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LIVZON

麗珠醫藥集團股份有限公司
LIVZON PHARMACEUTICAL GROUP INC.*
(於中華人民共和國註冊成立的股份有限公司)
(股份代號：1513)

CONNECTED TRANSACTION SHARE SUBSCRIPTION AGREEMENT

The Board announces that on 22 June 2018, Livzon Biologics, Biologics Limited, Livzon MAB, Livzon International, Lizhu HK, YF Pharmab and the Company entered into the Share Subscription Agreement, pursuant to which Livzon International agreed to subscribe for new Ordinary Shares of Livzon Biologics. Pursuant to the Share Subscription Agreement, YF Pharmab, an independent third party, also agreed to subscribe for new Series A Preferred Shares of Livzon Biologics.

As at the date of this announcement, Livzon International, an indirectly wholly-owned subsidiary of the Company, and Joincare BVI, an indirectly wholly-owned subsidiary of Joincare (which is a controlling shareholder of the Company), hold 51% and 49% of the issued share capital of Livzon Biologics respectively. Therefore, Livzon Biologics is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the Share Subscription contemplated under the Share Subscription Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Subscription exceed 0.1% but are less than 5%, the Share Subscription is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since YF Pharmab is an independent third party to the Company, subscription of new Series A Preferred Shares by YF Pharmab does not constitute a connected transaction.

SHARE SUBSCRIPTION AGREEMENT

The principal terms in respect of the Share Subscription under the Share Subscription Agreement are as follows:-

- Date** : 22 June 2018
- Parties** : (i) Livzon Biologics;
(ii) Biologics Limited;
(iii) Livzon MAB;
(iv) Livzon International;
(v) Lizhu HK;
(vi) YF Pharmab; and
(vii) the Company.
- Subscription price** : Livzon International agreed to subscribe 24,574,830 new Ordinary Shares issued by Livzon Biologics for a per share subscription price of US\$4.00, amounting to an aggregate subscription price of US\$98,299,320.00.

The subscription price was determined after arm's length negotiation between Livzon International, the Company and YF Pharmab taking into account the current state of operation, products under research, potential market scale and future business development of Livzon MAB.

Payment : Livzon International shall pay at the Closing Date the first installment of US\$50,000,000.00 in immediately available funds by wire transfer to the designated bank account of Livzon Biologics (or such other bank account of Livzon Biologics designated by Livzon Biologics by notice in writing to Livzon International at least five (5) Business Days prior to the Closing Date).

Livzon International shall pay the second installment of an amount equal to the result of (a) the aggregate of the Ordinary Subscription Price, minus (b) US\$50,000,000.00 in immediately available funds by wire transfer to the designated bank account of Livzon Biologics (or such other bank account of Livzon Biologics designated by Livzon Biologics by prior notice) within three months following the Closing Date.

The Ordinary Subscription Price of US\$98,299,320.00 will be funded by internal resources of the Group.

Conditions precedent : Closing is conditional upon each of the following conditions precedent having been fulfilled or otherwise waived by Livzon Biologics in writing:

- (i) the representations and warranties of YF Pharmab made under the Share Subscription Agreement shall be true and complete on and as of the Closing Date (except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date);
- (ii) YF Pharmab shall have performed and complied with all covenants, agreements, obligations and conditions contained under the Share Subscription Agreement

that are required to be performed or complied with by YF Pharmab on or before the Closing Date;

- (iii) YF Pharmab shall have executed the shareholders agreement and all other transaction documents as specified under the Share Subscription Agreement to which it is a party; and
- (iv) no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by the Share Subscription Agreement or the other transaction documents illegal or otherwise restraining or prohibiting the consummation of such transactions.

Closing : Closing shall take place as soon as practicable, but in no event later than fifteen (15) Business Days following the satisfaction or all waiver of all conditions precedent under the Share Subscription Agreement (other than for those conditions that by their nature can only be satisfied at the Closing, but subject to satisfaction of those conditions at the Closing) or at such other time or on such other date as Livzon Biologics, Livzon International and YF Pharmab may agree in writing.

INFORMATION ABOUT LIVZON BIOLOGICS

Livzon Biologics is a company incorporated in the Cayman Islands on 10 October 2017 with limited liability and held as to 51% by Livzon International and 49% by Joincare BVI as at the date of this announcement. Upon completion of the transactions contemplated under the Share Subscription Agreement, Livzon International, Joincare BVI and YF Pharmab will hold 55.13%, 35.75% and 9.12% of the issued share capital of Livzon Biologics, respectively, and Livzon Biologics will continue to be a subsidiary of the Company.

Livzon Biologics is principally engaged in investment holding.

According to the unaudited consolidated financial accounts of Livzon Biologics, the total assets and net liabilities of Livzon Biologics were RMB403,017,771.28 and RMB361,179,422.16, respectively, as at 31 March 2018, and the net loss before and after taxation and extraordinary items are RMB36,569,448.09 and RMB33,030,198.41, respectively, for the period from 10 October 2017 (date of incorporation) to 31 March 2018.

INFORMATION ABOUT OTHER PARTIES TO THE SHARE SUBSCRIPTION AGREEMENT

Biologics Limited is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Livzon Biologics as at the date of this announcement. Biologics Limited is principally engaged in investment holding.

Livzon MAB is a company established in the PRC with limited liability in 2010 and is a direct wholly-owned subsidiary of Biologics Limited as at the date of this announcement. Livzon MAB is principally engaged in technological research and development for biopharmaceutical products and antibiotics.

Livzon International is a company incorporated in the Cayman Islands with limited liability and is a direct wholly-owned subsidiary of Lizhu HK as at the date of this announcement. Livzon International is principally engaged in investment holding.

Lizhu HK is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company as at the date of this announcement. Lizhu HK is principally engaged in general trading and investments.

YF Pharmab is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in private equity investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, YF Pharmab and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

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.

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION

The reason for Livzon International to subscribe for new Ordinary Shares of Livzon Biologics is to provide sufficient capital for Livzon MAB's business development, which includes clinical research and application in domestic and international markets, technical cooperation, product introduction and enrichment of scientific research team, to optimize the capital structure of Livzon MAB and to accelerate the efficiency of its business progress.

The Directors (including independent non-executive Directors) are of the view that the terms of the Share Subscription are on normal commercial terms, which are fair and reasonable and the Share Subscription is in the interests of the Company and the Shareholders as a whole.

Mr. Zhu Baoguo, a non-executive Director of the Company, indirectly holds equity interest of the Company and Joincare BVI, which is a shareholder of Livzon Biologics, though his shareholding in Joincare and is also director of Lizhu HK, Livzon International, Livzon Biologics, Biologics Limited and Livzon MAB. Mr. Fu Daotian, an executive Director of the Company, is director of Livzon MAB and Mr. Tao Desheng, an executive Director of the Company, is director of Lizhu HK and Livzon MAB. Accordingly, Mr. Zhu Baoguo, Mr. Fu Daotian and Mr. Tao Desheng abstained from voting on the resolution approving the Share Subscription at the meeting of the Board. Save as disclosed above, no other Directors has a material interest in the Share Subscription, therefore none of them is required to abstain from voting on the Board resolution for considering and approving the Share Subscription.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Livzon International, an indirectly wholly-owned subsidiary of the Company, and Joincare BVI, an indirectly wholly-owned subsidiary of Joincare (which is a controlling shareholder of the Company), holds 51% and 49% of the issued share capital of Livzon Biologics respectively. Therefore, Livzon Biologics is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the Share Subscription contemplated under the Share Subscription Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Subscription exceed 0.1% but are less than 5%, the Share Subscription is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since YF Pharmab is an independent third party to the Company, subscription of new Series A Preferred Shares by YF Pharmab does not constitute a connected transaction of the Company.

DEFINITIONS

- “Biologics Limited” : Livzon Biologics Hong Kong Limited, a company incorporated in Hong Kong with limited liability
- “Business Day(s)” : a day (other than a Saturday or Sunday) that banks located in the Cayman Islands, Hong Kong and the PRC are generally open for business
- “Board” : the board of Directors of the Company
- “Closing” : the consummation of the issuance of the new Ordinary Shares pursuant to the Share Subscription Agreement
- “Closing Date” : the date on which Closing shall be held
- “Company” : 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*, a joint stock company established in the PRC in accordance with the Company Law on 25 January 1985 with limited liability, its shares 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
- “controlling shareholder” : has the same meaning as ascribed in the Listing Rules
- “Director(s)” : the director(s) of the Company
- “Governmental Authority” : any nation or government or any province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department,

- board, commission, stock exchange or instrumentality of the PRC, Hong Kong, the Cayman Islands or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organisation
- “Governmental Order” : any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority
- “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
- Joincare : 健康元藥業集團股份有限公司 Joincare Pharmaceutical Industry Group Co., Ltd.*, a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange and a controlling shareholder of the Company
- 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
- “Law” : any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority, any Governmental Order and any rule or regulation of any stock exchange

“Livzon Biologics”	:	Livzon Biologics Limited, a company incorporated in the Cayman Islands with limited liability
“Livzon International”	:	Livzon International Limited, a company incorporated in the Cayman Island with limited liability
“Livzon MAB”	:	珠海市麗珠單抗生物技術有限公司 Livzon MABPharm Inc.*, a company established in the PRC with limited liability
“Listing Rules”	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lizhu HK”	:	Lizhu (Hong Kong) Co., Limited , a company incorporated in Hong Kong with limited liability
“Ordinary Shares”	:	Livzon Biologic’s ordinary shares of par value US\$0.00001 per share
“Ordinary Subscription Price”	:	US\$98,299,320.00 payable for the subscription of 24,574,830 new Ordinary Shares of Livzon Biologics by Livzon International as contemplated under the Share Subscription Agreement
“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
“Series A Preferred Shares”	:	the series A preferred shares of the Livzon Biologics of par value US\$0.00001per share

- “Shareholders” : the shareholders of the Company
- “Share Subscription” : the subscription of 24,574,830 new Ordinary Shares of Livzon Biologics by Livzon International as contemplated under the Share Subscription Agreement
- “Share Subscription Agreement” : the share subscription agreement dated 22 June 2018 entered into between Livzon Biologics, Biologics Limited, Livzon MAB, Livzon International, Lizhu HK, YF Pharmab and the Company pursuant to Livzon International and YF Pharmab agreed to subscribe for new Ordinary Shares and new Series A Preferred Shares of Livzon Biologics, respectively
- “Shenzhen Stock Exchange” : The Shenzhen Stock Exchange
- “YF Pharmab” : YF Pharmab Limited, a company incorporated with limited liability in the British Virgin Islands
- “%” : 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
22 June 2018

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. Xu Guoxiang (Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman) and Mr. Qiu Qingfeng; 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 identification purpose only*