

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



**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)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2017 TO 2019**

### **DETERMINATION OF THE ANNUAL CAPS**

Reference is made to the announcements of the Company dated 5 September 2014 and 24 September 2015, and the circulars of the Company dated 7 October 2014 and 22 October 2015, in relation to, among others, the 2014 Joincare Purchases Agreement and the Supplemental Agreement, pursuant to which the Company and Joincare revised the annual caps for the three years ended 31 December 2014, 2015 and 2016.

The Board announced that having considered the 2014 Joincare Purchases Agreement will be expired on 31 December 2016, with the continuous development of the Group's business, the Group will keep on developing and manufacturing various kinds of antifungal and antibiotics related products and new products from time to time. In order to renew the 2014 Joincare Purchases Agreement, the Company and Joincare entered into the 2017 Joincare Purchases Framework Agreement on 25 October 2016, pursuant to which, the parties have agreed conditionally that Joincare shall sell products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products to certain members of the Group from time to time in accordance with the terms of the 2017 Joincare Purchases Framework Agreement for a period of three years commencing from 1 January 2017 to 31 December 2019; and to set out the annual caps for the continuing connected transactions contemplated for the three years ended 31 December 2019.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Joincare, directly and indirectly, owned approximately 42.79% of the equity interests in the Company, and therefore is a controlling shareholder of the Company. Accordingly, Joincare and its associates are connected persons of the Company, and the transactions contemplated under the 2017 Joincare Purchases Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. Zhu Baoguo, Mr. Qiu Qingfeng and Mr. Zhong Shan have abstained from voting on the meeting of the Board during which the 2017 Joincare Purchases Framework Agreement and the transactions contemplated thereunder were approved.

As the highest applicable percentage ratio for the proposed annual caps under the 2017 Joincare Purchases Framework Agreement exceeds 5%, the transactions contemplated under the 2017 Joincare Purchases Framework Agreement are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to seek the approval from the Independent Shareholders for the 2017 Joincare Purchases Framework Agreement. In view of the interests of Joincare in the Company, Joincare, Shenzhen Haibin Pharmaceutical Co., Ltd., Topsino Industries Limited and their respective associates will abstain from voting in relation to the resolution(s) to approve the transactions contemplated under the 2017 Joincare Purchases Framework Agreement.

## **GENERAL**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Xu Yanjun, Mr. Guo Guoqing, Mr. Wang Xiaojun, Mr. Zheng Zhihua and Mr. Xie Yun, has been established to advise the Independent Shareholders in respect of the terms (including the annual caps) of the 2017 Joincare Purchases Framework Agreement and the transactions contemplated thereunder. Frontpage Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular of the Company containing, among others, the details of the 2017 Joincare Purchases Framework Agreement, letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders will be despatched to the Shareholders on or before 15 November 2016. A notice convening the EGM to approve the 2017 Joincare Purchases Framework Agreement, and the transactions contemplated thereunder and the proposed annual caps will be despatched to the Shareholders on 26 October 2016.

## **INTRODUCTION**

Reference is made to the announcements of the Company dated 5 September 2014 and 24 September 2015, and the circulars of the Company dated 7 October 2014 and 22 October 2015, in relation to, among others, the 2014 Joincare Purchases Agreement and the Supplemental Agreement, pursuant to which the Company and Joincare revised the annual caps for the three years ended 31 December 2014, 2015 and 2016.

The Board announced that having considered the 2014 Joincare Purchases Agreement will be expired on 31 December 2016, with the continuous development of the Group's business, the Group will keep on developing and manufacturing various kinds of antifungal and antibiotics related products and new products from time to time. In order to renew the 2014 Joincare Purchases Agreement, the Company and Joincare entered into the 2017 Joincare Purchases Framework Agreement on 25 October 2016, pursuant to which, the parties have agreed conditionally that Joincare shall sell products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products to certain members of the Group from time to time in accordance with the terms of the 2017 Joincare Purchases Framework Agreement for a period of three years commencing from 1 January 2017 to 31 December 2019; and to set out the annual caps for the continuing connected transaction to be contemplated for the three years ended 31 December 2019.

## **2017 JOINCARE PURCHASES FRAMEWORK AGREEMENT**

### **Date**

25 October 2016

### **Parties**

Purchaser: the Company

Supplier: Joincare

### **Term**

From 1 January 2017 to 31 December 2019

### **Conditions Precedent**

The 2017 Joincare Purchase Framework Agreement and the transactions contemplated thereunder are subject to the fulfillment of the following conditions:

- (i) all necessary disclosures in respect of the 2017 Joincare Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps) having been made by the Company in accordance with the Listing Rules; and

- (ii) approval from the Independent Shareholders in respect of the 2017 Joincare Purchase Framework Agreement and the transactions contemplated thereunder (including the annual caps) having been obtained by the Company in accordance with the Listing Rules.

### **Subject matters**

2017 Joincare Purchases Framework Agreement contains the general terms and conditions for the relevant members of the Group to purchase products and raw materials from the relevant members of the Joincare Group. Pursuant to the 2017 Joincare Purchases Framework Agreement, Joincare shall sell products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products to certain members of the Group from time to time during the three years from 1 January 2017 to 31 December 2019, and both parties have agreed that if the conditions offered by a third party are more favorable than that of being offered by Joincare, the Group can purchase such raw materials from such third party. The relevant members of the Group may from time to time place purchase orders with detail terms for the purchase of products and raw materials, provided that such detailed terms shall not contravene the terms of the 2017 Joincare Purchases Framework Agreement. The products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products include (but not limited to) itraconazole (伏立康唑), 7-ACA, and D7-ACA, etc. The actual quantity, types, prices, and settlement arrangements of the products and raw materials to be sold to the relevant members of the Group shall be subject to the individual purchase order to be placed by the relevant members of the Group with the relevant members of the Joincare Group from time to time.

The prices at which the products and raw materials are to be sold by the relevant members of the Joincare Group to the relevant members of the Group shall be (i) the indicative prices (if any) prescribed by the national price administration department; (ii) where (i) is not available, the comparable market prices based on quotation(s) obtained from other third party suppliers; or (iii) where (i) and (ii) are not available, the prices to be agreed between the parties, provided that such prices and other terms shall not be less favorable than the prices and terms offered by Joincare Group to third parties for similar transactions.

### **REASONS FOR ENTERING INTO THE 2017 JOINCARE PURCHASES FRAMEWORK AGREEMENT**

The Company is a PRC based pharmaceutical company principally engaged in the research and development, production and sales of pharmaceutical products.

Members of the Group have commenced purchasing products and raw materials from the relevant members of the Joincare Group which are mainly used for the production of antifungal and antibiotics

related drug preparation products since the year ended 31 December 2007, and no material issue were found on the products and raw materials being supplied from members of the Joincare Group. The Group has been continuously expanding its business, in order to facilitate the future growth of the Group's business, it anticipates that it will need more raw materials to produce the Group's products. Taking into account factors such as the quality and price of raw materials supplied by the relevant members of Joincare Group and the reputation of Joincare, the purpose of entering into the 2017 Joincare Framework Agreement is to renew the 2014 Joincare Purchases Agreement for another three years to 31 December 2019, and to amend the annual caps of the transactions contemplated thereunder, so as to ensure that the Group and Joincare can continue the existing trading transactions under the existing raw materials purchases agreement. The Group considers that the purchase of raw materials under the 2017 Joincare Purchases Framework Agreement is necessary to facilitate the Group's business development plan, and will improve the competitiveness, quality and price of the Group's products.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) are of the view that the 2017 Joincare Purchases Framework Agreement (including the proposed annual caps) is entered into on normal commercial terms in the ordinary and usual course of business of the Group, and that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **HISTORICAL TRANSACTION AMOUNT AND ANNUAL CAPS**

The historical annual caps and the historical transaction amount under the 2014 Joincare Purchases Agreement are set out as follow:

### ***Historical Annual Caps***

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 3 1 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual cap	260	340	572

### ***Historical Transaction Amount***

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2015</b>	<b>For the nine months ended 30 September 2016</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical transaction amount	237.82	294.18	247.74

The Directors kept monitoring the amount of the transactions contemplated under the 2014 Joincare Purchases Agreement, and such amount did not exceed the respective annual cap for the year ended 31 December 2015. As at the date of this announcement and for the year ending 31 December 2016, the transaction amount under the 2014 Joincare Purchases Agreement has not, and is expected that it will not, exceed the annual cap for the year ending 31 December 2016.

## **PROPOSED ANNUAL CAPS UNDER THE 2017 JOINCARE PURCHASES FRAMEWORK AGREEMENT**

Pursuant to the agreement dated 25 October 2016 entered into between the Company and Joincare, the annual caps for the three years ending 31 December 2017, 2018 and 2019 are RMB 382.00 million, RMB 421.00 million and RMB 473.00 million respectively.

The proposed annual caps for each of the three years ending 31 December 2017, 2018 and 2019 have been determined with reference to (a) the historical transaction amounts between members of the Group and Joincare Group; (b) the internal projection of the development of the Group's business; (c) the prevailing market condition and demand for the Group's products; (d) the historical growth of the PRC pharmaceutical industry; (e) the prevailing market prices of the relevant raw materials; (f) inflation; (g) the business development plan of the Group; and (h) the Group's potential in increasing its market share in the area of bulk medicine (including cephalosporin category (頭孢類) ) and intermediates.

In view of : (a) the Company will leverage on its quality products and services to increase its shares in Chinese and Indian cephalosporin category (頭孢類) bulk medicine market in the future; (b) the Company is proactively obtaining international accreditation, and plans to explore the European cephalosporin category (頭孢類) bulk medicine market, and expects to increase its production volume for those markets; (c) the implantation of a share incentive assessment scheme to boost the sales volume of our key products, which will further increase the production volume of antifungal products of Pharmaceutical Factory; and (d) approval for launch and sale in respect of the new preparation model of antifungal products are expected to be obtained in 2017, as the market size of such products is growing rapidly, the Group's market share is expected to enlarge in the future.

With the amendments to the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) which promulgated and come into force on 1 January 2015, as well as other important laws, regulations and requirements (such as the *Action Plan for Prevention and Control of Water Pollution* (《水污染防治行動計劃》), *Action Plan for Prevention and Control of Air Pollution* (《大氣污染防治行動計劃》) and *Action Plan for Prevention and Control of Soil Pollution* (《土壤污染防治行動計劃》)) promulgated by the Ministry of Environmental Protection of the People's Republic of China

(中華人民共和國環境保護部) in succession in 2015 and 2016, the Company expects more stringent supervision over pharmaceutical enterprises on environmental aspects to come, and many pharmaceutical enterprises that are not up to par in production and operation will be forced to increase investments in environmental protection or to cease production due to the costs involved in environmental protection. At the same time, the Group has been in strict compliance with the national and local laws and regulations requirements over years, and our continuous investment in environmental friendly equipment and facilities and environmental management have given us more advantages over our competitors in the overall stringent regulatory environment in environmental protection at present and in the future, and has laid a solid base for us to gradually capture the benefits from environmental efficiency and economic efficiency. The Directors expect that the Group can increase its market share by taking up the market share of those which have been eliminated.

Therefore, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) are of the view that the terms of the transactions contemplated under 2017 Joincare Purchases Framework Agreement and the proposed annual caps thereunder for the three years ending 31 December 2017, 2018 and 2019 are conducted and entered into in the ordinary and usual course of business of the Group, and on normal commercial terms that are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **PRICING POLICY**

The pricing of the products and raw materials to be purchased by members of the Group from Joincare Group will be based on the indicative prices (if any) prescribed by the national price administration department. If such indicative prices are not applicable, the products and raw materials will be priced based on the prevailing market prices of such products and raw materials on the following principles:

- (a) by reference to the prevailing market price of identical products and raw materials, and will take into account of the price to be charged by other third party suppliers for order of identical products and raw materials of comparable quantities and quality; and
- (b) if there are no sufficient comparable transactions mentioned in (a) above, on normal commercial terms comparable to those offered to Independent Third Parties by Joincare Group for identical products and raw materials of comparable quantities.

In determining the prevailing market price of the products and raw materials for a particular purchase order, the Group will invite quotations from independent suppliers and use it as the prevailing market price reference of the relevant products and raw materials to be procured. Such quotations will be

reviewed and evaluated from both technical and commercial perspectives by qualified personnel of the Group to ensure that the prices of the products and raw materials to be procured from Joincare Group are comparable to the prices of such products and raw materials being offered by Independent Third Parties.

To ensure that the actual prices of the products and raw materials to be purchased by members of the Group from Joincare Group are on normal commercial terms and on terms that are no less favorable to the Group than that available from Independent Third Party suppliers, the Group will conduct regular checks to review and evaluate whether the products and raw materials are purchased in accordance with the terms of the 2017 Joincare Purchases Framework Agreement. In addition, the Company will engage the auditor of the Company to conduct the annual review on the transactions contemplated under the 2017 Joincare Purchases Framework Agreement.

Having considered the method and procedure mentioned above, the Directors (including the independent non-executive Directors) considered that such method and procedure can ensure and guarantee that the transactions contemplated under the 2017 Joincare Purchases Framework Agreement will be entered into on normal commercial terms, and will not impair the interests of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT THE GROUP**

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

## **INFORMATION ABOUT THE JOINCARE GROUP**

Joincare is a joint stock company incorporated in the PRC and was listed on the Shanghai Stock Exchange in 2001. It is principally engaged in three major business segments, namely (a) the production and sales of drug preparation products; (b) the production and sales of bulk medicines and intermediates; and (c) the research, production and sales of healthcare products. Mr. Zhu Baoguo, the chairman and non-executive Director of the Company, is also the director of Joincare as well as the ultimate beneficial owner of Joincare. Mr. Qiu Qingfeng, a non-executive Director, is also the director and vice general manager of Joincare. Mr. Zhong Shan, a non-executive Director, is also the vice general manager of Joincare.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Joincare, directly and indirectly, owned approximately 42.79% of the equity interests in the Company, and therefore is a controlling shareholder of the Company. Accordingly, Joincare and its associates are connected persons of the Company, and the transactions



contemplated under the 2017 Joincare Purchases Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. Zhu Baoguo, Mr. Qiu Qingfeng and Mr. Zhong Shan have abstained from voting on the meeting of the Board during which the 2017 Joincare Purchases Framework Agreement, the transactions contemplated thereunder and the proposed annual caps were approved. Save as disclosed above, none of the Director has material interest in the 2017 Joincare Purchases Framework Agreement and transactions contemplated thereunder, and no Director is required to abstain from voting for the resolution in relation to considering and approving the said matters according to the articles of association of the Company.

As the highest applicable percentage ratio for the proposed annual caps under the 2017 Joincare Purchases Framework Agreement exceeds 5%, the transactions contemplated under the 2017 Joincare Purchases Framework Agreement are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to seek the approval from the Independent Shareholders for the 2017 Joincare Purchases Framework Agreement. In view of the interests of Joincare in the Company, Joincare, Shenzhen Haibin Pharmaceutical Co., Ltd., Topsino Industries Limited and their respective associates will abstain from voting in relation to the resolution(s) to approve the transactions contemplated under the 2017 Joincare Purchases Framework Agreement.

## **GENERAL**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Xu Yanjun, Mr. Guo Guoqing, Mr. Wang Xiaojun, Mr. Zheng Zhihua and Mr. Xie Yun, has been established to advise the Independent Shareholders in respect of the terms (including the annual caps) of the 2017 Joincare Purchases Framework Agreement and the transactions contemplated thereunder. Frontpage Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular of the Company containing, among others, the details of the 2017 Joincare Purchases Framework Agreement, letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders will be despatched to the Shareholders on or before 15 November 2016. A notice convening the EGM to approve the 2017 Joincare Purchases Framework Agreement, the transactions contemplated thereunder and the proposed annual caps will be despatched to the Shareholders on 26 October 2016.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 with limited liability, the Shares of which are listed on the Shenzhen Stock Exchange and the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the 2016 Third Extraordinary General Meeting of the Company to be held on 23 December 2016, to, among others, consider and, if thought fit, approve the 2017 Joincare Purchases Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Group”	collectively the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, which is formed to consider the 2017 Joincare Purchases Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Frontpage Capital”	Frontpage Capital Limited, a licensed corporation to registered under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and is appointed as the independent financial adviser by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the 2017 Joincare Purchases Framework Agreement, the transactions contemplated thereunder and the proposed annual caps

“Independent Third Party (ies)”	a person or persons or a company or companies that is not or are not the connected person(s) of the Group
“Independent Shareholders”	Shareholders other than Joicare, Shenzhen Haibin Pharmaceutical Co., Ltd., Topsino Industries Limited and their respective associates
“Joicare”	健康元藥業集團股份有限公司 Joicare Pharmaceutical Industry Group Co., Ltd.* (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC and listed on the Shanghai Stock Exchange in 2001, and is one of the controlling shareholders of the Group
“Joicare Group”	Joicare and its subsidiaries (other than the Group)
“Listing Rules”	<i>The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited</i> , as amended and supplemented or otherwise modified from time to time
“2014 Joicare Purchases Agreement”	the framework agreement (as supplemented and amended by the supplemental agreement dated 24 September 2015) entered into between the Company and Joicare on 5 September 2014 in respect of the purchase by the Group of certain products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products from Joicare Group for a term from 5 September 2014 to 31 December 2016
“Supplemental Agreement”	the conditional supplemental agreement entered into between the Company and Joicare on 24 September 2015 to further revise the annual caps for the two years ended 31 December 2015 and 2016 under the 2014 Joicare Purchases Agreement
“2017 Joicare Purchases Framework Agreement”	the framework agreement entered into between the Company and Joicare on 25 October 2016 in respect of the purchase by the Group of certain products and raw materials which are mainly used for the production of antifungal and antibiotics related drug preparation products from Joicare Group

“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Pharmaceutical Factory”	Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	上海證券交易所 (the Shanghai Stock Exchange)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenzhen Stock Exchange”	深圳證券交易所 (the Shenzhen Stock Exchange)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Zhuhai, China  
25 October 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Tao Desheng (Vice Chairman and President), Mr. Fu Daotian (Vice President) and Mr. Yang Daihong (Vice President); the non-executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Qiu Qingfeng and Mr. Zhongshan; and the independent non-executive Directors of the Company are Mr. Xu Yanjun, Mr. Guo Guoqing, Mr. Wang Xiaojun, Mr. Zheng Zhihua and Mr. Xie Yun.*

*\* For information purpose only*