following ordinary resolution to be proposed at the EGM:

I. THE REORGANIZATION

The Board is pleased to announce that on 4 December 2020 (after trading hours), the Board has approved the Reorganization and the Company has entered into the Reorganization Framework Agreement in relation to the Reorganization Group with other Parties set out below, pursuant to which the Parties conditionally agree to enter into a series of transactions to streamline and optimize the capital and shareholding structure of the Reorganization Group.

* For identification purpose only

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) Mr. Zhu Baoguo (朱保國) is a non-executive Director, the chairman of the Board and the chairman of the board of directors of Joincare, and indirectly held 45.88% equity interest in Joincare; (ii) Mr. Qiu Qingfeng (邱慶豐) is a non-executive Director, and the director and vice president of Joincare; and (iii) Mr. Yu Xiong (俞雄) is a non-executive Director and the president of Joincare. Joincare directly and indirectly held approximately 44.34% of the total issued shares of the Company and is a party to the Reorganization Framework Agreement. Accordingly, each of Mr. Zhu Baoguo, Mr. Qiu Qingfeng and Mr. Yu Xiong have abstained from voting in the Board meeting to approve the Reorganization and the Reorganization Framework Agreement.

Prior to the Reorganization, Livzon Cayman holds the entire share capital of Livzon HK, which is the holding entity of LivzonBio and Livzon MAB. Livzon Cayman is indirectly owned by the Company as to approximately 51.00% (after taking into account the allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme). For more details, please refer to the corporate charts before the Reorganization in the paragraph headed “Corporate Structure” in this circular.

Upon completion of the Reorganization, LivzonBio will become the holding entity of the Target Companies and a subsidiary directly owned by the Company as to approximately 51.00%. Accordingly, LivzonBio and the Target Companies will remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company. Livzon Cayman will be deregistered and no longer be a subsidiary of the Company upon the completion of the Reorganization. For more details, please refer to the corporate chart after the Reorganization in the paragraph headed “Corporate Structure” in this circular.

II. PRINCIPAL TERMS OF THE REORGANIZATION FRAMEWORK AGREEMENT

Date: 4 December 2020

Parties:

1. The Company
2. Livzon International Limited (“**Livzon International**”)
3. Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (“**Joincare**”)
4. Joincare Pharmaceutical Group Industry Co., Ltd. (“**Joincare BVI**”)
5. YF Pharmab Limited
6. Livzon Biologics Limited (“**Livzon Cayman**”)
7. Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司) (“**Livzon HK**”)
8. LivzonBio, Inc. * (珠海市麗珠生物醫藥科技有限公司) (“**LivzonBio**”)
9. Livzon MABPharm, Inc.* (珠海市麗珠單抗生物技術有限公司) (“**Livzon MAB**”)
10. Zhuhai Kadi Medical Biotechnology Inc.* (珠海市卡迪生物醫藥有限公司) (“**Kadi**”)

(collectively the “**Parties**” and each a “**Party**”)

LETTER FROM THE BOARD

Transactions contemplated

(1) Transfer of LivzonBio

Pursuant to the Reorganization Framework Agreement, the Company and Joincare agree to acquire 51% and 49% equity interest in LivzonBio from Livzon HK (the “**LivzonBio Transfer**”) at a consideration of RMB24,316,290 and RMB23,362,710, respectively. The consideration of the LivzonBio Transfer is determined with reference to the appraised total equity value of LivzonBio as at 30 September 2020 through asset-based approach, as set out in the valuation report dated 4 December 2020 issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent valuer.

Immediately after the LivzonBio Transfer, LivzonBio will be owned by the Company and Joincare as to 51% and 49%, respectively.

(2) Capital Injection to LivzonBio

Pursuant to the Reorganization Framework Agreement, the capital injection to LivzonBio will take place in several phases:

(a) Increase in registered capital of LivzonBio

The registered capital of LivzonBio will be increased from RMB250 million to RMB600 million with pro rata registered capital subscription from the Company and Joincare of RMB178.5 million and RMB171.5 million, respectively (the “**Joincare Subscription**”).

Upon completion of the Joincare Subscription, the Company and Joincare will be interested in RMB306 million and RMB294 million of the registered capital of LivzonBio, respectively. As such, LivzonBio will be owned by the Company and Joincare as to 51% and 49%, respectively.

(b) Termination of the Subsidiary Share Incentive Scheme and Subscription by the Employee Incentive Platform(s)

On 5 September 2018, Livzon Cayman adopted the Subsidiary Share Incentive Scheme, pursuant to which it may allot ordinary shares up to approximately 7.50% of its then total outstanding ordinary shares to its directors, employees, advisers and consultants of Livzon Cayman and/or any of its affiliates who, in the sole opinion of the administrator of the Subsidiary Share Incentive Scheme, have contributed or will contribute to Livzon Cayman and/or any of its affiliates. As at the Latest Practicable Date, no share option was granted pursuant to the Subsidiary Share Incentive Scheme. In order to facilitate the Reorganization, the Subsidiary Share Incentive Scheme will be terminated prior to the completion of the subscription by the Employee Incentive Platform(s) set out below.

LETTER FROM THE BOARD

To reflect the Livzon Cayman Shares reserved for the Subsidiary Share Incentive Scheme, the registered capital of LivzonBio will be further increased to RMB666,666,667. The increased registered capital of RMB66,666,667 of LivzonBio will be subscribed by the Employee Incentive Platform(s).

The consideration for the increased registered capital will be settled by the Employee Incentive Platform(s) when share incentive units under the share incentive scheme to be adopted by LivzonBio (the “**New Subsidiary Share Incentive Scheme**”) are granted to eligible participants thereof, upon which the grantees will inject capital to the Employee Incentive Platform(s) as grant price to be stipulated under the New Subsidiary Share Incentive Scheme. The increased registered capital of RMB66,666,667 of LivzonBio will be recorded as unpaid share capital until the above consideration is settled.

(c) Subscription by the Company and YF Pharmab Limited

In June 2018, Livzon Cayman conducted its series A financing, by which the Company and YF Pharmab Limited invested US\$98,299,320 and US\$50,000,000 in Livzon Cayman, respectively (the “**Series A Financing**”).

To reflect the shareholding structure of Livzon Cayman at the LivzonBio level, the registered capital of LivzonBio will be further increased to RMB889,023,284, and the Company and YF Pharmab Limited will subscribe for the increased registered capital of LivzonBio at a consideration of US\$98,299,320 and US\$50,000,000, respectively, or the equivalent amount in RMB (the “**YF Subscription**”). The consideration is determined on arm’s length negotiation between the Company and YF Pharmab Limited with reference to their respective investment amount of the Series A Financing. The premium amount of the consideration in excess of the increased registered capital will be credited to the capital reserve of LivzonBio.

Upon completion of transactions (2)(a) to (2)(c) above, LivzonBio will be owned by the Company, Joicare, YF Pharmab Limited and the Employee Incentive Platform(s) as to approximately 51.00%, 33.07%, 8.43% and 7.50%, respectively.

(3) Acquisitions of Subsidiaries by LivzonBio

Pursuant to the Reorganization Framework Agreement, LivzonBio will undertake the following steps to acquire the Target Companies as its wholly-owned subsidiaries:

(a) Acquisition of Livzon MAB

LivzonBio will acquire the entire equity interest of Livzon MAB from Livzon HK (the “**MAB Acquisition**”) at a consideration of RMB1.48 billion. The consideration of the MAB Acquisition is determined with reference to the appraised total equity value of Livzon MAB as at 30 September 2020 through asset-based approach, as set out in the valuation report dated 4 December 2020 issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent valuer.

LETTER FROM THE BOARD

(b) Acquisition of Kadi

Prior to the Reorganization, Kadi is a variable interest entity controlled by LivzonBio through contractual arrangements with registered shareholders of Kadi, namely Mr. Zhang Jingwei (張經緯) and Dr. Yang Jiaming (楊嘉明), who are not connected persons of the Company for the purposes of Chapter 14A of the Listing Rules.

LivzonBio will acquire the entire equity interest of Kadi from Mr. Zhang Jingwei and Dr. Yang Jiaming (the “**Kadi Acquisition**”) at nil consideration. The consideration is determined with reference to the negative net asset value of Kadi in the latest quarter of financial results.

Upon completion of the Kadi Acquisition, the contractual arrangements among LivzonBio, Kadi, Mr. Zhang Jingwei and Dr. Yang Jiaming will be terminated and Kadi will become a direct wholly-owned subsidiary of LivzonBio.

(c) Acquisition of Livzon HK

As Livzon HK is an investment holding entity of Livzon Cayman, in preparation of the capital reduction and return of capital by Livzon Cayman (as set out in transactions 4(a) – (4)(c) below, collectively the “**Livzon Cayman Capital Reduction**”), Livzon HK will transfer to Livzon Cayman an amount equivalent to capital to be returned by Livzon Cayman to its shareholders for the Livzon Cayman Capital Reduction, after excluding the consideration of US\$6.1 million as described below and the remaining cash of Livzon Cayman. After the transfer, Livzon HK will undergo capital reduction to reflect its return of capital to Livzon Cayman.

After the capital reduction of Livzon HK, LivzonBio will acquire the entire share capital of Livzon HK from Livzon Cayman at a consideration of US\$6.1 million. The consideration is determined with reference to the capital previously injected by Livzon Cayman to Livzon HK for external investments in Livzon MABPharm USA, Inc., Aetio Biotherapy, Inc. and SCC VENTURE VI 2018-B, L.P..

Upon completion of acquisitions (3)(a) to (3)(c) above, the Target Companies will become wholly-owned subsidiaries of LivzonBio, which will be directly owned by the Company as to approximately 51.00%. Accordingly, LivzonBio and the Target Companies will remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company.

(4) Capital Reduction and Deregistration of Livzon Cayman

Prior to the Reorganization, Livzon Cayman is owned by the Company (through Livzon International), Joicare (through Joicare BVI) and YF Pharmab Limited as to approximately 55.13%, 35.75% and 9.12%, respectively (without taking into account any allotment and issuance of Livzon Cayman Shares upon exercise of share options under the Subsidiary Share Incentive Scheme) and approximately 51.00%, 33.07% and 8.43%, respectively (after taking into account the allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme).

LETTER FROM THE BOARD

In preparation for the deregistration of Livzon Cayman, Livzon Cayman will undertake the following steps to conduct capital reduction by return its capital to Livzon International, Joincare BVI and YF Pharmab Limited, respectively:

- (a) Livzon Cayman will transfer to Livzon International and YF Pharmab Limited US\$98,299,320 and US\$50,000,000, respectively, or the equivalent amount in RMB. This transfer reflects the return of capital gained by Livzon Cayman through LivzonBio in the YF Subscription.
- (b) Livzon Cayman will transfer to Livzon International and Joincare BVI (or its designated entity) RMB306 million and RMB294 million, respectively. This transfer reflects the return of capital gained by Livzon Cayman through LivzonBio in the Joincare Subscription.
- (c) Upon completion of transactions (4)(a) and (4)(b) above, Livzon Cayman will undergo capital reduction and return its capital to Livzon International, Joincare BVI and YF Pharmab Limited. The share capital of Livzon Cayman will be reduced to 1 ordinary share held by Livzon International.

After the transfers and capital reduction, Livzon International will commence deregistration of Livzon Cayman.

Conditions Precedent and Completion

Completion of the Reorganization Framework Agreement and the transactions contemplated thereunder are conditional upon the following conditions being fulfilled or, as the case may be, waived, on or before the Long Stop Date:

- (a) each Party has obtained their board's and shareholders' approval (where necessary);
- (b) none of the undertakings, warranties and representations of each Party contained in the Reorganization Framework Agreement having been breached in any material respect or being misleading or untrue in any material respect; and
- (c) all necessary governmental and regulatory approvals or consents (or waivers) having been obtained.

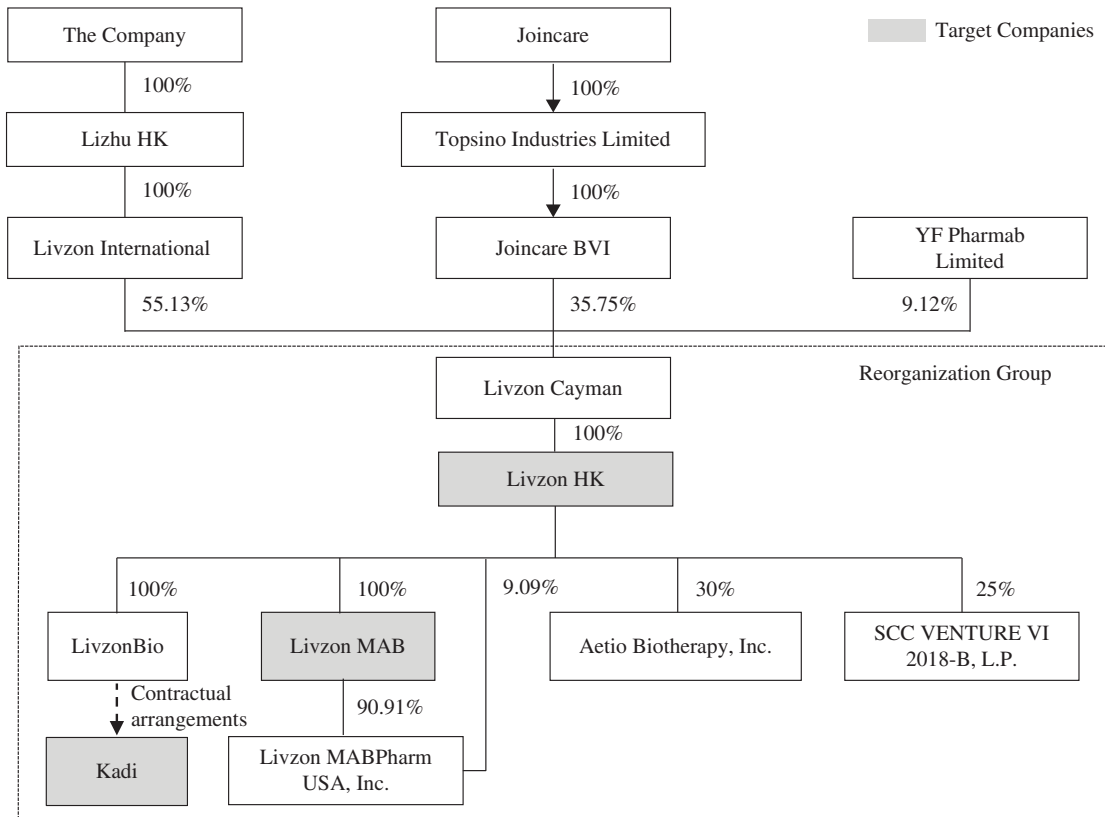
Upon completion of the Reorganization, LivzonBio will become the new holding entity of the Target Companies. LivzonBio will be directly owned by the Company as to approximately 51.00%. Accordingly, the assets, liabilities and results of LivzonBio and the Target Companies will continue to be consolidated into the Company's financial statements upon completion of the Reorganization.

LETTER FROM THE BOARD

III. CORPORATE STRUCTURE

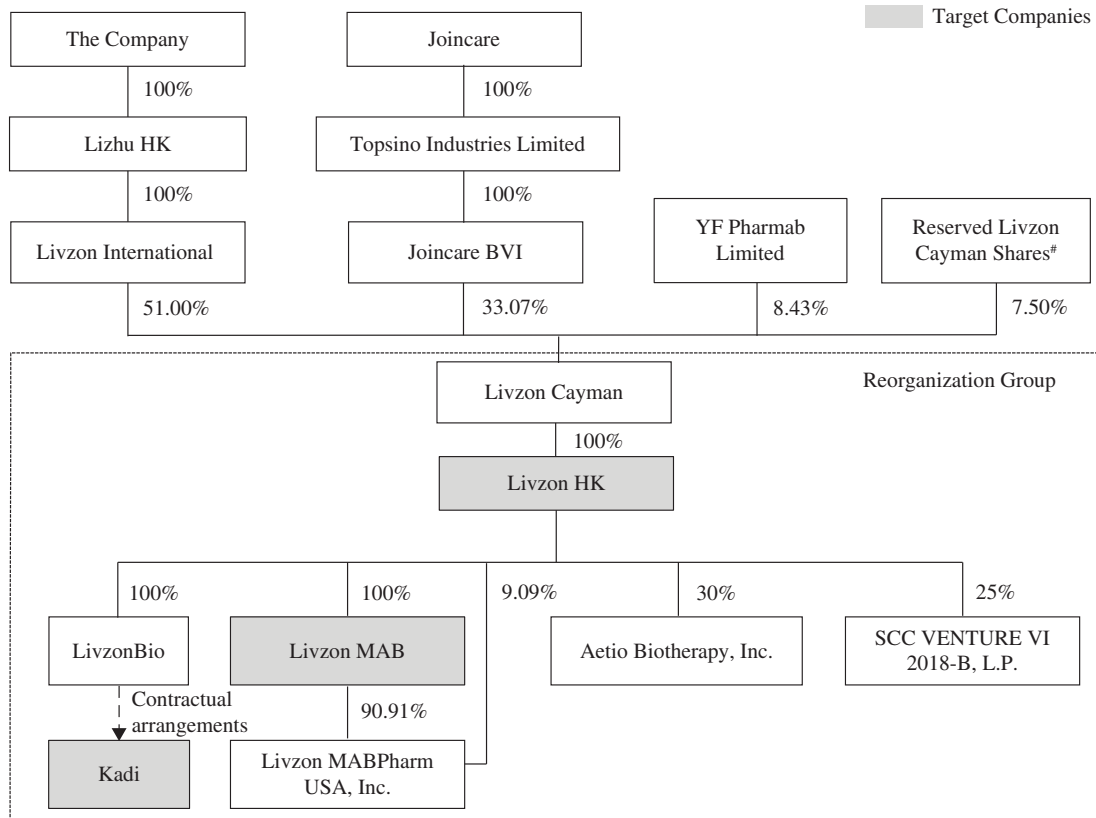
Before the Reorganization

- (a) *Before any allotment and issuance of Livzon Cayman Shares upon exercise of share options under the Subsidiary Share Incentive Scheme*



LETTER FROM THE BOARD

(b) After allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme

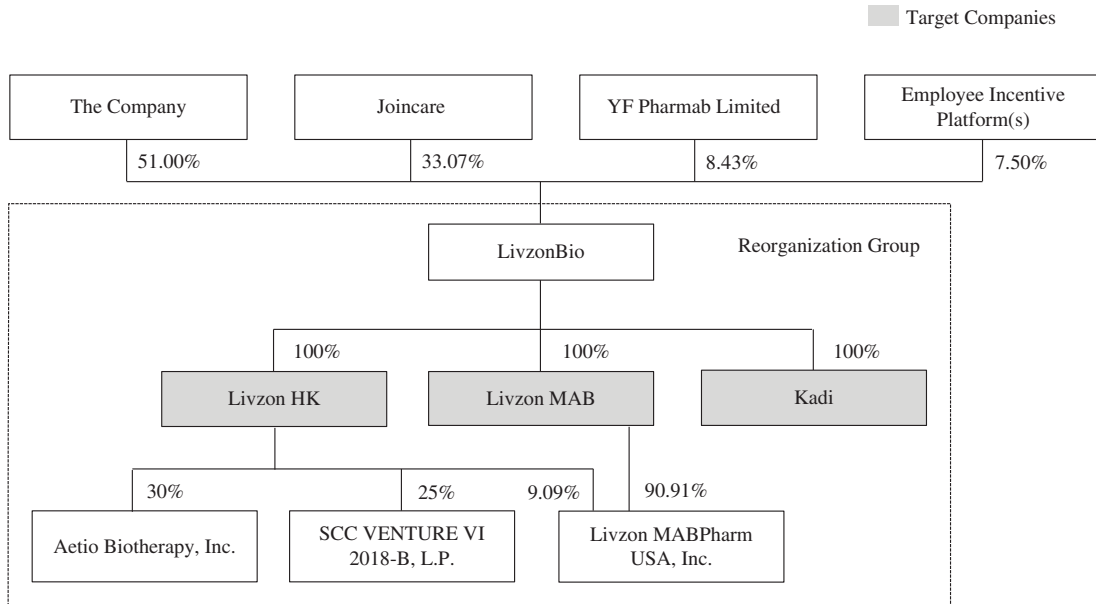


Note:

- # Livzon Cayman Shares reserved to be allotted and issued upon exercise of all share options under the Subsidiary Share Incentive Scheme.

LETTER FROM THE BOARD

After the Reorganization



LETTER FROM THE BOARD

IV. GENERAL INFORMATION OF THE PARTIES

1. The Company

The Company is a joint stock company incorporated in the PRC 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.

The Group is primarily engaged in the research and development, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates as well as diagnostic reagents and equipment.

2. Livzon International

Livzon International is a company incorporated in Cayman Islands with limited liability and wholly-owned by the Company as an investment holding company.

3. Joincare

Joincare is a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange in 2001. Joincare is primarily engaged in three major business segments, namely research and development, production and sales of (i) drug preparation products; (ii) bulk medicines and intermediates; and (iii) food and health-care food.

As at the Latest Practicable Date, Joincare directly and indirectly held approximately 44.34% of the total issued shares of the Company, and is a controlling shareholder of the Company.

4. Joincare BVI

Joincare BVI is a company incorporated in the British Virgin Islands with limited liability which is indirectly and wholly-owned by Joincare as an investment holding company.

5. YF Pharmab Limited

YF Pharmab Limited is a company incorporated the British Virgin Islands with limited liability and is principally engaged in private equity investment.

As at the Latest Practicable Date, YF Pharmab Limited holds 9.12% of the total issued Livzon Cayman Shares, a controlled subsidiary of the Company. Save for the foregoing, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, YF Pharmab Limited and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

6. Livzon Cayman

Livzon Cayman is a company established in the Cayman Islands and operates as an investment holding company.

As at the Latest Practicable Date, Livzon Cayman is owned by Livzon International, Joicare BVI and YF Pharmab Limited as to 55.13%, 35.75% and 9.12%, respectively.

7. Livzon HK

Livzon HK is a company established in Hong Kong and operates as an investment holding company.

As at the Latest Practicable Date, Livzon HK is a wholly-owned subsidiary of Livzon Cayman.

8. LivzonBio

LivzonBio is a company incorporated in the PRC and is principally engaged in research and development of therapeutic biologics including monoclonal antibodies, recombinant hormones and CAR-T drugs.

As at the Latest Practicable Date, LivzonBio is a wholly-owned subsidiary of Livzon HK.

9. Livzon MAB

Livzon MAB is a company incorporated in the PRC with limited liability and is principally engaged in research, development and commercialization of biopharmaceutical products.

As at the Latest Practicable Date, Livzon MAB is a wholly-owned subsidiary of Livzon HK.

10. Kadi

Kadi is a company incorporated in the PRC with limited liability and is principally engaged in research, development and commercialization of cell therapies.

LETTER FROM THE BOARD

V. REASONS FOR AND BENEFITS OF THE REORGANIZATION

The Company focuses on research and development, production and sale of pharmaceutical products whilst LivzonBio and the Target Companies are pre-revenue clinical stage biotech companies focusing on research and development of therapeutic biologics including monoclonal antibodies, recombinant hormones and CAR-T drugs. The total assets as at 30 September 2020 and revenue and profits (before tax) for the year ended 31 December 2019 of Livzon Cayman (the holding entity of LivzonBio and the Target Companies prior to the Reorganization) was RMB1,517.08 million, nil and RMB6.49 million, accounting for 7.85%, nil and 0.38% of that of the Company, respectively.

The transactions serve the purpose of reorganization of the Reorganization Group. Prior to and after the Reorganization, LivzonBio and the Target Companies remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company. The Reorganization will provide a more streamlined capital structure based on the respective principal businesses and main products of the subsidiaries involved, which will optimize the strategic positioning of different subsidiaries within the Group and accelerate efficiency of their business progresses.

The Directors (including independent non-executive Directors) are of the view that the Reorganization has no material operational or financial impact on the Group, and the terms of the Reorganization Framework Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the following Parties are connected persons of the Company for the purposes of Chapter 14A of the Listing Rules by virtue of the following reasons:

1. Joincare, together with its associates (as defined in the Listing Rules), directly and indirectly held approximately 44.34% of the total issued shares of the Company and is a controlling shareholder of the Company. Therefore, Joincare and Joincare BVI are connected persons of the Company;
2. Livzon Cayman is owned by Livzon International and Joincare BVI as to 55.13% and 35.75%, respectively. Therefore, Livzon Cayman and its subsidiaries, namely LivzonBio and the Target Companies, are connected subsidiaries for the purposes of Chapter 14A of the Listing Rules and hence, connected persons of the Company.

Accordingly, the LivzonBio Transfer (transaction (1)), the Joincare Subscription (transaction (2)(a)), the YF Subscription (transaction (2)(c)) and the Livzon Cayman Capital Reduction (transaction (4)) contemplated under the Reorganization Framework Agreement are connected transactions of the Company by virtue of Chapter 14A of Listing Rules.

LETTER FROM THE BOARD

The acquisitions of Livzon MAB and Livzon HK by LivzonBio (transactions (3)(a) and (c)) are transactions between connected subsidiaries and are not considered connected transactions of the Company by virtue of Rule 14A.17 of the Listing Rules.

Mr. Zhang Jingwei is a director of Livzon MAB, which is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. Accordingly, Mr. Zhang Jingwei is not a connected person of the Company and the Kadi Acquisition (transaction (3)(b)) is not considered a connected transaction of the Company.

As the transactions contemplated under the Reorganization Framework Agreement are co-related, interconditional and are expected to complete within 12 months, the transactions contemplated under the Reorganization Framework Agreement shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in relation to the Reorganization exceeds 0.1% but less than 5% and the consideration for the Reorganization exceeds HK\$3,000,000, the transactions contemplated under the Reorganization Framework Agreement (a) do not constitute transactions under Chapter 14 of the Listing Rules and (b) under Rule 14A.76 of the Listing Rules, constitute connected transactions subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the articles of association of the Company, the EGM shall be convened and held for the Shareholders to consider and, if thought fit, approve the Reorganization Framework Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Joincare and its associates held approximately 44.34% of the total issued share capital of the Company in aggregate and have a material interest in the Reorganization. Accordingly, Joincare and its associates will be required to abstain from voting at the EGM to approve the Reorganization and the Reorganization Framework Agreement.

VII. 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 Friday, 8 January 2021. The revised notice convening the EGM is set out on pages 48 to 50 of this circular. The revised proxy form for use by the Shareholders of the Company at the EGM is 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 revised 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 revised proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

LETTER FROM THE BOARD

VIII. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the EGM will be Monday, 4 January 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 Monday, 4 January 2021.

IX. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution put forward at the EGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a 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 Listing Rules after the EGM.

X. RECOMMENDATION

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular; and
- (b) the letter from the Independent Financial Adviser to advise the Independent Shareholders and the Independent Board Committee in connection with the Reorganization Framework Agreement, the text of which is set out on pages 22 to 40 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the EGM.

The Independent Board Committee, 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, considers that (a) the terms of the Reorganization Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and (b) the Reorganization, despite not conducted in the usual and ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

Taking into account the letter from the Independent Board Committee and all other factors as a whole, the Directors (including the independent non-executive Directors) are of the view that (a) the terms of the Reorganization Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and (b) the Reorganization, despite not conducted in the usual and ordinary course of business of the Group, is in the interests of the Company and the Shareholders as a whole. As such, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Reorganization Framework Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

XI. WARNING NOTICE

Completion of the Reorganization is subject to, among other things, fulfillment of the conditions precedent of the Reorganization Framework Agreement as set out in the subsection headed “Conditions Precedent” in this circular. As the Reorganization may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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*



丽珠医药
LIVZON

麗珠醫藥集團股份有限公司

LIVZON PHARMACEUTICAL GROUP INC.*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1513)

16 December 2020

To the Independent Shareholders

Dear Sir/Madam,

**PROPOSED CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANIZATION**

We refer to the circular dated 16 December 2020 issued by the Company (the “**Circular**”), of which this letter form 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 in connection with the Reorganization Framework Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter of the Board” of the Circular. Maxa Capital Limited 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 6 to 20 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 22 to 40 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 consider that (a) the terms of the Reorganization Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and (b) the Reorganization, despite not conducted in the usual and ordinary course of business of the Group, is 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 Reorganization Framework Agreement 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*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Maxa Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

16 December 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED CONNECTED TRANSACTIONS IN RELATION TO THE REORGANIZATION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Reorganization Framework Agreement 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 dated 16 December 2020 issued by the Company (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.

Reference is made to the announcement (the “**Announcement**”) dated 4 December 2020 of the Company in relation to, among other things, the Company has entered into the Reorganization Framework Agreement in relation to the Reorganization Group with other Parties set out below, pursuant to which the Parties conditionally agree to enter into a series of transactions to streamline and optimize the capital and shareholding structure of the Reorganization Group. Pursuant to the articles of association of the Company, the EGM shall be convened and held for the Shareholders to consider and, if thought fit, approve the Reorganization Framework Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Joicare and its associates held approximately 44.34% of the total issued share capital of the Company in aggregate and have a material interest in the Reorganization. Accordingly, Joicare and its associates will be required to abstain from voting at the EGM to approve the Reorganization and the Reorganization Framework Agreement.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Reorganization Framework Agreement and the transactions contemplated thereunder. We, Maxa Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated or connected with the Company and its respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Reorganization Framework Agreement and the transactions contemplated thereunder. Save for this appointment as the Independent Financial Adviser in respect of the Reorganization Framework Agreement and the transactions contemplated thereunder, there was no other engagement between the Company and us in the last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company and their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practical Date. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors' representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Company and the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Parties and each of their respective subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Reorganization Framework Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information

1.1 Information of the Group

The Company is a joint stock company incorporated in the PRC 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.

The Group is primarily engaged in the research and development, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates as well as diagnostic reagents and equipment.

Set out below is the financial information of the Group for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2019 and 2020 prepared in accordance with China Accounting Standards for Business Enterprises and extracted from the Company’s 2019 Annual Report and the Company’s 2020 Interim Report:

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>audited</i>)	(<i>audited</i>)
	RMB’000	RMB’000	RMB’000	RMB’000
Operating Income	5,095,238	4,939,066	9,384,696	8,860,656
- Sales of chemical drug preparation products	2,315,344	2,620,973	4,931,285	4,238,248
- Sales of APIs and intermediates	1,227,069	1,218,996	2,350,069	2,354,276
- Sales of Traditional Chinese drug preparation products	639,155	709,447	1,281,344	1,532,465
- Sales of diagnostic reagents and equipment	889,032	365,329	754,415	697,331
Operating profit	1,569,559	989,921	1,729,853	1,274,496
Net profit for the year/period	1,330,729	834,526	1,461,578	1,181,715

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2020 <i>(unaudited)</i> RMB'000	As at 31 December 2019 <i>(audited)</i> RMB'000	2018 <i>(audited)</i> RMB'000
Total assets	17,251,824	17,976,463	17,437,347
Total liabilities	4,716,913	5,701,225	5,687,470
Total shareholders' (or owners') equity	12,534,911	12,275,238	11,749,877

As illustrated in the above table, the Group's operating income was mainly derived from the sales of chemical drug preparation products, sales of APIs and intermediates, sales of traditional Chinese drug preparation products and sales of diagnostic reagents and equipment. For the six months ended 30 June 2020, the Group's operating income increased by approximately 3.2% comparing with the corresponding financial period last year to approximately RMB5,095 million, which was primarily due to the Company's ongoing dedication of marketing system reforms and implementation of refined management. In addition, the sales of the Company's products relating to prescription medicines did not reach the expected level due to the impact of the COVID-19 outbreak. Nevertheless, a substantial increase in the sales of Anti-viral Granules (抗病毒顆粒) and Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) as compared with that during the first half of 2019 together with additional sales of diagnostics kits for antibody to novel coronavirus, which safeguarded the continuous growth in the Group's overall performance. With respect to revenue categorized by different sectors, the Group's revenue generated from sales of chemical drug preparation products for six months ended 30 June 2020 was approximately RMB2,315 million, representing a decrease of approximately 11.7% as compared to those of the six-month period ended 30 June 2019. The Groups' revenue generated from sales of APIs and intermediates, sales of Traditional Chinese drug preparation products and sales of diagnostic reagents and equipment for six months ended 30 June 2020 was approximately RMB1,227 million, RMB639 million and RMB889 million, respectively. The net profit of the Group for the six months ended 30 June 2020 amounted approximately RMB1,331 million, increased by approximately 59.5% as compared with the corresponding financial period last year, which was primarily due to the substantial growth in sales of diagnostic kits for antibody to novel coronavirus and Anti-viral Ganules (抗病毒顆粒), which were driven by the market demands, and the boosting sales performance of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉), as well as the gains from disposal of equity of Jiangsu Ni Ke Medical Device Co., Ltd. (江蘇尼科醫療器械有限公司). The Group's operating income amounted to approximately RMB9,385 million for the year ended 31 December 2019 ("FY2019"), representing an increase of approximately 5.9% as compared to approximately RMB8,861 million for the year ended 31 December 2018 ("FY2018"), which was primarily due to the Group's continuous progress in marketing reform, refinement in management and continuous optimization in product structure according to the market demand and competition, thereby achieving significantly faster growth in sales from key competitive products in the chemical drug preparation segment as compared to that of 2019. Furthermore, due to the industry policies such as cost control on national medical insurance and lower bid price, the growth of certain products had slowed down or declined.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With respect to revenue categorized by different products, the Group's revenue generated from sales of chemical drugs preparation products for FY2019 was approximately RMB4,931 million, representing approximately 52.5% of the total operating income as compared to 47.8% for FY2018. The Group's revenue generated from sales of API and intermediates amounted to approximately RMB2,350 million for FY2019, representing approximately 25.0% of the total operating income. The net profit of the Group in FY2019 increased by 23.7% to approximately RMB1,462 million from approximately RMB1,182 million in FY2018.

The Group's total assets and total shareholders' equity as at 30 June 2020 maintained at a level similar with that as at 31 December 2019 while the Group's total liabilities as at 30 June 2020 decreased by approximately 17.3% to RMB4,717 million as compared the figure recorded as at 31 December 2019. The Group's total assets amounted to approximately RMB17,976 million as at 31 December 2019, representing an increase of approximately 3.1% as compared to approximately RMB17,437 million as at 31 December 2018. The Group's total liabilities amounted to approximately RMB5,701 million as at 31 December 2019, representing an increase of approximately 0.2% to approximately RMB5,687 million as at 31 December 2018. The Group's total shareholders' equity increased by approximately 4.5% to approximately RMB12,275 million as at 31 December 2019 from approximately RMB11,750 million as at 31 December 2018.

1.2 Information of the Parties

(a) Livzon International

Livzon International is a company incorporated in Cayman Islands with limited liability and wholly-owned by the Company as an investment holding company.

(b) Joincare

Joincare is a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange in 2001. Joincare is primarily engaged in three major business segments, namely research and development, production and sales of (i) drug preparation products; (ii) bulk medicines and intermediates; and (iii) food and health-care food. As at the Latest Practicable Date, Joincare directly and indirectly held approximately 44.34% of the total issued shares of the Company, and is a controlling shareholder of the Company.

(c) Joincare BVI

Joincare BVI is a company incorporated in the British Virgin Islands with limited liability which is indirectly and wholly-owned by Joincare as an investment holding company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) YF Pharmab Limited

YF Pharmab Limited is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in private equity investment. As at the Latest Practicable Date, YF Pharmab Limited holds 9.12% of the total issued Livzon Cayman Shares, a controlled subsidiary of the Company. Save for the foregoing, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, YF Pharmab Limited and its ultimate beneficial owners are Independent Third Parties.

(e) Livzon Cayman

Livzon Cayman is a company established in the Cayman Islands and operates as an investment holding company. As at the Latest Practicable Date, Livzon Cayman is owned by Livzon International, Joicare BVI and YF Pharmab Limited as to 55.13%, 35.75% and 9.12%, respectively. Set out below is the financial information of Livzon Cayman for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>(unaudited)</i> <i>RMB'000</i>	<i>(audited)</i> <i>RMB'000</i>	<i>(audited)</i> <i>RMB'000</i>
Operating income	—	—	—
Net profit/(loss)	169.45	6,487.11	(58.68)
	As at 30 September 2020	As at 31 December 2019	As at 31 December 2018
	<i>(unaudited)</i> <i>RMB'000</i>	<i>(audited)</i> <i>RMB'000</i>	<i>(audited)</i> <i>RMB'000</i>
Total assets	1,517,076.05	1,518,107.18	1,518,013.27
Total liabilities	7.58	7.76	36.00
Net assets	1,517,068.47	1,518,099.42	1,517,977.27

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(f) Livzon HK

Livzon HK is a company established in Hong Kong and operates as an investment holding company. As at the Latest Practicable Date, Livzon HK is a wholly-owned subsidiary of Livzon Cayman. Set out below is the financial information of the Livzon HK for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	—	—	—
Net profit/(loss)	(2,258.79)	(6,464.59)	(1,590.17)

	As at 30 September 2020	As at 31 December 2019	As at 31 December 2018
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,233,944.50	1,063,558.61	938,820.21
Total liabilities	169.90	228.00	187.92
Net assets	1,233,774.60	1,063,330.61	938,632.29

(g) LivzonBio

LivzonBio is a company incorporated in the PRC and is principally engaged in research and development of therapeutic biologics including monoclonal antibodies, recombinant hormones and CAR-T drugs. As at the Latest Practicable Date, LivzonBio is a wholly-owned subsidiary of Livzon HK. Set out below is the financial information of the LivzonBio for the year ended 31 December 2019 and the nine months ended 30 September 2020:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	—	—
Net profit/(loss)	814.79	41.87

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 September 2020 <i>(unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(audited)</i> <i>RMB'000</i>
Total assets	48,566.87	47,721.87
Total liabilities	31.22	1.00
Net assets	48,535.65	47,720.87

(h) Livzon MAB

Livzon MAB is a company incorporated in the PRC with limited liability and is principally engaged in research, development and commercialization of biopharmaceutical products. As at the Latest Practicable Date, Livzon MAB is a wholly-owned subsidiary of Livzon HK. Set out below is the consolidated financial information of the Livzon MAB for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	For the nine months ended 30 September 2020 <i>(unaudited)</i> <i>RMB'000</i>	For the year ended 31 December 2019 <i>(audited)</i> <i>RMB'000</i>	For the year ended 31 December 2018 <i>(audited)</i> <i>RMB'000</i>
Operating income	450.88	630.29	0
Net profit/(loss)	(163,210.44)	(210,335.77)	(173,714.23)

	As at 30 September 2020 <i>(unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(audited)</i> <i>RMB'000</i>	As at 31 December 2018 <i>(audited)</i> <i>RMB'000</i>
Total assets	657,575.40	548,138.61	769,968.91
Total liabilities	46,734.51	51,898.34	64,716.65
Net assets	610,840.89	496,240.27	705,252.26

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Kadi

Kadi is a company incorporated in the PRC with limited liability and is principally engaged in research, development and commercialization of cell therapies. Set out below is the financial information of the Kadi for the year ended 31 December 2019 and the nine months ended 30 September 2020:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	–	–
Net profit/(loss)	(10,045.58)	(1,181.13)
	As at	As at
	30 September 2020	31 December 2019
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	49,866.29	48,100.55
Total liabilities	61,093.00	49,281.69
Net assets	(11,226.71)	(1,181.14)

2. Reasons for and benefits of the Reorganization

The Company focuses on research and development, production and sale of pharmaceutical products whilst LivzonBio and the Target Companies are pre-revenue clinical stage biotech companies focusing on research and development of therapeutic biologics including monoclonal antibodies, recombinant hormones and CAR-T drugs.

The transactions serve the purpose of reorganization of the Reorganization Group. Prior to and after the Reorganization, LivzonBio and the Target Companies remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company. The Reorganization will provide a more streamlined capital structure based on the respective principal businesses and main products of the subsidiaries involved, which will optimize the strategic positioning of different subsidiaries within the Group and accelerate efficiency of their business progresses.

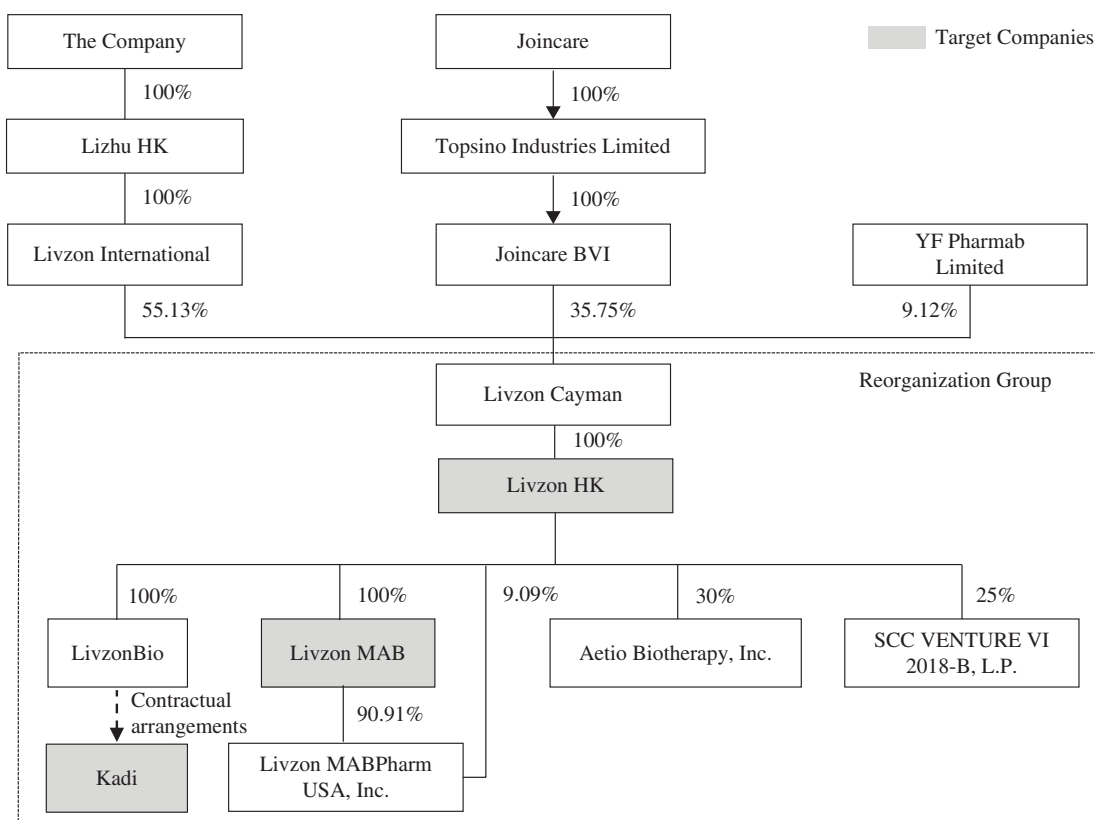
The Directors (including independent non-executive Directors) are of the view that the Reorganization has no material operational or financial impact on the Group, and the terms of the Reorganization Framework Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Corporate structure before and after the Reorganization

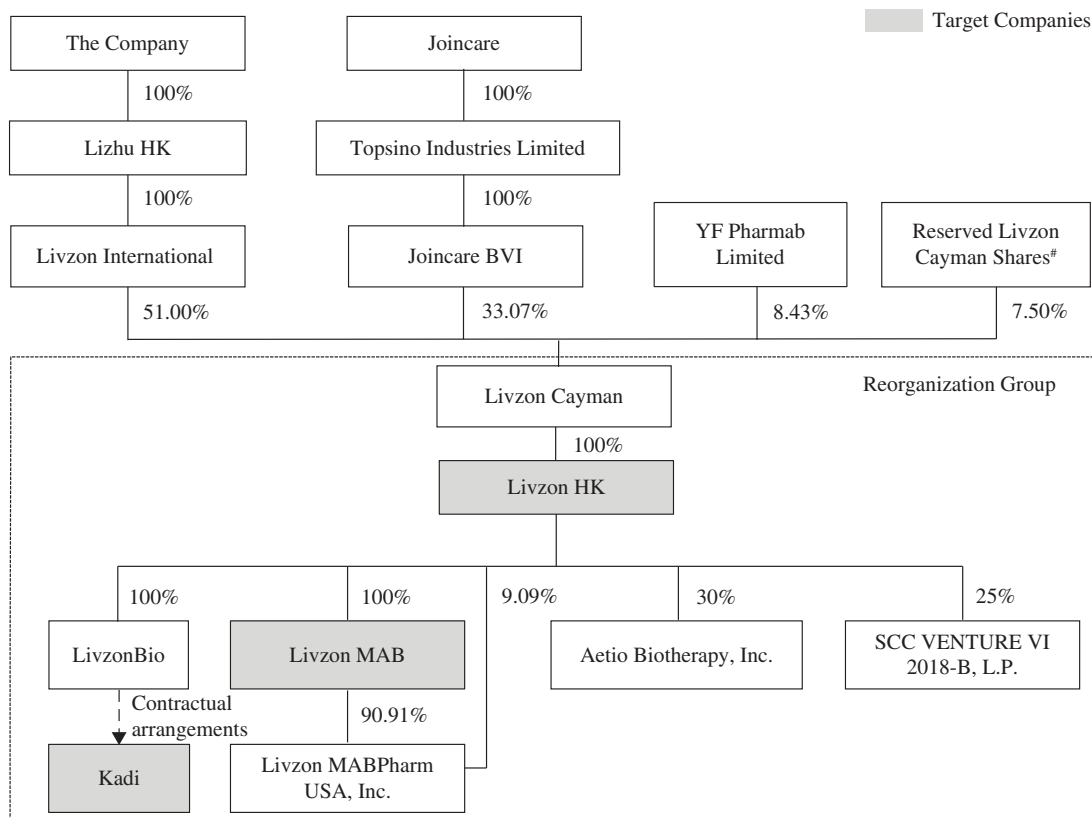
Prior to the Reorganization, Livzon Cayman holds the entire share capital of Livzon HK, which is the holding entity of LivzonBio and Livzon MAB. Livzon Cayman is indirectly owned by the Company as to approximately 51.00% (after taking into account the allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme).

(a) Before any allotment and issuance of Livzon Cayman Shares upon exercise of share options under the Subsidiary Share Incentive Scheme



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) After allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme



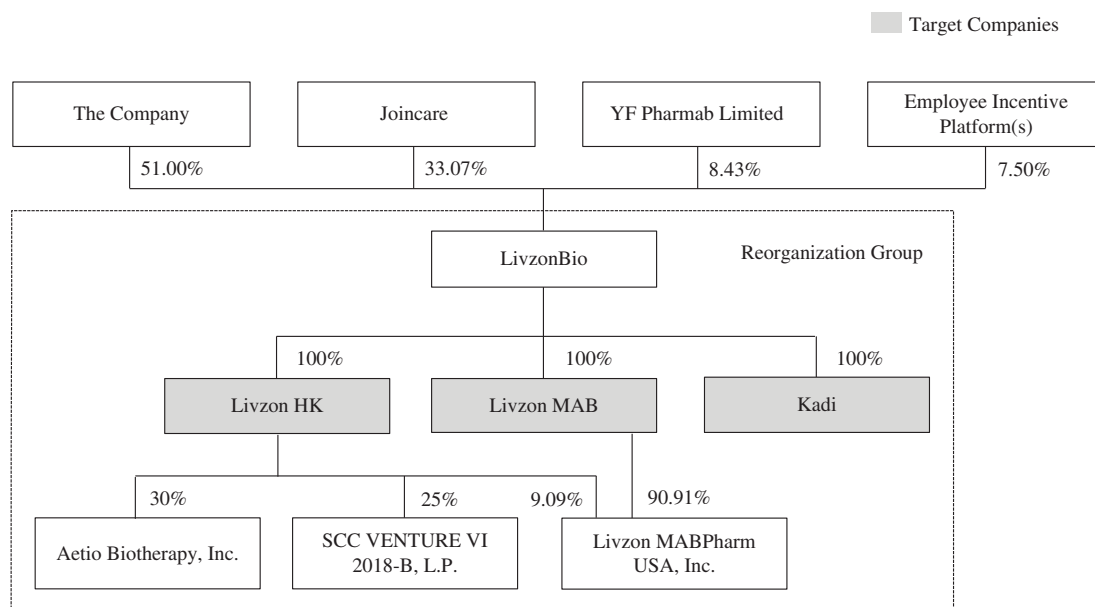
Notes:

Livzon Cayman Shares reserved to be allotted and issued upon exercise of all share options under the Subsidiary Share Incentive Scheme.

Upon completion of the Reorganization, LivzonBio will become the holding entity of the Target Companies and a subsidiary directly owned by the Company as to approximately 51.00%. Accordingly, LivzonBio and the Target Companies will remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company. Livzon Cayman will be deregistered and no longer be a subsidiary of the Company upon the completion of the Reorganization.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After the Reorganization



4. Principal terms of the Reorganization Framework Agreement

Date: 4 December 2020

Parties:

1. The Company
2. Livzon International
3. Joincare
4. Joincare BVI
5. YF Pharmab Limited
6. Livzon Cayman
7. Livzon HK
8. LivzonBio
9. Livzon MAB
10. Kadi

(collectively the “**Parties**” and each a “**Party**”)

Transactions contemplated

(1) Transfer of LivzonBio

Pursuant to the Reorganization Framework Agreement, the Company and Joincare agree to acquire 51% and 49% equity interest in LivzonBio from Livzon HK (the “**LivzonBio Transfer**”) at a consideration of RMB24,316,290 and RMB23,362,710, respectively. The consideration of the LivzonBio Transfer is determined with reference to the appraised total

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

equity value of LivzonBio as at 30 September 2020 through asset-based approach, as set out in the valuation report dated 4 December 2020 issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent valuer.

Immediately after the LivzonBio Transfer, LivzonBio will be owned by the Company and Joincare as to 51% and 49%, respectively.

(2) Capital Injection to LivzonBio

Pursuant to the Reorganization Framework Agreement, the capital injection to LivzonBio will take place in several phases:

(a) Increase in registered capital of LivzonBio

The registered capital of LivzonBio will be increased from RMB250 million to RMB600 million with pro rata registered capital subscription from the Company and Joincare of RMB178.5 million and RMB171.5 million, respectively (the “**Joincare Subscription**”).

Upon completion of the Joincare Subscription, the Company and Joincare will be interested in RMB306 million and RMB294 million of the registered capital of LivzonBio, respectively. As such, LivzonBio will be owned by the Company and Joincare as to 51% and 49%, respectively.

(b) Termination of the Subsidiary Share Incentive Scheme and Subscription by the Employee Incentive Platform(s)

On 5 September 2018, Livzon Cayman adopted the Subsidiary Share Incentive Scheme, pursuant to which it may allot ordinary shares up to approximately 7.50% of its then total outstanding ordinary shares to its directors, employees, advisers and consultants of Livzon Cayman and/or any of its affiliates who, in the sole opinion of the administrator of the Subsidiary Share Incentive Scheme, have contributed or will contribute to Livzon Cayman and/or any of its affiliates. As at the Latest Practicable Date, no share option was granted pursuant to the Subsidiary Share Incentive Scheme. In order to facilitate the Reorganization, the Subsidiary Share Incentive Scheme will be terminated prior to the completion of the subscription by the Employee Incentive Platform(s) set out below.

To reflect the Livzon Cayman Shares reserved for the Subsidiary Share Incentive Scheme, the registered capital of LivzonBio will be further increased to RMB666,666,667. The increased registered capital of RMB66,666,667 of LivzonBio will be subscribed by the Employee Incentive Platform(s).

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The consideration for the increased registered capital will be settled by the Employee Incentive Platform(s) when share incentive units under the share incentive scheme to be adopted by LivzonBio (the “**New Subsidiary Share Incentive Scheme**”) are granted to eligible participants thereof, upon which the grantees will inject capital to the Employee Incentive Platform(s) as grant price to be stipulated under the New Subsidiary Share Incentive Scheme. The increased registered capital of RMB66,666,667 of LivzonBio will be recorded as unpaid share capital until the above consideration is settled.

(c) Subscription by the Company and YF Pharmab Limited

In June 2018, Livzon Cayman conducted its series A financing, by which the Company and YF Pharmab Limited invested US\$98,299,320 and US\$50,000,000 in Livzon Cayman, respectively (the “**Series A Financing**”).

To reflect the shareholding structure of Livzon Cayman at the LivzonBio level, the registered capital of LivzonBio will be further increased to RMB889,023,284, and the Company and YF Pharmab Limited will subscribe for the increased registered capital of LivzonBio at a consideration of US\$98,299,320 and US\$50,000,000, respectively, or the equivalent amount in RMB (the “**YF Subscription**”). The consideration is determined on arm’s length negotiation between the Company and YF Pharmab Limited with reference to their respective investment amount of the Series A Financing. The premium amount of the consideration in excess of the increased registered capital will be credited to the capital reserve of LivzonBio.

Upon completion of transactions (2)(a) to (2)(c) above, LivzonBio will be owned by the Company, Joicare, YF Pharmab Limited and the Employee Incentive Platform(s) as to approximately 51.00%, 33.07%, 8.43% and 7.50%, respectively.

(3) Acquisitions of Subsidiaries by LivzonBio

Pursuant to the Reorganization Framework Agreement, LivzonBio will undertake the following steps to acquire the Target Companies as its wholly-owned subsidiaries:

(a) Acquisition of Livzon MAB

LivzonBio will acquire the entire equity interest of Livzon MAB from Livzon HK (the “**MAB Acquisition**”) at a consideration of RMB1.48 billion. The consideration of the MAB Acquisition is determined with reference to the appraised total equity value of Livzon MAB as at 30 September 2020 through asset-based approach, as set out in the valuation report dated 4 December 2020 issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent valuer.

(b) Acquisition of Kadi

Prior to the Reorganization, Kadi is a variable interest entity controlled by LivzonBio through contractual arrangements with registered shareholders of Kadi, namely Mr. Zhang Jingwei (張經緯) and Dr. Yang Jiaming (楊嘉明), who are not connected persons of the Company for the purposes of Chapter 14A of the Listing Rules.

LivzonBio will acquire the entire equity interest of Kadi from Mr. Zhang Jingwei and Dr. Yang Jiaming (the “**Kadi Acquisition**”) at nil consideration. The consideration is determined with reference to the negative net asset value of Kadi in the latest quarter of financial results.

Upon completion of the Kadi Acquisition, the contractual arrangements among LivzonBio, Kadi, Mr. Zhang Jingwei and Dr. Yang Jiaming will be terminated and Kadi will become a direct wholly-owned subsidiary of LivzonBio.

(c) Acquisition of Livzon HK

As Livzon HK is an investment holding entity of Livzon Cayman, in preparation of the capital reduction and return of capital by Livzon Cayman (as set out in transactions 4(a) – (4)(c) below, collectively the “**Livzon Cayman Capital Reduction**”), Livzon HK will transfer to Livzon Cayman an amount equivalent to capital to be returned by Livzon Cayman to its shareholders for the Livzon Cayman Capital Reduction, after excluding the consideration of US\$6.1 million as described below and the remaining cash of Livzon Cayman. After the transfer, Livzon HK will undergo capital reduction to reflect its return of capital to Livzon Cayman.

After the capital reduction of Livzon HK, LivzonBio will acquire the entire share capital of Livzon HK from Livzon Cayman at a consideration of US\$6.1 million. The consideration is determined with reference to the capital previously injected by Livzon Cayman to Livzon HK for external investments in Livzon MABPharm USA, Inc., Aetio Biotherapy, Inc. and SCC VENTURE VI 2018-B, L.P..

Upon completion of acquisitions (3)(a) to (3)(c) above, the Target Companies will become wholly-owned subsidiaries of LivzonBio, which will be directly owned by the Company as to approximately 51.00%. Accordingly, LivzonBio and the Target Companies will remain as subsidiaries of the Company and their assets, liabilities and results will still be consolidated into the consolidated financial statements of the Company.

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(4) Capital Reduction and Deregistration of Livzon Cayman

Prior to the Reorganization, Livzon Cayman is owned by the Company (through Livzon International), Joincare (through Joincare BVI) and YF Pharmab Limited as to approximately 55.13%, 35.75% and 9.12%, respectively (without taking into account any allotment and issuance of Livzon Cayman Shares upon exercise of share options under the Subsidiary Share Incentive Scheme) and approximately 51.00%, 33.07% and 8.43%, respectively (after taking into account the allotment and issuance of Livzon Cayman Shares upon exercise of all share options under the Subsidiary Share Incentive Scheme).

In preparation for the deregistration of Livzon Cayman, Livzon Cayman will undertake the following steps to conduct capital reduction by return its capital to Livzon International, Joincare BVI and YF Pharmab Limited, respectively:

- (a) Livzon Cayman will transfer to Livzon International and YF Pharmab Limited US\$98,299,320 and US\$50,000,000, respectively, or the equivalent amount in RMB. This transfer reflects the return of capital gained by Livzon Cayman through LivzonBio in the YF Subscription.
- (b) Livzon Cayman will transfer to Livzon International and Joincare BVI (or its designated entity) RMB306 million and RMB294 million, respectively. This transfer reflects the return of capital gained by Livzon Cayman through LivzonBio in the Joincare Subscription.
- (c) Upon completion of transactions (4)(a) and (4)(b) above, Livzon Cayman will undergo capital reduction and return its capital to Livzon International, Joincare BVI and YF Pharmab Limited. The share capital of Livzon Cayman will be reduced to 1 ordinary share held by Livzon International.

After the transfers and capital reduction, Livzon International will commence deregistration of Livzon Cayman.

Conditions Precedent and Completion

Completion of the Reorganization Framework Agreement and the transactions contemplated thereunder are conditional upon the following conditions being fulfilled or, as the case may be, waived, on or before the Long Stop Date:

- (a) each Party has obtained their board's and shareholders' approval (where necessary);
- (b) none of the undertakings, warranties and representations of each Party contained in the Reorganization Framework Agreement having been breached in any material respect or being misleading or untrue in any material respect; and
- (c) all necessary governmental and regulatory approvals or consents (or waivers) having been obtained.

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Upon completion of the Reorganization, LivzonBio will become the new holding entity of the Target Companies. LivzonBio will be directly owned by the Company as to approximately 51.00%. Accordingly, the assets, liabilities and results of LivzonBio and the Target Companies will continue to be consolidated into the Company's financial statements upon completion of the Reorganization.

5. Assessment on the consideration

The consideration of the acquisition of Livzon MAB and the transfer of LivzonBio under the Reorganization Framework Agreement was determined by the Parties with reference to (i) the valuation of Livzon MAB and LivzonBio as at the 30 September 2020, which was conducted by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) (the **"Independent Valuer"**), and (ii) after arm's length negotiation among the Parties.

According to the valuation report of Livzon MAB prepared by the Independent Valuer (the **"Livzon MAB Valuation Report"**), the appraised total equity value of Livzon MAB as of 30 September 2020 was approximately RMB1,478.2 million. According to the valuation report of LivzonBio prepared by the Independent Valuer (the **"LivzonBio Valuation Report"**), the appraised total equity value of LivzonBio as of 30 September 2020 was approximately RMB48.5 million. As set out in the valuation reports, the valuation reports had been prepared according to all relevant regulation and standards that are required to be complied by an Independent Valuer.

In order to assess the expertise and independence of the Independent Valuer, we have obtained and reviewed (i) the engagement letter of the Independent Valuer; (ii) the Independent Valuer's relevant qualification and experience. The Independent Valuer also confirmed that it is independent from the Company, Livzon MAB and LivzonBio. In view of the above, we considered that the Independent Valuer is qualified and possesses relevant experience in conducting the valuation of Livzon MAB and LivzonBio. We have reviewed the Livzon MAB Valuation Report, the LivzonBio Valuation Report and the relevant working documents prepared by the Independent Valuer, especially on key information reviewed, major assumptions and considerations made by the Independent Valuer.

5.1 Valuation of Livzon MAB

We noted that there are three generally accepted valuation approaches, namely the market approach, cost approach (also known as asset-based approach) and income approach in arriving at the valuation of Livzon MAB. As advised by the Independent Valuer, an Independent Valuer usually has to consider two out of three valuation methodologies before adopting one valuation methodology to arrive the final conclusion. The evaluation of the appropriate valuation methodology was assessed according to each evaluation methodology's compatibility with the business nature of the subject. As the technology which Livzon MAB is currently developing is still in research and development phase and the business is yet to generate any profit, the income approach was initially ruled out by the Independent Valuer as the financial forecasting cannot be made for any unclear products and the profit could easily be overstated and understated. In the valuation of Livzon MAB, the Independent Valuer considered both the

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market approach and cost approach as appropriate valuation methodologies. However, the result from market approach was then ruled out due to the recent volatility in the stock market. The cost approach provides an indication of value by summing up the appraised value of various asset elements of the company and subtracting the appraised value of liabilities. Since Livzon MAB has not been generating any profit, and the business nature of the subject involves heavily on the asset elements like technological advanced scientific equipment and intangible assets, the result from cost approach was finally adopted as the valuation conclusion of Livzon MAB.

Regarding the cost approach, we had reviewed the financial information of Livzon MAB for the nine months ended 30 September 2020, and we noted that majority of its assets was non-current assets, which accounted for over 70.7% of its total assets. In relation to the valuation of Livzon MAB, intangible assets constituted approximately 73.5% of the appraised total assets value. We concurred with the Independent Valuer that both the income approach and market approach are not the most appropriate methods to arrive at a meaningful valuation result of Livzon MAB due to the asset and research heavy based business model of Livzon MAB and its pre-revenue stage, and the cost approach is commonly used and an appropriate method for evaluating the equity value of Livzon MAB.

The consideration of Livzon MAB of RMB1.48 billion was determined after negotiations between the Parties on arm's length basis and taking into account various factors, among other things, the appraised total equity value of Livzon MAB as at the 30 September 2020 of approximately RMB1,478.2 million. Based on our review on the Independent Valuer's qualification and experience and the methodology and assumptions adopted in the valuation report as discussed above, we are of view the consideration determined with reference to valuation result of the Livzon MAB Valuation Report is fair and reasonable.

5.2 Valuation of LivzonBio

For the valuation of LivzonBio, due to LivzonBio has never been in operation ever since its establishment, the Independent Valuer ruled out income approach and market approach as appropriate valuation methodologies. The cost approach methodology was adopted to derive a present fair value from the future value of LivzonBio's business, which provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Regarding the cost approach, we had reviewed the financial information of LivzonBio for the nine months commencing from 1 January 2020 till 30 September 2020 and noted that as at 30 September 2020, all of its assets were current assets, while cash accounted for approximately 40.7% of its total assets. In view of LivzonBio's business nature as well as its assets composition, we concur with the Independent Valuer that the cost approach an appropriate valuation methodology for evaluating the total equity value of LivzonBio.

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The consideration of LivzonBio of approximately RMB47.7 million was determined after negotiations between the parties on arm's length basis and taking into account various factors, among other things, the appraised total equity value of LivzonBio as at the 30 September 2020 of RMB48.5 million, which is equal to the net assets of LivzonBio as at 30 September 2020. Based on our review on the Independent Valuer's qualification and experience and the methodology and assumptions adopted in the valuation report as discussed above, we are of view the consideration determined with reference to valuation result of the LivzonBio Valuation Report is fair and reasonable.

6. Financial Effect of the Reorganization on the Group

Upon completion of the Reorganization, LivzonBio will become the new holding entity of the Target Companies and LivzonBio will be directly owned by the Company as to approximately 51.00%. The accounts of LivzonBio and the Target Companies will continue to be consolidated into the Company's upon completion of the Reorganization. We understand from the Company that other than the stamp duty and transaction costs that will be incurred during the Reorganization, which is expected not material, there will be no other material cost incurred in relation to the Reorganization. Based on the above, there will be no material adverse impact on the revenue, profit, assets, liabilities and equity of the Group.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the (a) terms of the Reorganization Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and; (b) the Reorganization, despite not conducted in the usual and ordinary course of business of the Group, is in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect to the Reorganization Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Dian Deng
Managing Director

Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 executive 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 (朱保國先生)	Interest of controlled corporation	255,513,953 A Shares ⁽¹⁾⁽²⁾ 163,364,672 H Shares ⁽¹⁾⁽³⁾	40.90% 51.07%	27.05% 17.29%
Mr. Tao Desheng (陶德勝先生)	Beneficial owner Interest of spouse	859,850 A Shares ⁽⁴⁾⁽²¹⁾ 207,646 A Shares ⁽⁵⁾⁽⁶⁾⁽²¹⁾ <hr/> 1,067,496 A Shares	 0.17%	 0.11%
Mr. Xu Guoxiang (徐國祥先生)	Beneficial owner	859,850 A Shares ⁽⁷⁾⁽²¹⁾	0.14%	0.09%
Mr. Tang Yanggang (唐陽剛先生)	Beneficial owner	405,803 A Shares ⁽⁸⁾⁽²¹⁾	0.06%	0.04%

Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Equity interest/number of shares (<i>Long position</i>)	As a percentage of the equity interest of associated corporation
Mr. Zhu Baoguo (朱保國先生)	Baiyeyuan	Beneficial owner	72,000,000 (RMB)	90.00%
	Joincare	Interest of controlled corporation	895,653,653 shares ⁽⁹⁾	45.88%
	Livzon Cayman ⁽¹⁰⁾	Interest of controlled corporation	49,000,000 shares ⁽¹⁾⁽¹¹⁾	39.33% ⁽¹⁴⁾
	Livzon HK ⁽¹⁰⁾	Interest of controlled corporation	4,001 shares ⁽¹⁾⁽¹²⁾	100.00% ⁽¹⁰⁾
	LivzonBio ⁽¹⁰⁾	Interest of controlled corporation	250,000,000 (RMB) ⁽¹⁾⁽¹³⁾	100.00% ⁽¹⁰⁾
	Livzon MAB ⁽¹⁰⁾	Interest of controlled corporation	1,453,330,000 (RMB) ⁽¹⁾⁽¹³⁾	100.00% ⁽¹⁰⁾
Mr. Tang Yanggang (唐陽剛先生)	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 (邱慶豐先生)	Joincare	Beneficial owner	717,409 shares ⁽¹⁸⁾	0.04%
Mr. Xu Guoxiang (徐國祥先生)	Livzon Diagnostics ⁽¹⁷⁾	Other	500,000 shares ⁽¹⁷⁾	0.54%
Mr. Yu Xiong (俞雄先生)	Joincare	Beneficial owner	800,000 shares ⁽¹⁹⁾	0.04%
		Interest of spouse	3,720 shares ⁽²⁰⁾	
			803,720 shares	

Notes:

- (1) Joincare is 45.88% 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., 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 are able to 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 are able to 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 are able to 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 are able to subscribe for 60,840 A Shares of the Company pursuant to the 2018 Share Options Incentive Scheme of the Company.
- (9) During the period from 13 May 2020 to 23 November 2020, the holders of 2019 Non-public Issuance of Convertible Bonds of Baiyeyuan (First Tranche) exercised their rights of share conversion, which resulted in a decrease in the number of shares in Joincare held by Baiyeyuan from 980,458,782 shares to 895,653,653 shares. Therefore, the shareholding in Joincare held by Baiyeyuan reduced from 50.59% to 45.88%.
- (10) Joincare BVI is indirectly held as to 100% by Joincare. Livzon Cayman is directly held as to 35.75% by Joincare BVI; Livzon HK is directly held as to 100% by Livzon Cayman; LivzonBio and Livzon MAB are directly held as to 100% by Livzon HK.
- (11) These shares are held by Joincare BVI.
- (12) These shares are held by Livzon Cayman.
- (13) These equity interests are held by Livzon HK.
- (14) Joincare BVI holds 49,000,000 ordinary shares of Livzon Cayman, which is 39.33% of all the issued ordinary shares and 35.75% of all the issued shares (including ordinary shares and series A preferred shares) of Livzon Cayman.
- (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 360,000 share options, which are able to subscribe for 360,000 A shares of Joincare pursuant to the 2018 Share Options Incentive Scheme of Joincare.
- (19) These shares include 480,000 share options, which are able to subscribe for 480,000 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 of the Company, please refer to the relevant information of the “Share Options Incentive Scheme” in 2020 interim report of the Company.

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, supervisors or chief executive of the Company) had 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 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
Substantial shareholders					
Baiyeyuan	Interest of controlled corporation	255,513,953 A Shares ⁽¹⁾	Long position	40.90%	27.05%
	Interest of controlled corporation	163,364,672 H Shares ⁽²⁾	Long position	51.07%	17.29%
Ms. Liu Guangxia (劉廣霞女士)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	40.90%	27.05%
		163,364,672 H Shares ⁽³⁾	Long position	51.07%	17.29%
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		40.90%	27.05%
	Interest of controlled corporation	163,364,672 H Shares ⁽²⁾	Long position	51.07%	17.29%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	51.07%	17.29%

Notes:

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

Save for the shareholders as disclosed herein, the Directors were not aware of any persons, who, as at the Latest Practicable Date, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also able to direct or influence the management of the Company in a practicable matter.

4. 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 and supervisors of the Company.

5. 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 2019 (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 at the Latest Practicable Date, in which any of the Directors or supervisors of the Company were materially interested and which was significant to the business of the Group.

6. 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 Joicare 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 Joicare 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 Joicare 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 Joicare Group, and the Group does not share its customer resources and databases with Joicare 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 Joicare Group.

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

7. 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 2019 (being the date to which the latest published audited accounts of the Group were made up).

8. 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
Maxa Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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, the Independent Financial Adviser 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, the Independent Financial Adviser did not, directly or indirectly, had any interest in any assets which had since 31 December 2019 (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.

9. MISCELLANEOUS

- (i) The registered office of the Company is situated at Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, China.
- (ii) 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.
- (iii) The H share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the Chinese texts shall prevail over their respective English texts.

10. 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 Reorganization Framework Agreement;
- (ii) the letter from the Independent Board Committee as set out on page 21 of this circular;
- (iii) the letter from the Independent Financial Adviser as set out from pages 22 to 40 of this circular;
- (iv) the written consent from the Independent Financial Adviser; and
- (v) this circular.

REVISED NOTICE OF THE EGM

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)

REVISED NOTICE OF THE 2021 FIRST EXTRAORDINARY GENERAL MEETING

Reference is made to the notice (“**Original EGM Notice**”) of the 2021 first extraordinary general meeting (the “**EGM**”) of 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.* (the “**Company**”) dated 5 December 2020.

As the transactions contemplated under the Reorganization Framework Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules and for the purpose of boosting efficiency of decision-making and saving cost of work time, the board of directors of the Company (the “**Board**”) announced that the EGM originally dated Wednesday, 13 January 2021 at 2:00 p.m. was cancelled and the EGM will be convened on Friday, 8 January 2021 at 2:00 p.m. at the same venue. Accordingly, the Company hereby revises the Original EGM Notice as follows:

REVISED NOTICE IS HEREBY GIVEN that the EGM of 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 Friday, 8 January 2021 at 2:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions.

ORDINARY RESOLUTION

1. To consider and approve the reorganization of the shareholding structures of the controlling subsidiaries of the Company and connected transactions.

“THAT

- (A) To consider and approve the framework agreement in relation to the reorganization (the “**Reorganization Framework Agreement**”) and the transactions contemplated thereunder;

REVISED NOTICE OF THE EGM

- (B) To authorize the Board to enter into further agreements (if necessary) to give effect to the transactions contemplated under the Reorganization Framework Agreement; and
- (C) To authorize any one of the directors to revise the wordings of the Reorganization Framework Agreement as appropriate (no approval from the shareholders is required for such revisions), and execute relevant documents and/or take all relevant actions as it considers necessary or appropriate and in the interest of the Company to effect to the Reorganization Framework Agreement and the transactions contemplated thereunder, comply with the PRC laws and regulations and meet the requirements of the relevant regulatory authorities of the PRC (if any), and deal with other relevant matters arising from the reorganization.”

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 Monday, 4 January 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 Monday, 4 January 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 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 (the “**Closing Time**”). 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 the Closing Time.

Since the EGM originally dated Wednesday, 13 January 2021 was cancelled and the EGM will be convened on Friday, 8 January 2021, a revised proxy form of the EGM (the “**Revised Proxy Form**”) will be sent to the Shareholders. Any Shareholder who intends to appoint a proxy to attend the EGM but has not yet lodged the proxy form of the EGM sent together with the Original EGM Notice dated 5 December 2020 (the “**Original Proxy Form**”) is required to complete and return the enclosed Revised Proxy Form in accordance with the instructions printed thereon. In such case, the Original Proxy Form should not be lodged with the Company. Any Shareholder who has already lodged the Original Proxy Form with the Company should also complete and return the enclosed Revised Proxy Form in accordance with the instructions printed thereon.

REVISED NOTICE OF THE EGM

If a Shareholder has already lodged the Original Proxy Form despatched by the Company on 5 December 2020, he/she/it should note that:

- (a) if no Revised Proxy Form is lodged by the Shareholder, the Original Proxy Form will be treated as a valid proxy form lodged by the Shareholder if duly completed. The proxy appointed under the Original Proxy Form will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her/its discretion (if no such instructions are given) on any resolution properly put to the EGM;
 - (b) if the Revised Proxy Form is lodged by the Shareholder before the Closing Time, the Revised Proxy Form will be treated as a valid proxy form lodged by such Shareholder if duly completed, and the Original Proxy Form will be revoked and superseded by the Revised Proxy Form; and
 - (c) if the Revised Proxy Form is lodged by the Shareholder after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the Revised Proxy Form will be deemed invalid. The Original Proxy Form will be treated as a valid proxy form if duly completed. The proxy appointed under the Original Proxy Form will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her/its discretion (if no such instructions are given) on any resolution properly put to the EGM.
5. Contact details of the Secretariat of the Board are as follows:
- | | |
|------------------|---|
| Address: | 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 hour and half. 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
16 December 2020

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