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**丽珠医药**  
**LIVZON**

**麗珠醫藥集團股份有限公司**

**LIVZON PHARMACEUTICAL GROUP INC.\***

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

**(Stock code: 1513)**

**CONNECTED TRANSACTION**  
**EQUITY TRANSFER AGREEMENT IN RELATION TO DISPOSAL OF**  
**9.50% EQUITY INTEREST IN LIVZON REAGENTS**

**EQUITY TRANSFER AGREEMENT**

The Board announces that on 8 November 2019, the Company entered into the Equity Transfer Agreement with Liying, pursuant to which the Company agreed to sell and Liying agreed to acquire 9.50% equity interest (i.e. 8,382,100 shares of Livzon Reagents) in Livzon Reagents at a consideration of RMB21,122,892. Upon completion of the Disposal, the Company will hold 41.50% equity interest in Livzon Reagents.

**IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, as Mr. Tang Yanggang, the Executive Director of the Company, is a general partner of Liying and has sole discretion to decide all matters of Liying, Liying is therefore a connected person of the Company by virtue of being an associate of Mr. Tang Yanggang. Accordingly, the Disposal under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal under the Equity Transfer Agreement exceed 0.1% but are less than 5% and the Consideration for the Disposal exceeds HK\$3,000,000, the Disposal under the Equity Transfer Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are as follows:

- Parties : (i) the Company, as the seller  
(ii) Liying, as the purchaser
  
- Subject Matter : 9.50% equity interest in Livzon Reagents (i.e. 8,382,100 shares of Livzon Reagents).
  
- Consideration : RMB 21,122,892, which was arrived at after arm’s length negotiation between the parties with reference to the premium of 37.16% over the audited net asset value of RMB 162,103,810.28 of Livzon Reagents as at 30 June 2019.
  
- Payment Arrangement : Liying shall pay the Consideration by instalments in the following manner:
  - (i) RMB14,364,000 within one month following the Equity Transfer Agreement Effective Date, by way of transfer; and
  - (ii) the remaining Consideration, being RMB 6,758,892 before 31 December 2020, in one lump sum.
  
- Specific Undertakings and Guarantee : Liying agreed that the Company is entitled to designate the general partner and executive partner of Liying (subject to the written notice of the Company).
  
- Specific Agreement on Profit Sharing : The equity interests arising from bonus distribution, dividends distribution, bonus issue, capitalisation and share allotment (if any) of Livzon Reagents that have occurred prior to the Equity Transfer Agreement Effective Date shall attribute to the Company. The equity interests arising from bonus distribution, dividends distribution, bonus issue, capitalisation and share allotment (if any) of Livzon Reagents that have occurred following the Equity Transfer Agreement Effective Date shall attribute to Liying.
  
- Default and Compensation : If the Company defaults, it shall refund to Liying the Consideration paid; if Liying fails to pay the Consideration as stipulated, it shall pay the Company a default compensation of 0.05% of the total Consideration for each day of default.

## INFORMATION ABOUT THE PARTIES

### The Company

The Company is principally engaged in the research and development, production and sales of Chinese and Western drug preparation products, bulk medicines and intermediates, and diagnostic reagents and equipment through its subsidiaries.

### Liyang

Liyang is a limited partnership established in the PRC in 2019 which principally engages in equity investment, investment management, investment planning and investment consulting. As at the date of this announcement, Mr. Tang Yanggang, the Executive Director of the Company, is a general partner of Liyang, has sole discretion to decide all matters of Liyang and has 19.9234% equity interest in Liyang. The remaining 80.0766% equity interest of Liyang was held by other persons (the “Other Partners”), which include Directors and senior management of the Company as well as core management of the Company and its controlling subsidiaries. None of the Other Partners or their immediate family members and/or trustees (as defined in the Listing Rules), individually or jointly, holds 30% or more equity interests or rights of control of Liyang.

Set out below are the capital contributions of the partners of Liyang and the proportion of the total shareholding of the partnership:

No.	Name of partner	Capital contribution (RMB0,000)	Percentage	Position in the Group
1	Tang Yanggang	424.18	19.9234%	Executive Director and President
2	Xu Guoxiang	127.00	5.9651%	Executive Director, Vice Chairman and Vice President
3	Yang Daihong	50.80	2.3861%	Vice President
4	Si Yanxia	50.80	2.3861%	Vice President
5	Zhou Peng	50.80	2.3861%	Vice President
6	Huang Yuxuan	50.80	2.3861%	Vice President
7	Dai Weiguo	12.70	0.5965%	Vice President
8	Yang Liang	38.10	1.7895%	Secretary to the Board and Company Secretary
9	Other Partners (27 persons)	1,298.47	62.1811%	Core management of the Company and its controlling subsidiaries
<b>Total</b>		<b>2,103.65</b>	<b>100%</b>	

## INFORMATION ABOUT LIVZON REAGENTS

Livzon Reagents is a joint stock company established in the PRC with limited liability on 26 January 1989 which principally engages in the manufacturing of in vitro diagnostic reagents. As at the date of this announcement, it is owned as to 51.00% by the Company. Upon completion of the Disposal, the equity interests in Livzon Reagents held by Company will decrease from 51.00% to 41.50%.

The details of shareholding of Livzon Reagents before and after the completion of the Disposal are set out as follows:

Name of shareholder	Before completion of the Disposal		After completion of the Disposal	
	Number of shares held (0,000 shares)	Percentage of shareholding	Number of shares held (0,000 shares)	Percentage of shareholding
The Company	4,499.8795	51.00%	3,661.6695	41.50%
Li Lin	1,964.0651	22.26%	1,964.0651	22.26%
Shi Jianfeng	1,058.7952	12.00%	1,058.7952	12.00%
Li Wei	176.4659	2.00%	176.4659	2.00%
Wang Zhimin	88.2329	1.00%	88.2329	1.00%
Chu Xuntao	220.5823	2.50%	220.5823	2.50%
Lin Yan	264.6988	3.00%	264.6988	3.00%
Li Pengfei	96.1739	1.09%	96.1739	1.09%
Yu Zhijing	78.5273	0.89%	78.5273	0.89%
珠海啓新企業管理諮詢合夥企業（有限合夥） (Zhuhai Qixin Enterprise Management Consulting Partnership (Limited Partnership)*)	375.8723	4.26%	375.8723	4.26%
Liyang	0.00	0.00%	838.2100	9.50%
<b>Total</b>	<b>8,823.2932</b>	<b>100.00%</b>	<b>8,823.2932</b>	<b>100.00%</b>

Set out below is the extracted financial information of Livzon Reagents for the two financial years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Net profit before taxation and extraordinary items	85,610,899.85	111,521,535.54
Net profit after taxation and extraordinary items	66,295,355.97	64,737,534.33

The audited total asset value and net asset value of Livzon Reagents as at 31 December 2018 were RMB 710,114,038.75 and RMB 222,344,788.35, respectively. The audited total asset value and net asset value of Livzon Reagents as at 30 June 2019 were RMB 678,964,452.66 and RMB 162,103,810.28, respectively.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

In order to enhance the enthusiasm and cohesiveness of the core management of the Group and promote the development of the Group's in vitro diagnostic reagents business, the parties determined that the Consideration to be RMB 21,122,892 after arm's length negotiation with reference to the audited net asset value of RMB 162,103,810.28 of Livzon Reagents as at 30 June 2019. The Consideration represented a premium of 37.16% over the audited net asset value of Livzon Reagents as at 30 June 2019.

Each partner of Liying (i.e. Directors, senior management and core management of the Company and its controlling subsidiaries) has earned his/her interests for being a partner of Liying by virtue of his/her service of 5 years or more in the Company and its controlling subsidiaries, and the Consideration was determined after arm's length negotiation by the parties with reference to the audited net asset value of Livzon Reagents as at 30 June 2019. Therefore, the Directors (including the Independent Non-executive Directors) are of the view that the Consideration of the Disposal is fair and reasonable and in the interests of the Company and the shareholders as a whole.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors consider that the Disposal could form a direct interest relationship between the core management of the Group and the business development of Livzon Reagents, which will fully mobilise the enthusiasm of the management and core employees of the Group, as well as stabilise and attract core talents, thereby effectively facilitate the operating business development of Livzon Reagents and promote the realisation of the future development strategy and overall business objectives of the Group.

The Directors (including Independent Non-executive Directors) are of the view that the terms of the Disposal are on normal commercial terms, which are fair and reasonable, and the Disposal is in the interests of the Company and the shareholders as a whole.

As Mr. Tang Yanggang and Mr. Xu Guoxiang own 19.9234% and 5.9651% equity interest in Liying respectively, Mr. Tang Yanggang and Mr. Xu Guoxiang are deemed to have material interest in the Disposal and have abstained from voting on the Board resolution for approving the Disposal.

## **FINANCIAL IMPACT OF THE DISPOSAL**

Upon completion of the Disposal, the equity interest of the Company in Livzon Reagents will decrease from 51.00% to 41.50%, Livzon Reagents will continue to be a subsidiary of the Company, and the Company will remain control over Livzon Reagents which will continue to be consolidated into the Company's consolidated financial statements.

The Company expects to record an unaudited gain from the Disposal of approximately RMB 20,583,292.00 (without considering tax and deducting expenses payable in respect of the Disposal), which is calculated based on the difference between the Consideration and the original investment cost of the equity interest to be disposed of. The record of the actual gain of the Disposal is subject to the auditing of the Company's auditors. As Livzon Reagents will still be under the control of the Company after the Disposal, the Disposal will not affect the profit and loss of the Group's consolidated accounts according to the accounting requirements in relation to the disposal of certain equity interests in subsidiary without losing control of such subsidiary under the China Accounting Standards for Business Enterprises.

## USE OF PROCEEDS FROM THE DISPOSAL

The Company intends to use all the net proceeds from the Disposal for general working capital purpose.

## IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, as Mr. Tang Yanggang, the Executive Director of the Company, is a general partner of Liying and has sole discretion to decide all matters of Liying, Liying is therefore a connected person of the Company by virtue of being an associate of Mr. Tang Yanggang. Accordingly, the Disposal under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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## DEFINITIONS

“associate(s)”	:	has the same meaning as ascribed in the Listing Rules
“Board”	:	the board of Directors of the Company
“Company”	:	麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*, a joint stock company incorporated in the PRC in accordance with the Company Law on 25 January 1985 with limited liability, the shares of which are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“connected person(s)”	:	has the same meaning as ascribed in the Listing Rules
“Consideration”	:	the consideration of RMB 21,122,892 under the Equity Transfer Agreement
“Director(s)”	:	the director(s) of the Company
“Disposal”	:	the transaction contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	:	the equity transfer agreement dated 8 November 2019 entered into between the Company and Liying pursuant to which the Company agreed to sell and Liying agreed to acquire 9.50% equity interest in Livzon Reagents (i.e. 8,382,100 shares of Livzon Reagents)
“Equity Transfer Agreement Effective Date”	:	being the date upon signing the Equity Transfer Agreement by the Company and Liying

“Group”	:	collectively the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Listing Rules”	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	:	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shenzhen Stock Exchange”	:	The Shenzhen Stock Exchange
“Livzon Reagents”	:	珠海麗珠試劑股份有限公司 Zhuhai Livzon Diagnostic Reagents Inc.*, a joint stock company established in the PRC with limited liability and is held as to 51.00% by the Company as at the date of this announcement; upon completion of the Disposal, the equity interests in Livzon Reagents held by the Company will decrease to 41.50%
“Liyang”	:	珠海麗英投資管理合夥企業（有限合夥）Zhuhai Liying Investment Management Partnership (Limited Partnership)*, a limited partnership established in the PRC
“%”	:	per cent.

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

Zhuhai, China  
8 November 2019

*As at the date of this announcement, the Executive Directors of the Company are Mr. Tang Yanggang (President) and Mr. Xu Guoxiang (Vice Chairman and Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Tao Desheng (Vice Chairman) and Mr. Qiu Qingfeng; and the Independent Non-Executive Directors of the Company are Mr. Xu Yanjun, Mr. Zheng Zhihua, Mr. Xie Yun, Mr. Tian Qiusheng and Mr. Wong Kam Wa.*

*\* For identification purpose only*