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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
PROPOSED PROVISION OF FINANCING GUARANTEES TO
CONTROLLING SUBSIDIARY LIJIAN ANIMAL HEALTHCARE

PROPOSED PROVISION OF FINANCING GUARANTEES TO CONTROLLING
SUBSIDIARY LIJIAN ANIMAL HEALTHCARE

In view of the needs of business development of Lijian Animal Healthcare, on 13 May 2024, the Board has considered and approved the provision of joint liability guarantees to several banks (the “**Banks**”) for Lijian Animal Healthcare’s applications of facility financing of no more than RMB234.50 million or its equivalent in foreign currencies (the “**Lijian Animal Healthcare Guarantees**”).

HONG KONG LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Joincare directly and indirectly held approximately 45.12% of the total issued share capital of the Company, and Lijian Animal Healthcare is directly held as to 49% by Joincare. Therefore, Lijian Animal Healthcare, an associate of Joincare, is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Lijian Animal Healthcare Guarantees constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Lijian Animal Healthcare Guarantees exceed 0.1% but are less than 5%, the Lijian Animal Healthcare Guarantees are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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

According to Rule 6.1.10 of the Shenzhen Listing Rules and the Articles of Association, the total amount of the Lijian Animal Healthcare Guarantees of RMB234.50 million, and is therefore subject to the approval at the general meeting of the Company.

According to the Shenzhen Listing Rules and the Articles of Association, the Lijian Animal Healthcare Guarantees are subject to the approval of Shareholders by way of special resolution. It is therefore proposed at the AGM for the Shareholders' approval for the Lijian Animal Healthcare Guarantees, and to grant mandate to the Board and other persons authorised by the Board to negotiate with the Banks regarding the amount of guarantees within the limits under the Lijian Animal Healthcare Guarantees, and to execute all relevant documents. Please refer to the circular of the AGM to be dispatched by the Company in due course pursuant to the Hong Kong Listing Rules for relevant details.

GENERAL

Given that (i) Mr. Zhu Baoguo, the non-executive Director and the chairman of the Company, is also the chairman of Joincare and indirectly holds 47.93% equity interest in Joincare and 49% equity interest in Lijian Animal Healthcare as at the Latest Practicable Date, (ii) Mr. Qiu Qingfeng and Mr. Yu Xiong, the non-executive Directors, are also a director and the president of Joincare, respectively, and (iii) Mr. Tang Yanggang, the executive Director, is also a director of Lijian Animal Healthcare, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong and Mr. Tang Yanggang were deemed to have material interest in the Lijian Animal Healthcare Guarantees and had abstained from voting at the Board meeting approving the Lijian Animal Healthcare Guarantees. Except for Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong and Mr. Tang Yanggang, no other Directors were required to abstain from voting at the Board meeting approving the Lijian Animal Healthcare Guarantees.

As at the Latest Practicable Date, Joincare and its associates (including Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司) and Topsino Industries Limited* (天誠實業有限公司)), directly and indirectly holding approximately 45.12% of the total issued share capital of the Company, shall abstain from voting on the resolution approving the proposed provision of financing guarantees to controlling subsidiary Lijian Animal Healthcare at the AGM.

In view of the needs of business development of Lijian Animal Healthcare, on 13 May 2024, the Board has considered and approved the provision of joint liability guarantees to the Banks for Lijian Animal Healthcare's applications of facility financing of no more than RMB234.50 million or its equivalent in foreign currencies.

As at the date of this announcement, the Company has not entered into any agreement in relation to the Lijian Animal Healthcare Guarantees. The Company will not charge Lijian Animal Healthcare any commissions, fees or costs in relation to the Lijian Animal Healthcare Guarantees. Based on the audited net asset of RMB128.08 million as at 31 December 2023 of Lijian Animal Healthcare, the Board considered that the guarantee risks assumed by Lijian Animal Healthcare Guarantees are within the manageable range and Lijian Animal Healthcare has the ability to repay the debts.

In order to ensure the fairness and equity of the Lijian Animal Healthcare Guarantees, Joicare, which directly holds 49% equity interests of Lijian Animal Healthcare, will provide to the Company a "Letter of Undertaking for Counter Guarantee" subject to the approval by its shareholders, pursuant to which it will undertake to provide joint and several guarantees for 49% of the obligation of the Company under the Lijian Animal Healthcare Guarantees (the "**Joicare Counter Guarantees**"), and the guarantee period of the Joicare Counter Guarantees will be expired on the expiry date of the Company's obligation under the Lijian Animal Healthcare Guarantees. Based on the audited net assets of approximately RMB22,639.53 million as at 31 December 2023 of Joicare, the Directors are of the view that Joicare has sufficient financial ability to fulfil its obligation under the Joicare Counter Guarantees. In addition, Lijian Animal Healthcare will only apply and draw down the Lijian Animal Healthcare Facilities and hence the Company will only enter into specific guarantee agreements with the Banks in respect of Lijian Animal Healthcare Guarantees upon the shareholders of Joicare approving the Joicare Counter Guarantees.

REASONS FOR AND BENEFIT OF PROVISION OF THE LIJIAN ANIMAL HEALTHCARE GUARANTEES

As at the Latest Practicable Date, Lijian Animal Healthcare was indirectly held as to 51% by the Company and 49% by Joicare. The Directors (including the independent non-executive Directors) consider that the Company will benefit from the provision of the Lijian Animal Healthcare Guarantees in terms of facilitation of the general operation and business of Lijian Animal Healthcare to be supported by the Lijian Animal Healthcare Facilities, and the Company will benefit from alleviating its capital contribution requirement into Lijian Animal Healthcare and optimising its capital allocation to the other profitable business segments, therefore benefiting the overall business development and financial position of the Group.

In addition, it is also common commercial practice for banks in the PRC to require guarantee from the controlling shareholder of a borrower for financing facilities. In view that Joicare will undertake to provide counter guarantees for 49% of the obligation of the Company under the Lijian Animal Healthcare Guarantees, the Directors (including the independent non-executive Directors) consider that the risk exposure to the Company is relatively low.

The Directors (including the independent non-executive Directors) consider that the Lijian Animal Healthcare Guarantees are fair and reasonable and on normal commercial terms, and although the Lijian Animal Healthcare Guarantees is not in the ordinary course of business of the Group, it is in the interests of the Company and the Shareholders as a whole for the reasons set out above.

INTENDED USE OF THE LIJIAN ANIMAL HEALTHCARE FACILITIES

Lijian Animal Healthcare Facilities are intended to be used to finance the general operation and business of Lijian Animal Healthcare. The amounts of the Lijian Animal Healthcare Facilities have been primarily determined based on its anticipated future needs such as research and development collaboration expenses, procurement of production materials, and machinery and equipment. As at the date of this announcement, Lijian Animal Healthcare has not entered into any agreement in relation to the Lijian Animal Healthcare Facilities.

INFORMATION ON THE COMPANY, LIJIAN ANIMAL HEALTHCARE AND THE BANKS

The Company

The Company, through its subsidiaries, is principally engaged in the research and development, production and sales of drug preparation products, active pharmaceutical ingredients and intermediates, as well as diagnostic reagents and equipment.

Lijian Animal Healthcare

Lijian Animal Healthcare is a limited liability company established in the PRC in 2023 which is directly held as to 51% by the Company and 49% by Joicare. It is principally engaged in research, development, production and sale of veterinary drugs.

Banks

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

HONG KONG LISTING RULES IMPLICATIONS

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According to the Shenzhen Listing Rules and the Articles of Association, the Lijian Animal Healthcare Guarantees are subject to the approval of Shareholders by way of special resolution. It is therefore proposed at the AGM for the Shareholders' approval for the Lijian Animal Healthcare Guarantees, and to grant mandate to the Board and other persons authorised by the Board to negotiate with the Banks regarding the amount of guarantees within the limits under the Lijian Animal Healthcare Guarantees, and to execute all relevant documents. Please refer to the circular of the AGM to be dispatched by the Company in due course pursuant to the Hong Kong Listing Rules for relevant details.

GENERAL

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As at the Latest Practicable Date, Joincare and its associates (including Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司) and Topsino Industries Limited* (天誠實業有限公司)), directly and indirectly holding approximately 45.12% of the total issued share capital of the Company, shall abstain from voting on the resolution approving the proposed provision of financing guarantees to controlling subsidiary Lijian Animal Healthcare at the AGM.

DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the following meanings:

“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)
“AGM”	the annual general meeting for the year 2023 of the Company to be held at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Friday, 14 June 2024
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“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 26 January 1985 with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively
“Company Law”	Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 01513)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Joincare”	健康元藥業集團股份有限公司 Joincare Pharmaceutical Industry Group Co., Ltd.* (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange in 2001 and one of the Company’s controlling shareholders
“Lijian Animal Healthcare”	Lijian (Guangdong) Animal Healthcare Co., Ltd.* (麗健(廣東)動物保健有限公司), a controlling subsidiary of the Company

“Lijian Animal Healthcare Facilities”	the facilities limited up to RMB234.50 million (or its equivalent in foreign currencies) in aggregate to be applied by Lijian Animal Healthcare from the Banks
“Lijian Animal Healthcare Guarantees”	the financing guarantees limited up to RMB234.50 million (or its equivalent in foreign currencies) in aggregate to be provided by the Company in favour of the Banks to secure the Lijian Animal Healthcare Facilities
“Latest Practicable Date”	9 May 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shenzhen Listing Rules”	the Stock Listing Rules of the Shenzhen Stock Exchange (as amended in 2024) (《深圳證券交易所股票上市規則 (2024 年修訂)》)

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

13 May 2024

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), Mr. Qiu Qingfeng and Mr. Yu Xiong; and the Independent Non-Executive Directors of the Company are Mr. Bai Hua, Mr. Tian Qiusheng, Mr. Wong Kam Wa, Mr. Luo Huiyuan and Ms. Cui Lijie.

** For identification purpose only*