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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)

- (I) 2021 ANNUAL PROFIT DISTRIBUTION PLAN
- (II) PROPOSED FACILITY FINANCING AND PROVISION OF FINANCING
GUARANTEES TO SUBSIDIARIES
- (III) PROPOSED GRANT OF GENERAL MANDATE TO
THE BOARD FOR ISSUING OF SHARES
- (IV) PROPOSED GRANT OF GENERAL MANDATE TO THE BOARD
TO REPURCHASE H SHARES OF THE COMPANY
- (V) PROPOSED ADOPTION OF THE SECOND PHASE OWNERSHIP SCHEME
(DRAFT) AND ITS ADMINISTRATIVE MEASURES UNDER THE MEDIUM TO
LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME
- (VI) CONVENING THE AGM, THE CLASS MEETING OF A SHAREHOLDERS
AND THE CLASS MEETING OF H SHAREHOLDERS

The letter from the Board is set out on pages 6 to 29 of this circular.

The Company will hold the AGM, the Class Meeting of A Shareholders and Class Meeting of H Shareholders 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., 3:30 p.m. (or immediately after the conclusion of the AGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the Class Meeting of A Shareholders or any adjournment) respectively on Friday, 20 May 2022. Notices and proxy forms have been dispatched regarding the AGM and the Class Meeting of H Shareholders by the Company on 12 April 2022. 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 AGM and/or the Class Meeting of H Shareholders by proxy, please complete the 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 AGM and/or the Class Meeting of H Shareholders or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM and/or the Class Meeting of H Shareholders 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:

“2021 Annual Profit Distribution Plan”	the plan of the Company for distribution of the Cash Dividend for the year 2021
“A Share(s)”	the domestic 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)
“A Shareholder(s)”	holder(s) of the A Share(s)
“Administrative Measures”	the administrative measures under the Second Phase Ownership Scheme, which is set out in Appendix II to this circular
“AGM”	the annual general meeting of the Company for the year 2021 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, 20 May 2022
“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
“Cash Dividend”	to distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company’s total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 Annual Profit Distribution Plan. There will be no bonus shares, nor will the capital reserves be capitalized
“Class Meeting of A Shareholders”	the 2022 First Class Meeting of A Shareholders of the Company to be held at 3:30 p.m. (or immediately after the AGM or any adjournment) on Friday, 20 May 2022

DEFINITIONS

“Class Meeting of H Shareholders”	the 2022 First Class Meeting of H Shareholders of the Company to be held at 4:00 p.m. (or immediately after the Class Meeting of A Shareholders or any adjournment) on Friday, 20 May 2022
“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 adopted at the Fifth Session of the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993, effective from 1 July 1994, as amended, supplemented or otherwise modified from time to time
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“General Meetings”	the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“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)
“H Shareholder(s)”	holder(s) of the H Share(s)
“H Share Repurchase Mandate”	proposed grant of general mandate to the Board to repurchase H Shares
“Holder(s)”	employee(s) of the Company participating in the Second Phase Ownership Scheme

DEFINITIONS

“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
“Latest Practicable Date”	21 April 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Notices of the General Meetings”	notices dated 12 April 2022 for convening the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“Ownership Scheme”	the Medium to Long-term Business Partner Share Ownership Scheme of the Company, which was approved by the 2020 first extraordinary general meeting of the Company convened on 11 February 2020, the revised draft of which was approved by the 2020 fifth extraordinary general meeting of the Company convened on 11 December 2020
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Record Date”	Wednesday, 1 June 2022, the record date set to determine the H Shareholders who are entitled to the Cash Dividend
“RMB”	Renminbi, the lawful currency of the PRC
“Second Phase Ownership Scheme”	the second phase ownership scheme under the Ownership Scheme, which is set out in Appendix I to this circular
“Shareholder(s)”	the shareholder(s) of the Company

DEFINITIONS

“Shenzhen Listing Rules”	the Stock Listing Rules of the Shenzhen Stock Exchange (as amended in 2018) (《深圳證券交易所股票上市規則(2018年修訂)》)
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Supervisor(s)”	supervisor(s) of the Company

In case of any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

EXPECTED TIMETABLE

2022

The record date for determining the qualification of
the H Shareholders to attend and vote at the AGM
and the Class Meeting of H ShareholdersFriday, 13 May

Latest time for lodging transfer documents for
registration of transfer of H Shares to qualify for
attending and voting at the AGM and
the Class Meeting of H Shareholders4:30 p.m. on Friday, 13 May

Latest time for returning proxy form for
the AGM2:00 p.m. on Thursday, 19 May

Latest time for returning proxy form for
the Class Meeting of H Shareholders4:00 p.m. on Thursday, 19 May

AGM2:00 p.m. on Friday, 20 May

Class Meeting of A Shareholders3:30 p.m. on Friday, 20 May
(or immediately after
the AGM or any adjournment)

Class Meeting of H Shareholders4:00 p.m. on Friday, 20 May
(or immediately after the Class Meeting of
A Shareholders or any adjournment)

Last day of dealings in H Shares on
a cum-entitlement basis relating to
the Cash DividendMonday, 30 May

First day of dealings in H Shares on
an ex-entitlement basis relating to
the Cash DividendTuesday, 31 May

Record Date (to qualify H Shareholders for
the Cash Dividend)Wednesday, 1 June

Latest time for lodging transfer documents for
registration of transfer of H Shares to
qualify H Shareholders for the Cash Dividend4:30 p.m. on Wednesday, 1 June

Latest date for delivery of payment cheques for
the Cash Dividend for H SharesFriday, 24 June

Note: The dates with regard to the Cash Dividend are for references only as they are subject to approval by the Shareholders and might be adjusted by the Company. If there is any such change, the Company will publish announcement to inform the Shareholders as soon as practicable. All times and dates in this circular are Hong Kong times and dates.

LETTER FROM THE BOARD



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. Tian Qiusheng
Mr. Wong Kam Wa
Mr. Luo Huiyuan
Ms. Cui Lijie

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

27 April 2022

To the Shareholders

Dear Sir/Madam,

- (I) 2021 ANNUAL PROFIT DISTRIBUTION PLAN
- (II) PROPOSED FACILITY FINANCING AND PROVISION OF FINANCING
GUARANTEES TO SUBSIDIARIES
- (III) PROPOSED GRANT OF GENERAL MANDATE TO
THE BOARD FOR ISSUING OF SHARES
- (IV) PROPOSED GRANT OF GENERAL MANDATE TO THE BOARD
TO REPURCHASE H SHARES OF THE COMPANY
- (V) PROPOSED ADOPTION OF THE SECOND PHASE OWNERSHIP SCHEME
(DRAFT) AND ITS ADMINISTRATIVE MEASURES UNDER THE MEDIUM TO
LONG-TERM BUSINESS PARTNER SHARE OWNERSHIP SCHEME
- (VI) CONVENING THE AGM, THE CLASS MEETING OF A SHAREHOLDERS
AND THE CLASS MEETING OF H SHAREHOLDERS

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with relevant information to enable you to make informed decisions in voting on the following special resolutions to be proposed at the General Meetings:

- (I) 2021 Annual Profit Distribution Plan;
- (II) proposed facility financing and provision of financing guarantees to subsidiaries;
- (III) proposed grant of general mandate to the Board for issuing of shares;
- (IV) proposed grant of general mandate to the Board to repurchase H Shares; and
- (V) proposed adoption of the Second Phase Ownership Scheme and its Administrative Measures.

I. 2021 ANNUAL PROFIT DISTRIBUTION PLAN

The Company will propose a special resolution to be considered and passed at the AGM, the Class Meeting of A Shareholders and the Class Meeting of H Shareholders to (i) distribute cash dividend of RMB13.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2021 Annual Profit Distribution Plan. There will be no bonus shares, nor will the capital reserves be capitalized; and (ii) authorise the Board to deal with all specific matters regarding the 2021 Annual Profit Distribution Plan.

The proposed Cash Dividend by the Company will be denominated and declared in RMB and will be distributed in RMB to the A Shareholders and in Hong Kong dollar to H Shareholders, using the middle exchange rate for RMB to Hong Kong dollar as published by the People's Bank of China on the date of the AGM (Friday, 20 May 2022) as the exchange rate. The remaining undistributed profits and capital reserve will be carried forward to the next financial year.

Based on the 309,831,217 issued and not repurchased H Shares of the Company as at the Latest Practicable Date, the Cash Dividend in the sum of RMB402,780,582.10 will be distributed to H Shareholders whose names are listed on the register of members of H Shares of the Company at close of business on the Record Date. The Record Date for determining the qualification of the H Shareholders for the proposed distribution of the Cash Dividend will be Wednesday, 1 June 2022. In order to qualified for the proposed distribution of the Cash Dividend, 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 Wednesday, 1 June 2022.

LETTER FROM THE BOARD

In accordance with the “Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》)” (the “**CIT Law**”) and the “Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》)” (the “**Implementation Rules of CIT Law**”), both became effective on 1 January 2008, and the “Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號))” promulgated by the State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay the PRC enterprise income tax on behalf of non-resident enterprise(s) at a tax rate of 10% when the Company distributes any dividends to non-resident enterprise Shareholder(s) whose names appear on the register of members for H Shares of the Company. Accordingly, any H Shares which are not registered under the name(s) of individual(s) (which, for this purpose, include H Shares registered under the name of HKSCC Nominees Limited, other nominees, trustees, or other organisations or groups) shall be deemed to be H Shares held by non-resident enterprise Shareholder(s), and the PRC enterprise income tax shall be withheld from dividends payable thereon. Non-resident enterprise Shareholders may apply for a tax refund for the difference (if any) in accordance to relevant tax laws such as tax treaty (arrangement).

In accordance with the “Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號))” promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are temporarily exempted from the PRC individual income tax for dividends or bonuses received from foreign invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of overseas individual Shareholders whose names appear on the register of members for H Shares of the Company when the Company distributes dividends to those Shareholders.

In accordance with the “Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號))”, (i) for dividends received by domestic individual investor from investing in the Company’s H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the Company is obliged to withhold personal income tax at a tax rate of 20% when the Company shall apply to China Securities Depository and Clearing Corporation Limited (“**CSDCC**”) for the registrar of domestic individual investors. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements; (ii) for dividends received by domestic enterprise investors from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident

LETTER FROM THE BOARD

enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The Company shall apply to CSDCC for the registrar of domestic individual investors. The Company will not withhold the income tax on dividend for the domestic enterprise investors, and the tax payable shall be declared and paid by the domestic enterprise investors.

Shareholders are advised to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

According to the relevant provisions of CSDCC Shenzhen Branch and in accordance with the market practice as adopted for distribution of dividends, the Company will separately publish an announcement on distribution of the Cash Dividend to A Shareholders after the General Meetings, which will set out (among others) the record date (registration date of shares) and ex-dividend date for A Shareholders.

Risk warning for trading of H Shares

H Shareholders should note that H Shares are expected to be traded on ex-entitlement basis commencing from Tuesday, 31 May 2022. The distribution of the Cash Dividend will be subject to the approval of Shareholders at the General Meetings. Any person who deals in H Shares on ex-entitlement basis prior to obtaining of the approval will be subject to the risk that the relevant proposal may fail to proceed. Shareholders or potential investors shall seek professional advice from their own professional consultants should they have any doubt on their situations.

II. PROPOSED FACILITY FINANCING AND PROVISION OF FINANCING GUARANTEES TO SUBSIDIARIES

In order to meet the business development needs, in 2022, the Company plans to apply for facility financing of not more than RMB15,220.00 million or its equivalent in foreign currencies in total (the “**Company Facility Financing**”) from the following banks, details of which are set out below:

No.	Name of facility granting bank	Currency	Amount of credit	Note
1	The Export-Import Bank of China	RMB	1,000,000,000	or equivalent in foreign currencies
2	China Development Bank	RMB	800,000,000	or equivalent in foreign currencies
3	Industrial and Commercial Bank of China Ltd.	RMB	1,500,000,000	or equivalent in foreign currencies
4	Agricultural Bank of China Limited	RMB	1,000,000,000	or equivalent in foreign currencies
5	Bank of China Limited	RMB	250,000,000	or equivalent in foreign currencies
6	China Construction Bank Corporation	RMB	500,000,000	or equivalent in foreign currencies
7	Bank of Communications Co., Ltd.	RMB	700,000,000	or equivalent in foreign currencies
8	Postal Savings Bank of China Co., Ltd.	RMB	300,000,000	or equivalent in foreign currencies

LETTER FROM THE BOARD

No.	Name of facility granting bank	Currency	Amount of credit	Note
9	China Merchants Bank Co., Ltd.	RMB	1,500,000,000	or equivalent in foreign currencies
10	Industrial Bank Co., Ltd.	RMB	300,000,000	or equivalent in foreign currencies
11	China Everbright Bank Co., Ltd.	RMB	900,000,000	or equivalent in foreign currencies
12	China Minsheng Banking Corp., Ltd.	RMB	400,000,000	or equivalent in foreign currencies
13	China CITIC Bank Corporation Limited	RMB	1,000,000,000	or equivalent in foreign currencies
14	Shanghai Pudong Development Bank Co., Ltd.	RMB	500,000,000	or equivalent in foreign currencies
15	PingAn Bank Co., Ltd.	RMB	800,000,000	or equivalent in foreign currencies
16	China Zheshang Bank Co., Ltd.	RMB	650,000,000	or equivalent in foreign currencies
17	China Bohai Bank Co., Ltd.	RMB	200,000,000	or equivalent in foreign currencies
18	China Guangfa Bank Co., Ltd.	RMB	500,000,000	or equivalent in foreign currencies
19	Hua Xia Bank Co., Limited	RMB	200,000,000	or equivalent in foreign currencies
20	China Resources Bank of Zhuhai Co., Ltd.	RMB	200,000,000	or equivalent in foreign currencies
21	Bank of Guangzhou Co., Ltd.	RMB	400,000,000	or equivalent in foreign currencies
22	Standard Chartered Bank (China) Limited	RMB	900,000,000	or equivalent in foreign currencies
23	HSBC Bank (China) Company Limited	RMB	520,000,000	or equivalent in foreign currencies
24	Morgan Stanley Bank International (China) Limited	RMB	200,000,000	or equivalent in foreign currencies
Total		RMB	<u>15,220,000,000</u>	

The Company plans to provide joint liability guarantees (the “**Subsidiaries Guarantees**”) to the following banks for the applications of facility financing of no more than RMB12,850.00 million or its equivalent in foreign currencies (the “**Subsidiaries Facility Financing**”) made by the following subsidiaries, details of which are set out below:

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
1	Livzon Group Livzon Pharmaceutical Factory* (麗珠集團 麗珠製藥廠)	100%	The Export-Import Bank of China	RMB	200,000,000	3	Joint liability guarantee	
			China Development Bank	RMB	200,000,000	3		
			Industrial and Commercial Bank of China Ltd.	RMB	300,000,000	3		
			Agricultural Bank of China Limited	RMB	330,000,000	3		
			Bank of China Limited	RMB	100,000,000	3		
			China Construction Bank Corporation	RMB	200,000,000	3		
			Bank of Communications Co., Ltd.	RMB	170,000,000	3		
			Postal Savings Bank of China Co., Ltd.	RMB	100,000,000	3		

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
			China Merchants Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			Industrial Bank Co., Ltd.	RMB	150,000,000	3		
			China Everbright Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Minsheng Banking Corp., Ltd.	RMB	200,000,000	3		
			China CITIC Bank Corporation Limited	RMB	100,000,000	3		
			PingAn Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Bohai Bank Co., Ltd.	RMB	200,000,000	3		
			China Resources Bank of Zhuhai Co., Ltd.	RMB	150,000,000	3		
			Bank of Guangzhou Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			Standard Chartered Bank (China) Limited	RMB	150,000,000	3		Amount to be shared with the Group
			HSBC Bank (China) Company Limited	RMB	100,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	3,250,000,000			
2	Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (珠海保 稅區麗珠合成製藥 有限公司)	100%	China Development Bank	RMB	200,000,000	3	Joint liability guarantee	
			Industrial and Commercial Bank of China Ltd.	RMB	160,000,000	3		
			Agricultural Bank of China Limited	RMB	50,000,000	3		
			China Construction Bank Corporation	RMB	100,000,000	3		
			Bank of Communications Co., Ltd.	RMB	200,000,000	3		
			Postal Savings Bank of China Co., Ltd.	RMB	50,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			China Everbright Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
			China Minsheng Banking Corp., Ltd.	RMB	200,000,000	3		
			China CITIC Bank Corporation Limited	RMB	100,000,000	3		
			Shanghai Pudong Development Bank Co., Ltd.	RMB	50,000,000	3		
			China Bohai Bank Co., Ltd.	RMB	150,000,000	3		
			China Guangfa Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Resources Bank of Zhuhai Co., Ltd.	RMB	100,000,000	3		
			Bank of Guangzhou Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			Standard Chartered Bank (China) Limited	RMB	200,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	2,160,000,000			
3	Zhuhai Livzon Pharmaceutical Trading Co., Ltd.* (珠海市麗珠醫藥貿易有限公司)	100%	The Export-Import Bank of China	RMB	200,000,000	3	Joint liability guarantee	
			China Development Bank	RMB	100,000,000	3		
			Industrial and Commercial Bank of China Ltd.	RMB	100,000,000	3		
			Agricultural Bank of China Limited	RMB	70,000,000	3		
			Bank of Communications Co., Ltd.	RMB	150,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Everbright Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			China Minsheng Banking Corp., Ltd.	RMB	200,000,000	3		
			China CITIC Bank Corporation Limited	RMB	100,000,000	3		
			PingAn Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Zheshang Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
			China Resources Bank of Zhuhai Co., Ltd.	RMB	100,000,000	3		
			Standard Chartered Bank (China) Limited	RMB	50,000,000	3		Amount to be shared with the Group
			HSBC Bank (China) Company Limited	RMB	100,000,000	3		Amount to be shared with the Group
			Morgan Stanley Bank International (China) Limited	RMB	140,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	1,810,000,000			
4	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製 藥股份有限公司) ("Xinbeijiang Company") (Notes 1, 5)	87.14%	The Export-Import Bank of China	RMB	100,000,000	3	Joint liability guarantee	
			China Development Bank	RMB	100,000,000	3		
			Industrial and Commercial Bank of China Ltd.	RMB	100,000,000	3		
			Agricultural Bank of China Limited	RMB	100,000,000	3		
			Bank of Communications Co., Ltd.	RMB	100,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			China Everbright Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China CITIC Bank Corporation Limited	RMB	100,000,000	3		
			China Zheshang Bank Co., Ltd.	RMB	90,000,000	3		Amount to be shared with the Group
			Standard Chartered Bank (China) Limited	RMB	65,000,000	3		Amount to be shared with the Group
			HSBC Bank (China) Company Limited	RMB	100,000,000	3		Amount to be shared with the Group
			Morgan Stanley Bank International (China) Limited	RMB	140,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	1,295,000,000			

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
5	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興 醫藥有限公司) ("Fuzhou Fuxing") (Notes 2, 5)	90.36%	The Export-Import Bank of China	RMB	200,000,000	3	Joint liability guarantee	
			China Development Bank	RMB	200,000,000	3		
			Bank of Communications Co., Ltd.	RMB	150,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			Industrial Bank Co., Ltd.	RMB	200,000,000	3		
			China Everbright Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			China Zheshang Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			Standard Chartered Bank (China) Limited	RMB	100,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	<u>1,350,000,000</u>			
6	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集 團(寧夏)製藥有限公 司) ("Ningxia Company") (Notes 3, 5)	87.14%	The Export-Import Bank of China	RMB	200,000,000	3	Joint liability guarantee	
			China Development Bank	RMB	200,000,000	3		
			Bank of Communications Co., Ltd.	RMB	150,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	200,000,000	3		Amount to be shared with the Group
			China Everbright Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
			China Zheshang Bank Co., Ltd.	RMB	260,000,000	3		Amount to be shared with the Group
			Standard Chartered Bank (China) Limited	RMB	200,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	<u>1,310,000,000</u>			

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
7	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.* (四川光 大製藥有限公司)	100%	Industrial and Commercial Bank of China Ltd.	RMB	200,000,000	3	Joint liability guarantee	
			Bank of Communications Co., Ltd.	RMB	100,000,000	3		
			Industrial Bank Co., Ltd.	RMB	150,000,000	3		
			Shanghai Pudong Development Bank Co., Ltd.	RMB	100,000,000	3		
			Standard Chartered Bank (China) Limited	RMB	50,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	600,000,000			
8	Livzon Group Limin Pharmaceutical Manufacturing Factory* (麗珠集團 利民製藥廠)	100%	Bank of Communications Co., Ltd.	RMB	15,000,000	3	Joint liability guarantee	
			Standard Chartered Bank (China) Limited	RMB	40,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	55,000,000			
9	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合 成製藥有限公司)	100%	Bank of Communications Co., Ltd.	RMB	150,000,000	3	Joint liability guarantee	
			Standard Chartered Bank (China) Limited	RMB	150,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	300,000,000			
10	Zhuhai Livzon Microsphere Technology Co. Ltd.* (珠海市麗 珠微球科技有限公 司)	100%	Industrial and Commercial Bank of China Ltd.	RMB	100,000,000	3	Joint liability guarantee	
			Agricultural Bank of China Limited	RMB	100,000,000	3		
			Bank of Communications Co., Ltd.	RMB	100,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	100,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	400,000,000			

LETTER FROM THE BOARD

No.	Subject of guarantee	Shareholding of the Company	Name of facility granting bank	Currency	Maximum guarantee amount (RMB)	Term of guarantee (years)	Type of guarantee	Note
11	Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進 出口貿易有限公司)	100%	Agricultural Bank of China Limited	RMB	10,000,000	3	Joint liability guarantee	
			Bank of Communications Co., Ltd.	RMB	100,000,000	3		
			China Merchants Bank Co., Ltd.	RMB	10,000,000	3		Amount to be shared with the Group
			China Resources Bank of Zhuhai Co., Ltd.	RMB	100,000,000	3		
		Subtotal		RMB	220,000,000			
12	Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興 醫藥有限公司) ("Gutian Fuxing") (Notes 4, 5)	92.77%	Bank of Communications Co., Ltd.	RMB	50,000,000	3	Joint liability guarantee	
			Standard Chartered Bank (China) Limited	RMB	50,000,000	3		Amount to be shared with the Group
		Subtotal		RMB	100,000,000			
Total				RMB	12,850,000,000			

Notes:

- Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership)* (珠海中匯源投資合夥企業(有限合夥)) ("Zhong Hui Yuan"), which holds 8.44% equity interests of Xinbeijiang Company, has provided "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Group under the guarantee provided to Xinbeijiang Company and the guarantee period of which will be expired on the expiry date of the Group's obligation under the guarantee. Taking into consideration that Xinbeijiang Company had an audited net assets of approximately RMB1,763.88 million and an unaudited net assets of approximately RMB1,918.56 million as at 31 December 2021 and 31 March 2022, respectively, and had not defaulted in repayment of its prior facility financing, the Directors consider that the risk for Xinbeijiang Company to default its repayment of the relevant Subsidiaries Facility Financing is relatively low. To the best knowledge of the Directors after making reasonable enquiries with Zhong Hui Yuan, Zhong Hui Yuan does not have sufficient net assets to cover its counter guarantee. However, the Company, as the majority shareholder of Xinbeijiang Company, has controlling stake in the daily operation and management, including the levels of borrowings and debt liabilities, of Xinbeijiang Company, and based on the relatively low risk for Xinbeijiang Company to default its repayment, the chance of enforcing such counter guarantee against Zhong Hui Yuan is therefore relatively remote. Based on the above, the Directors are of the view that a counter guarantee from Zhong Hui Yuan serves as sufficient protection to the Company and its Shareholders as a whole of an amount in proportionate to Zhong Hui Yuan's 8.44% equity interests in Xinbeijiang Company. The remaining 4.42% equity interests in Xinbeijiang Company are held by 1,393 individuals (the "Individual Shareholders", all of whom are independent third parties and none of them held more than 0.15% of equity interests in Xinbeijiang Company). Given the large number of the Individual Shareholders, the Directors consider that it would be impracticable to obtain counter guarantees from each of the Individual Shareholders of Xinbeijiang Company. Considering the relatively low risk of default of Xinbeijiang Company and the counter guarantee provided by Zhong Hui Yuan, the Directors are of the view that the absence of counter guarantees from the Individual Shareholders of 4.42% of the guaranteed amount are fair and reasonable from an administrative perspective and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

2. Xinbeijiang Company, a non-wholly owned subsidiary of the Company which holds 75% equity interests of Fuzhou Fuxing, has provided “Letter of Undertaking for Counter Guarantee”, pursuant to which it has undertaken to provide a joint liability guarantee for 75% of the obligation of the Group under the guarantee provided to Fuzhou Fuxing and the guarantee period of which will be expired on the expiry date of the Group’s obligation under the guarantee. Fuzhou Fuxing recorded an audited net assets of approximately RMB771.46 million and an unaudited net assets of approximately RMB924.43 million as at 31 December 2021 and 31 March 2022, respectively, and had not defaulted in repayment of its prior facility financing, the Directors consider that the risk for Fuzhou Fuxing to default its repayment of the relevant Subsidiaries Facility Financing is relatively low. In addition, Xinbeijiang Company had an audited net assets of approximately RMB1,763.88 million and an unaudited net assets of approximately RMB1,918.56 million as at 31 December 2021 and 31 March 2022, respectively. Furthermore, the Company holds approximately 87.14% equity interests in Xinbeijiang Company, which allows the Company to have control over the daily operation and management, including the levels of borrowings and debt liabilities, of Xinbeijiang Company, and therefore to assess and re-evaluate the financial ability of Xinbeijiang Company to fulfil its obligations under the counter guarantee on an on-going basis. Based on the above, the Directors are of the view that a counter guarantee from Xinbeijiang Company in proportion to its 75% equity interests in Fuzhou Fuxing serves as sufficient protection to the Company and its Shareholders as a whole.
3. Xinbeijiang Company, which holds 100% equity interests of Ningxia Company, has provided “Letter of Undertaking for Counter Guarantee”, pursuant to which it has undertaken to provide a joint liability guarantee for 100% of the obligation of the Group under the guarantee provided to Ningxia Company and the guarantee period of which will be expired on the expiry date of the Group’s obligation under the guarantee. Considering that Ningxia Company recorded an audited net assets of approximately RMB279.74 million and an unaudited net assets of approximately RMB302.47 million as at 31 December 2021 and 31 March 2022, respectively, and had not defaulted in repayment of its prior facility financing, the Directors are of the view that a counter guarantee from Xinbeijiang Company in proportion to its equity interests in Ningxia Company is sufficient to minimise the risk for the Company in providing such relevant Subsidiaries Guarantees to Ningxia Company. Furthermore, the Company holds approximately 87.14% equity interests in Xinbeijiang Company, which allows the Company to have control over the daily operation and management, including the levels of borrowings and debt liabilities, of Xinbeijiang Company, and therefore to assess and re-evaluate the financial ability of Xinbeijiang Company to fulfil its obligations under the counter guarantee on an on-going basis.
4. Fuzhou Fuxing, a non-wholly owned subsidiary of the Company which holds 75% equity interests of Gutian Fuxing, has provided “Letter of Undertaking for Counter Guarantee”, pursuant to which it has undertaken to provide a joint liability guarantee for 75% of the obligation of the Group under the guarantee provided to Gutian Fuxing and the guarantee period of which will be expired on the expiry date of the Group’s obligation under the guarantee. Gutian Fuxing recorded an audited net assets of approximately RMB93.66 million and an unaudited net assets of approximately RMB98.64 million as at 31 December 2021 and 31 March 2022, respectively, and had not defaulted in repayment of its prior facility financing, the Directors consider that the risk for Gutian Fuxing to default its repayment of the relevant Subsidiaries Facility Financing is relatively low. In addition, Fuzhou Fuxing had an audited net assets of approximately RMB771.46 million and an unaudited net assets of approximately RMB924.43 million as at 31 December 2021 and 31 March 2022, respectively. Furthermore, the Company holds approximately 90.36% equity interests in Fuzhou Fuxing, which allows the Company to have control over the daily operation and management, including the levels of borrowings and debt liabilities, of Fuzhou Fuxing, and therefore to assess and re-evaluate the financial ability of Fuzhou Fuxing to fulfil its obligations under the counter guarantee on an on-going basis. Based on the above, the Directors are of the view that a counter guarantee from Fuzhou Fuxing in proportion to its 75% equity interests in Gutian Fuxing serves as sufficient protection to the Company and its Shareholders as a whole.
5. As advised by the Company’s PRC legal adviser, each of the aforesaid counter guarantees is legally enforceable, and the Company has the legal right to exercise such counter guarantees and claim against the respective counter parties. In the event that a counter party fails to fulfil its obligations under the relevant counter guarantee, the Company is entitled to apply to the courts to freeze its assets, including its equity interests in the relevant non-wholly owned subsidiaries of the Group, and receive compensation in priority.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has not entered into any guarantee agreement with relevant banks in relation to the Subsidiaries Guarantees. In consideration of the repayment record and creditworthiness of the Group, in particular the Company, the relevant banks providing the Subsidiaries Facility Financing do not require the relevant subsidiaries to provide or deposit any guarantee fees but only joint liability guarantees from the Company, the guarantee fees saved can be used by the relevant subsidiaries in their other business activities, which, in the view of the Directors, could create more value to those relevant subsidiaries and the Company. Furthermore, the Subsidiaries Facility Financing is intended to be used to finance the general operation and business of the relevant subsidiaries, and the Company will benefit from alleviating its capital contribution requirement into the relevant subsidiaries. In view of above, the Directors are of the view that the provision of the Subsidiaries Guarantees in respect of the Subsidiaries Facility Financing is in the interests of the Company and the Shareholders as a whole.

According to the Shenzhen Listing Rules and the Articles of Association, the guarantees of facility financing of approximately RMB12,850.00 million to be provided by the Company to its subsidiaries represent approximately 98.82% of the latest audited net assets attributable to shareholders of the parent company (RMB13,003.76 million), and the Company's facility financing and provision of guarantees to its subsidiaries are subject to the approval of Shareholders by special resolution. While the proposed Company Facility Financing, subject to the approval of the Shareholders at the AGM, is provided by the relevant banks to the Company, the Subsidiaries Facility Financing, which is proposed to be covered by the Subsidiaries Guarantees, is provided by the relevant banks to the specific subsidiaries of the Company.

It is therefore proposed at the AGM to seek approval for the abovementioned credit facilities and guarantees, and to grant mandate to the Board and other persons authorised by the Board to negotiate with the relevant banks regarding the amount of credit facilities and guarantees within the above-mentioned credit facilities or guarantee limits, and to execute all relevant documents.

III. PROPOSED GRANT OF GENERAL MANDATE TO THE BOARD FOR ISSUING OF SHARES

In order to ensure flexibility and to give discretion to the Directors in the event that it becomes desirable to issue any Shares, a special resolution will be proposed at the AGM to grant an unconditional general mandate to the Board that, during the period as permitted under the general mandate, to separately or concurrently distribute, issue, allot and deal with additional A Shares and H Shares of not more than 20% of each of its existing A Shares and H Shares in issue as at the date of the relevant resolution to be proposed and passed at the AGM (the “**General Mandate to Issue Shares**”).

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company's issued and not repurchased share capital comprised 625,012,205 A Shares and 309,831,217 H Shares. Therefore, subject to the granting of the General Mandate to Issue Shares being approved and assuming that no additional shares will be issued and repurchased prior to the AGM, the Board will be entitled to issue a maximum of 125,002,441 A Shares and 61,966,243 H Shares.

The issue of new shares of the Company under the General Mandate to Issue Shares is subject to the approval of the CSRC.

The General Mandate to Issue Shares will remain effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution; (ii) the expiration of a period of 12 months following the passing of such resolution; or (iii) the date on which the authority conferred by such resolution is revoked or varied by a special resolution of the Shareholders in a general meeting.

The Board shall comply with the provisions of the Hong Kong Listing Rules, the Articles of Association and applicable PRC laws and regulations when exercising powers pursuant to the General Mandate to Issue Shares.

Shareholders' approval by separate class meeting is not required for the issuance of A Shares and H Shares pursuant to the exercise of the General Mandate to Issue Shares. In the event as required by relevant provisions of the PRC laws and regulations, notwithstanding the grant of General Mandate to Issue Shares, general meetings shall be convened for the purpose of seeking such approval as required. The Company will issue announcement and/or circular to the Shareholders in such event as soon as practicable in accordance with the Hong Kong Listing Rules.

IV. PROPOSED GRANT OF GENERAL MANDATE TO THE BOARD TO REPURCHASE H SHARES

To obtain the flexibility and ability in pursuing the best interests for the Company and its Shareholders and to strengthen the long-term investment value of the Company and faith of investors, the Board considered and approved the H Share Repurchase Mandate on 11 April 2022. The H Share Repurchase Mandate is subject to Shareholders' approval at the General Meetings by way of passing the special resolution. Please refer to the appendixes to the notices of the AGM and the Class Meeting of H Shareholders dated 12 April 2022 for an explanatory statement in relation to the H Share Repurchase Mandate.

Number of the H Shares Proposed to be Repurchased and the Repurchase Price

As at the Latest Practicable Date, the Company had a total issued and not repurchased share capital of 934,843,422 shares, comprising 309,831,217 H Shares and 625,012,205 A Shares. The maximum number of the H Shares proposed to be repurchased shall not exceed 10% of the aggregate number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the H Share Repurchase Mandate, and shall maintain a sufficient public float as required by the Hong Kong Listing Rules. Based on 309,831,217 H Shares in issue and having not been repurchased as at the Latest Practicable Date and that no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the General Meetings, the maximum number of the H Shares proposed to be repurchased shall not exceed 30,983,121 H Shares.

LETTER FROM THE BOARD

Method of Repurchase

Repurchase on the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong (the “**Takeovers Code**”) and other applicable laws and regulations.

Status and Disposal of the Repurchased Shares

The listing of all H Shares which are purchased by the Company shall be automatically cancelled upon purchase pursuant to the Hong Kong Listing Rules. The Company will cancel the repurchased H Shares upon completion of the repurchase, and the Company will reduce its registered capital accordingly.

Source of Funds

In repurchasing H Shares of the Company, the Company intends to raise fund legally available for such purpose in accordance with its Articles of Association and the applicable laws of the PRC and the Hong Kong Listing Rules, as the case may be.

Effect of the Takeovers Code

If a Shareholder’s proportionate interest in the voting rights of the Company increases as a result of the Directors’ exercising the powers of the Company to repurchase H Shares pursuant to the H Share Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code and, if such increase results in a change of control, may in certain circumstances give rise to an obligation to make a mandatory offer for Shares under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and insofar the Directors are aware, Joincare, together with its associates (as defined in the Hong Kong Listing Rules), directly or indirectly held 163,364,672 H Shares and 255,513,953 A Shares of the Company, representing approximately 52.73% and 40.88% of the H Shares and A Shares of the Company in issue and having not been repurchased, respectively, and in aggregate approximately 44.81% of the total shares of the Company in issue and having not been repurchased. If the H Share Repurchase Mandate is fully exercised, the aggregate interest of Joincare in the Company is expected to be increased to approximately 46.34%. The Directors are currently not aware of any consequences which will arise under either or both the Takeovers Code and any similar applicable law of which the Directors are aware as a result of any repurchase of H Shares made under the H Share Repurchase Mandate. Moreover, the Directors have no present intention to exercise the H Share Repurchase Mandate to such an extent as would result in takeover obligations.

LETTER FROM THE BOARD

V. PROPOSED ADOPTION OF THE SECOND PHASE OWNERSHIP SCHEME AND THE ADMINISTRATIVE MEASURES

References are made to the announcements of the Company dated 23 December 2019, 11 February 2020, 16 November 2020, 11 December 2020, 8 April 2021 and 11 April 2022, and the circulars of the Company dated 16 January 2020, 24 November 2020 and 15 April 2021 in relation to the proposed adoption and approval of the Ownership Scheme and its revised draft and first phase ownership scheme. The Ownership Scheme and the grant of mandate to the Board to deal with matters regarding the Ownership Scheme were approved by the 2020 first extraordinary general meeting of the Company convened on 11 February 2020. The revised draft of the Ownership Scheme was approved by the 2020 fifth extraordinary general meeting of the Company convened on 11 December 2020. The first phase ownership scheme of the Ownership Scheme was approved by the 2021 second extraordinary general meeting of the Company convened on 6 May 2021.

On 11 April 2022, the Board proposed to adopt the Second Phase Ownership Scheme and the Administrative Measures. The adoption of the Second Phase Ownership Scheme and the Administrative Measures is subject to the approval of Shareholders by way of special resolutions at the AGM. Full text of the terms of the Second Phase Ownership Scheme and the Administrative Measures are set out in Appendix I and Appendix II to this circular, respectively.

Participation principles

The Second Phase Ownership Scheme follows the principles of independent decision by the Company and voluntary participation of employees. There will not be any such situation of forcing employees to participate in the Second Phase Ownership Scheme by way of apportionment or forced distribution.

Target participants

The scope of the Holders of the Second Phase Ownership Scheme shall include senior management of the Company, key research and development (“**R&D**”) and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of participants under the Second Phase Ownership Scheme is 78, of which 9 are Directors (excluding independent non-executive Directors), Supervisor and senior management. The finalized participants shall be determined in accordance with the actual subscription to be made.

Shareholders holding more than 5% of the shares of the Company and actual controllers shall not participate in the Second Phase Ownership Scheme.

LETTER FROM THE BOARD

Holders of the Second Phase Ownership Scheme shall voluntarily waive their rights, including the right to vote on the shares of the Company indirectly entitled to due to their participation in the Second Phase Ownership Scheme, and shall only retain rights including the rights to the dividends and investment income of such shares.

Source of funds

Funds for participation of the Company's employees in the Second Phase Ownership Scheme come from the special fund (the “**Special Fund**”) of the Second Phase Ownership Scheme set aside by the Company. There is no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to target participants.

The total amount of funds to be held by the Second Phase Ownership Scheme is RMB64,965,470, all of which are the Special Fund set aside by the Company.

The Special Fund shall be extracted with net profit attributable to the Shareholders of the Company after deducting the extraordinary gains or loss in 2018 (RMB947.2163 million) as the base. During the period of assessment (2019-2028), the Company will use the compound growth rate of net profit achieved in each year as the assessment indicator to calculate and set aside a progressive Special Fund for each period. The ratios are set out in details as below:

Compound growth rate of net profit achieved in each year of assessment (X)	Percentage of progressive Special Fund with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

Source of shares

Underlying shares (the “**Underlying Shares**”) purchased through means as permitted by the laws and regulations, including purchases through the secondary market (including but not limited to auction transactions and block trades).

Under the Second Phase Ownership Scheme, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after the resolution on the Second Phase Ownership Scheme is reviewed and approved by the general meeting.

LETTER FROM THE BOARD

Number of Shares

The aggregate number of shares to be held in the Second Phase Ownership Scheme shall not exceed 10% of the total current share capital of the Company, and the aggregate number of shares corresponding to the share of the Second Phase Ownership Scheme to be held by a single employee shall not exceed 1% of the total current share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

Subject to the implementation of the Second Phase Ownership Scheme and market conditions, there are uncertainties in the dates and prices for actual share purchases under the Second Phase Ownership Scheme, therefore there is uncertainty in the final amounts of the Underlying Shares.

Duration and Lock-up period

The duration of the Second Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme.

Lock-up periods of the Underlying Shares obtained by the Second Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme.

Management model

The highest organ of authority responsible for the internal management of the Second Phase Ownership Scheme shall be the holders' meeting (the "**Holders' Meeting**"). The Holders' Meeting under the Second Phase Ownership Scheme shall elect a management committee (the "**Management Committee**"). The Management Committee shall perform the daily management of the Second Phase Ownership Scheme in accordance with the provisions of the Second Phase Ownership Scheme.

The management of the Second Phase Ownership Scheme will be commissioned to CITIC Securities Company Limited with asset management qualifications, and the Board will be authorised by the general meeting to handle the related matters regarding the appointment.

LETTER FROM THE BOARD

Disposal of interests

(1) Disposal methods after the expiration of the duration

After the expiration of the duration, assets of the Second Phase Ownership Scheme shall be disposed of in the following ways:

- (i) The Holders' Meetings of the Second Phase Ownership Scheme shall authorise the Management Committee to complete clearance within 15 working days from the expiration of the duration or termination of the Second Phase Ownership Scheme. After deducting relevant taxes and fees according to law, the allocation of interests shall be carried out in accordance with relevant regulations under the Administrative Measures.
- (ii) If any of the Underlying Shares is still included in the assets which are held by the Second Phase Ownership Scheme, the Management Committee shall determine a specific way of disposal.

(2) Disposal methods after the expiration of the lock-up period

After the lock-up period of the Second Phase Ownership Scheme expires, interests of the Second Phase Ownership Scheme may be disposed of according to one of the following ways:

- (1) to continue to hold the Underlying Shares during the duration;
- (2) to sell the Underlying Shares that are purchased by the Second Phase Ownership Scheme within the duration;
- (3) to transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Second Phase Ownership Scheme;
- (4) other ways as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the Second Phase Ownership Scheme expires, the Management Committee shall entrust the asset management agency to sell the Underlying Shares in a centralised manner. Where there is distributable income after the lock-up period of the Second Phase Ownership Scheme expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

LETTER FROM THE BOARD

Connected Holders

The Second Phase Ownership Scheme include connected persons of the Company (the “**Connected Holders**”). Details of which are set out as follows:

Holder	Positions held with the Company/ subsidiaries of the Company	Maximum share of subscription (0'000 units)	Proportion to the total amount of the Second Phase Ownership Scheme
Tang Yanggang	Executive Director, President	389.7928	6.00%
Xu Guoxiang	Vice Chairman, Vice President	324.8274	5.00%
Xu Peng	Vice President	178.6550	2.75%
Yang Daihong	Vice President	194.8964	3.00%
Huang Yuxuan	Vice President	227.3791	3.50%
Si Yanxia	Vice President, Chief Financial Officer	162.4137	2.50%
Zhou Peng	Vice President	97.4482	1.50%
Yang Liang	Vice President, Secretary of the Board	162.4137	2.50%
Wang Maolin	Supervisor	64.9655	1.00%
Hou Xuemei ^{Note}	Chief Scientist of a subsidiary of the Company	64.9655	1.00%
Other	directors, supervisors and/or presidents of subsidiaries of the Company	844.5511	13.00%
Total		2,712.3084	41.75%

Note: Ms. Hou Xuemei is the spouse of Mr. Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

The maximum share of subscription (the “**Maximum Share of Subscription**”) held by Connected Holders are 27,123,084 units, and the corresponding maximum subscription amount is RMB27,123,084. After taking into account the closing price of RMB34.93/A Shares at the Shenzhen Stock Exchange on the grant date, the total number of A Shares of the Company that can be purchased by the maximum subscription amount held by the Connected Holders is 776,498 shares, accounting for approximately 0.08% of the total issued share capital of the Company and approximately 0.12% of the issued A Shares as at the Latest Practicable Date.

Information of the Parties

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

LETTER FROM THE BOARD

Connected Holders include the president, vice presidents and a Supervisor of the Company, and directors and/or presidents of the subsidiaries of the Company, all of whom are key personnel playing an important role in the overall performance and medium and long-term development of the Company.

Except for the Connected Holders, none of the Holders is a director, supervisor, chief executive or substantial shareholder of the Company and its subsidiaries, or an associate (as defined in the Hong Kong Listing Rules) of any of them.

Operation Performance of the Group

The Board is of the view that the Second Phase Ownership Scheme can reward and motivate the Connected Holders according to their contribution to the previous operation performance of the Group. Under the leadership of the Connected Holders, the operation performance of the Group increased steadily over the last three years.

Benefits to the Future Performance of the Group

The Second Phase Ownership Scheme will help to optimise the compensation structure and, based on the progress in achieving the Company's performance, setting aside the Special Fund, purchasing the Company's shares, and locking them up in the medium and long term are conducive to long-term incentives and constraints of the core management team of the Company, hence ensuring the realisation of the Company's long-term business goals.

Confirmation of Directors

The Directors (including independent non-executive Directors) considered that the terms of the Second Phase Ownership Scheme was entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons and Benefits of Adopting the Second Phase Ownership Scheme

In light of long-term future-oriented development and governance, establishing an innovative long-term incentive stock ownership mechanism for senior management and core technical teams is effective in motivating the hardworking entrepreneurial spirit of senior management and core technical personnel. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of "enjoying the benefits and assuming the risk together", it is expected that it can effectively advance and promote the change from "managers" to "partners" in the Company, promoting the long-term stable development of the Company, and realising the alignment of interests among Shareholders.

LETTER FROM THE BOARD

Hong Kong Listing Rules Implications

The Second Phase Ownership Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Hong Kong Listing Rules and is a discretionary scheme of the Company.

The grant of subscription to the Connected Holders by the Company constitutes connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the relevant Maximum Share of Subscription is higher than 0.1% but lower than 5%, such grant of subscription to the Connected Holders by the Company is subject to the reporting and announcement requirements, but are exempted from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The grant of subscription to the Connected Holders by the Company have been approved by the Board (including independent non-executive Directors), except Mr. Tang Yanggang and Mr. Xu Guoxiang have abstained from voting on the relevant resolutions in the Board meeting to approve the grant of subscription to themselves. Save as disclosed above, no other Directors have material interests in the Second Phase Ownership Scheme.

VI. CONVENING THE GENERAL MEETINGS

The Company will hold the AGM, the Class Meeting of A Shareholders and Class Meeting of H Shareholders 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., 3:30 p.m. (or immediately after the conclusion of the AGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the Class Meeting of A Shareholders or any adjournment) respectively on Friday, 20 May 2022. Notices and proxy forms have been dispatched regarding the AGM and the Class Meeting of H Shareholders by the Company on 12 April 2022. 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 AGM and/or the Class Meeting of H Shareholders by proxy, please complete the 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 AGM and/or the Class Meeting of H Shareholders or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM and/or the Class Meeting of H Shareholders or any adjournment thereof in person if you so wish.

LETTER FROM THE BOARD

VII. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the AGM and the Class Meeting of H Shareholders will be Friday, 13 May 2022. In order to qualify as Shareholders to attend and vote at the AGM and the Class Meeting of H Shareholders, the 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 Friday, 13 May 2022.

The record date for determining the qualification of the H Shareholders for the proposed distribution of the Cash Dividend will be Wednesday, 1 June 2022. In order to qualified for the proposed distribution of the Cash Dividend, 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 Wednesday, 1 June 2022.

For A Shareholders, the record date for the Cash Dividend, dividend payment methods and time will be announced separately.

VIII. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, the resolutions put forward at the AGM and the Class Meeting of H Shareholders 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 Hong Kong Listing Rules after the AGM and the Class Meeting of H Shareholders.

IX. RECOMMENDATION

The Board considers that the resolutions set out in the Notices of the General Meetings in relation to, as applicable, (I) 2021 Annual Profit Distribution Plan, (II) proposed facility financing and provision of financing guarantees to subsidiaries, (III) proposed grant of general mandate to the Board for issuing of shares, (IV) proposed grant of general mandate to the Board to repurchase H Shares, and (V) proposed adoption of the Second Phase Ownership Scheme and its Administrative Measures and other resolutions are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of all the resolutions to be proposed the General Meetings.

LETTER FROM THE BOARD

X. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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.

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*

The following is the full text of the Second Phase Ownership Scheme. The Second Phase Ownership Scheme is written in Chinese and have no official English version. Therefore, any English version is for reference only, and in case of any discrepancy, the Chinese version shall prevail.



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)

**The Second Phase Ownership Scheme under Medium to Long-term
Business Partner Share Ownership Scheme (Draft)**

Declaration

The Company and all members of the Board guarantee that the contents of the information disclosed is true, accurate and complete, and there are no false records, misleading statements or major omissions.

Special Reminder

1. The second phase ownership scheme under the Medium to Long-term Business Partner Share Ownership Scheme of Livzon Pharmaceutical Group Inc.* (Draft) is formulated by Livzon Pharmaceutical Group Inc.* (hereinafter the “**Company**” or “**Livzon Group**”) in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guiding Opinions on the Pilot Program for the Implementation of Employee Ownership Schemes by Listed Companies, the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies as well as relevant laws, administrative regulations, rules, normative documents, the provisions of the Articles of Association of Livzon Pharmaceutical Group Inc.* and the Medium to Long-term Business Partner Share Ownership Scheme (Revised) of Livzon Pharmaceutical Group Inc.*.
2. The Ownership Scheme for this Phase follows the principles of independent decision by the Company and voluntary participation of employees. There will not be any such situation of forcing employees to participate in the Ownership Scheme for this Phase by way of apportionment or forced distribution.

3. Target Participants of the Ownership Scheme for this Phase: senior management of the Company, key research and development (“**R&D**”) and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of Participants under the Ownership Scheme for this Phase is 78, of which 9 are Directors (excluding independent Directors), supervisors and senior management. The finalized Participants shall be determined in accordance with the actual subscription to be made.
4. Funds for participation of the Company’s employees in the Ownership Scheme for this Phase may come from the special fund of the Ownership Scheme for this Phase (the “**Special Fund**”) set aside by the Company. There was no circumstance where the Company provides financial assistance to employees or provide guarantees for their loans, or where third parties provide incentives, grants and subsidies, and make up the balance to Target Participants.

The total amount of funds to be held by the Ownership Scheme for this Phase is RMB64,965,470, all of which are the Special Fund set aside by the Company.

5. Sources of shares in the Ownership Scheme for this Phase: Underlying Shares purchased through means as permitted by the laws and regulations, including purchases through the secondary market (including but not limited to auction transactions and block trades).
6. The aggregate number of shares to be held in the Ownership Scheme for this Phase shall not exceed 10% of the total current share capital of the Company, and the aggregate number of shares corresponding to the share of the Ownership Scheme for this Phase to be held by a single employee shall not exceed 1% of the total current share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

7. Duration and lock-up period of the Ownership Scheme for this Phase

The duration of the Ownership Scheme for this Phase shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Ownership Scheme for this Phase to the account in the name of the Ownership Scheme for this Phase.

Lock-up periods of the Underlying Shares obtained by the Ownership Scheme for this Phase shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Ownership Scheme for this Phase to the account in the name of the Ownership Scheme for this Phase.

8. Upon review and approval for the Ownership Scheme for this Phase by the general meeting of the Company, the Board of the Company shall, pursuant to the general meeting, be subsequently authorised to take charge of the extraction of the Special Fund of the Scheme and the implementation of the Ownership Scheme for this Phase. Under the Ownership Scheme for this Phase, where the Underlying Shares are purchased through the secondary market, it shall be completed within six months after the resolution on the Ownership Scheme for this Phase is reviewed and approved by the general meeting.
9. Holders of the Ownership Scheme for this Phase shall voluntarily waive their rights, including the right to vote on the shares of the Company indirectly entitled to due to their participation in the Ownership Scheme for this Phase, and shall only retain rights including the rights to the dividends and investment income of such shares.

Shareholders holding more than 5% of the shares of the Company and actual controllers shall not participate in the Ownership Scheme for this Phase. The Ownership Scheme for this Phase involves the participation of Directors, supervisors and senior management of the Company, constituting a connected relationship.

Directors, supervisors and senior management of the Company and other Holders of the Ownership Scheme for this Phase shall voluntarily waive their rights, including the right to vote on the shares of the Company indirectly entitled to due to their participation in the Ownership Scheme for this Phase, and shall only retain rights including the rights to the dividends and investment income of such shares. Therefore, there shall neither be any arrangement nor plan for concerted action between Directors, supervisors and senior management of the Company together with other Holders of the Ownership Scheme for this Phase and the Ownership Scheme for this Phase. The Ownership Scheme for this Phase shall abstain from voting on the resolutions regarding the transactions between the Company and the Target Participants including the controlling shareholders, de facto controller, Directors, supervisors and senior management at the general meetings.

10. Prior to the implementation of the Ownership Scheme for this Phase, the Company shall fully solicit opinions from employees through organisations, such as the general employee assembly. After a draft of the Ownership Scheme for this Phase is proposed and approved by the Board, it shall be submitted to the general meeting for consideration, and the Board shall be authorised to implement it upon approval by the general meeting. When the Board makes a resolution on the Ownership Scheme for this Phase, it shall be approved by more than half of all unconnected Directors. Where the number of unconnected Directors present at the Board meeting is less than three, the Board shall directly submit the matter to the general meeting of the Company for consideration. Shareholders who are in the following circumstances and their concerted parties should avoid from conducting a vote on the Ownership Scheme for this Phase at a general

meeting: any of them or their connected parties intends to become the asset management company of the Ownership Scheme for this Phase, subscribes for any share of the Scheme, provides or advances funds for the Scheme, provide stocks for the Scheme, share benefits of the Scheme and other situations that may lead to an imbalance of interests.

11. The Ownership Scheme for this Phase will be commissioned to a third-party agency with asset management qualifications.
12. After reviewing and passing the Ownership Scheme for this Phase, the Board shall submit it to the general meeting for consideration. The Ownership Scheme for this Phase may only be implemented upon review and approval by the general meeting.

The Company shall adopt a combination of on-site and online voting at the general meeting for considering the Ownership Scheme for this Phase. The Company shall provide shareholders with an online voting platform through the trading system of the SSE so that shareholders may exercise their voting rights through the above system during the online voting period.

13. The implementation of the Ownership Scheme for this Phase will not lead to any failure of the Company to meet the listing requirements in terms of shareholding distribution.

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Definition

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

“Livzon Pharma, Livzon Group, Company”	Livzon Pharmaceutical Group Inc.*
“Underlying Shares”	Ordinary A Shares of the Company held by the Scheme obtained through means permitted by the laws and regulations, including purchases through the secondary market
“Business Partner Share Ownership Scheme”	the Medium to Long-term Business Partner Share Ownership Scheme of Livzon Pharmaceutical Group Inc.*
“Scheme, Ownership Scheme for this Phase”	the second phase ownership scheme under the Medium to Long-term Business Partner Share Ownership Scheme of Livzon Pharmaceutical Group Inc.*
“Ownership Scheme”	the Medium to Long-term Business Partner Share Ownership Scheme (Revised) of Livzon Pharmaceutical Group Inc.*
“Second Phase Ownership Scheme (Draft)”	The second phase ownership scheme (draft) under Medium to Long-term Business Partner Share Ownership Scheme of Livzon Pharmaceutical Group Inc.*
“Holder(s), Target Participant(s), Participant(s)”	employee(s) of the Company participating in the Scheme
“Holders’ Meeting”	the meeting of Holders of the Ownership Scheme for this Phase
“Management Committee”	the management committee of the Ownership Scheme for this Phase
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Civil Code”	the Civil Code of the People’s Republic of China

“Guiding Opinions”	the Guiding Opinions Concerning the Pilot Program for the Implementation of Employee Ownership Schemes by Listed Companies
“Guideline No. 1 on Self-Discipline Supervision”	the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies
“Articles of Association”	the Articles of Association of Livzon Pharmaceutical Group Inc.*
“CSRC”	China Securities Regulatory Commission
“SSE”	Shenzhen Stock Exchange
“RMB”	Renminbi

Chapter One General Provisions

The Scheme is formulated in accordance with the Company Law, the Securities Law, the Guiding Opinions, the Guideline No. 1 on Self-Discipline Supervision and other laws, regulations, normative documents, the Articles of Association and the Ownership Scheme based on the principles of fairness, impartiality and openness. It aims at establishing and improving the benefit sharing mechanisms among employees and shareholders of the Company as well as enhancing the cohesion of the employees and the competitiveness of the Company to ensure the realisation of the Company’s development strategies and business objectives going forward.

I. Purpose of the Scheme

Against a backdrop of escalating market competition and an increasingly complex economic environment, organisational reengineering and enterprise innovation are the cores of business management and strategic development for enterprises. In order to achieve the goal of realising leapfrog development again to become an international pharmaceutical company first rated in China and leading in the world, Livzon Group needs to display enterprise characteristics such as diligence, openness, enterprising spirit, passion, and ambition. In light of long-term future-oriented development and governance, establishing an innovative long-term incentive stock ownership mechanism for senior management and core technical teams is effective in motivating the hardworking entrepreneurial spirit of senior management and core technical personnel. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risks together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, uniting a group of era strugglers and business leaders sharing common values to carry forward entrepreneurship, promoting the long-term stable development of the Company, and realising the alignment of interests among shareholders.

The essence of the Business Partner Share Ownership Scheme lies in “performance-based stocks” and, through the arrangement of the “Business Partner Share Ownership Scheme” and the characteristics of a “business partner”, it can be of a longer term, achieving the sharing of responsibilities and values. Specifically, the Scheme is launched for the following purposes:

- (I) Institutional innovation. The core management team will increase its shareholding in the Company through the Business Partner Share Ownership Scheme, which is expected to further improve the corporate governance structure and optimise the Company’s equity structure, and promote the alignment of interests and the sharing of income among shareholders, the Company, and employees, injecting internal vitality and motivation into the Company’s developments, hence ensuring the Company’s long-term, healthy, stable and sustainable development and enhance the overall value of the Company.
- (II) The core management team participating in the Business Partner Share Ownership Scheme will comprise all key personnel playing an important role in the overall performance and medium and long-term development of the Company. While continuing to promote organisational reform and improvement in efficiency, adhering to the concept of equal rights and responsibilities and promoting the tie-in of the core management team with the Company’s long-term growth values is conducive to driving the change in the mind-set of the team from being a “manager” to a “partner” in exerting their subjective initiative and actively taking on the responsibility for the Company’s long-term growth to ensure the long-term competitive advantages of the Company.
- (III) Currently, the Company’s core management team compensation structure is relatively simple and there is a lack of long-term incentives. The Business Partner Share Ownership Scheme will help to optimise the compensation structure and, based on the progress in achieving the Company’s performance, setting aside the Special Fund, purchasing the Company’s shares, and locking them up in the medium and long term is conducive to long-term incentives and constraints of the core management team of the Company, hence ensuring the realisation of the Company’s long-term business goals.

II. Basic principles of the Scheme

- (I) Principle of legality

Relevant entities of the Scheme must strictly abide by the market transaction rules and comply with the regulation that no stocks may be traded during sensitive periods. No party may use the Scheme to engage in securities fraud such as insider trading and market manipulation. In implementing the Scheme, the Company shall perform the procedures in strict accordance with the laws and administrative regulations, and disclose such information in a truthful, accurate, complete and timely manner.

(II) Principle of voluntary participation

The Scheme follows the principle of voluntary participation of employees, and there will be no such situation of forcing employees to participate in the Scheme by way of apportionment, forced distribution, etc.

(III) Principle of assuming one's own risks

Holders of the Scheme shall be held responsible for one's own profits and losses, and shall take on their own risks and have equal rights with the other investors.

(IV) Principle of ensuring the Company's long-term development

To ensure the long-term healthy development of the Company, the Scheme adheres to the long-term development principle in pegging personal income with the Company's medium and long-term interests.

(V) Principles of value creation and benefit sharing

Adhering to the principles of value creation and benefit sharing, the Scheme will realise the sharing of profits and the assumption of risk with the employees.

Chapter Two Target Participants of the Scheme

I. Basis for determining the Target Participants of the Scheme

It shall be determined by the Company in accordance with the Company Law, the Securities Law, the Civil Code, the Guiding Opinions and other relevant laws, administrative regulations and rules as well as relevant provisions of the Articles of Association, taking into account the actual circumstances.

II. Scope of the Target Participants of the Scheme

The scope of the Holders of the Scheme shall include senior management of the Company, key R&D and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of Participants under the Ownership Scheme for this Phase is 78, of which 9 are Directors (excluding independent Directors), supervisors and senior management. The finalized Participants shall be determined in accordance with the actual subscription to be made.

The aggregate number of shares to be held in the Ownership Scheme for this Phase shall not exceed 10% of the total current share capital of the Company, and the aggregate number of shares corresponding to the share of the Ownership Scheme for this Phase to be held by a single employee shall not exceed 1% of the total current share capital of the Company.

The aggregate number of the Underlying Shares shall not include shares obtained by the Holders prior to the initial public offering of shares by the Company, shares purchased through the secondary market and shares obtained through equity incentives.

Lawyers engaged by the Company shall give a clear opinion on whether the Target Participants, the fund and source of shares, the term and size, the management model and other issues of the Ownership Scheme for this Phase are compliant with the laws and regulations, and whether the necessary review procedures are performed.

Chapter Three Source of Funds, Source and Number of Shares of the Scheme

I. Source of funds of the Scheme

1. Funds of the Ownership Scheme for this Phase come from the Special Fund set aside by the Company.
2. The Company will extract a corresponding proportion of the Special Fund according to the Special Fund extraction principle, transfer it to the capital account of the Scheme and purchase the Underlying Shares using the securities account of the Scheme. The Special Fund shall be extracted according to the following principles:
 - (1) The Special Fund shall be extracted with net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in 2018 (RMB947.2163 million) as the base. During the period of assessment (2019-2028), the Company will use the compound growth rate of net profit achieved in each year as the assessment indicator to calculate and set aside a progressive Special Fund for each period. The ratios are set out in details as below:

Compound growth rate of net profit achieved in each year of assessment (X)	Percentage of progressive Special Fund with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

Note 1: the above “compound growth rate of net profit” indicator is calculated based on the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss, excluding the impact of the amount of Special Fund being set aside for the Ownership Scheme for this Phase.

Note 2: with the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in 2018 as the base, during the period of assessment (2019-2028), the specific values of net profit with a compound growth rate of 15% are set out below:

Year of assessment	Net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss (RMB0'000)
2019	108,929.88
2020	125,269.36
2021	144,059.76
2022	165,668.72
2023	190,519.03
2024	219,096.89
2025	251,961.42
2026	289,755.63
2027	333,218.98
2028	383,201.83

- (2) If the amount of Special Fund to be set aside exceeds 8% of the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in that year, the Special Fund shall be set aside in the amount of 8% of the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss.
- (3) If the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in the current year decreases by 5% year-on-year comparing to that in the previous year due to the accrual of the Special Fund, no Special Fund shall be set aside for the year.

In accordance with the extracting principles of the Special Fund, the Company set aside for a Special Fund of RMB64,965,470 in 2021, constituting the source of funds for the Ownership Scheme for this Phase. Therefore, the total amount of funds under the Ownership Scheme for this Phase is RMB64,965,470. The subscription unit is “unit”. The share is to be subscribed at RMB1.00 per unit. The total number of units under the Ownership Scheme for this Phase are 64,965,470 units.

The Company shall measure and account for the Special Fund extracted in accordance with relevant provisions and include them in expenses for the current term.

II. Source of shares in the Scheme

1. Centralised bidding on the secondary market (including but not limited to auction transactions and block trades);
2. Other means permitted by the laws and administrative regulations.

Where the shares of the Ownership Scheme for this Phase are purchased through the secondary market, the Company shall complete the purchase of the Underlying Shares within six months after the Ownership Scheme for this Phase are reviewed and approved by the general meeting.

III. Number of Underlying Shares involved in the Scheme

The maximum amount of funds under the Ownership Scheme for this Phase is RMB64,965,470, which is calculated based on the closing price of A shares of the Company of RMB34.93 per share on 11 April 2022. The total number of Underlying Shares under the Ownership Scheme for this Phase is approximately 1,859,876 shares, accounting for approximately 0.20% of the current total share capital of 938,247,822 shares of the Company. The specific total number of shares shall be determined by Participants' actual subscription amount.

The aggregate number of shares to be held under the Ownership Scheme for this Phase shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Ownership Scheme for this Phase to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include the shares obtained by the Holders prior to the initial public offering of shares by the Company, the shares purchased through the secondary market and the shares obtained through equity incentives.

Chapter Four List of Holders and Subscription of Shares of the Scheme

The total amount of funds under the Ownership Scheme for this Phase is RMB64,965,470, all of which are the Special Fund set aside by the Company. The subscription unit is "unit". The share is to be subscribed at RMB1 per unit. The total number of Participants under the Ownership Scheme for this Phase is 78, of which 9 were Directors (excluding the independent Directors), supervisors and senior management of the Company. The total amount of their subscription is RMB18,027,918, accounting for 27.75% of the total amount of the Ownership Scheme for this Phase; the total amount of other employees' subscription is RMB46,937,552, accounting for 72.25% of the total amount of the Ownership Scheme for this Phase.

The list of Holders and subscription of shares of the Scheme are set out as below:

No.	Holder	Position	Maximum share of subscription (0'000 units)	Proportion to the total amount of the Scheme
1	Tang Yanggang	Executive Director, President	389.7928	6.00%
2	Xu Guoxiang	Vice Chairman, Vice President	324.8274	5.00%
3	Xu Peng	Vice President	178.6550	2.75%
4	Yang Daihong	Vice President	194.8964	3.00%
5	Huang Yuxuan	Vice President	227.3791	3.50%
6	Si Yanxia	Vice President, Chief Financial Officer	162.4137	2.50%
7	Zhou Peng	Vice President	97.4482	1.50%
8	Yang Liang	Vice President, Secretary of the Board	162.4137	2.50%
9	Wang Maolin	Chief Supervisor	64.9655	1.00%
	Directors, supervisors and senior management (9 persons)		1,802.7918	27.75%
	Other employees (69 persons)		4,693.7552	72.25%
Total			6,496.5470	100.00%

The final Participants and the specific number of units to be held by them under the Ownership Scheme for this Phase will be subject to the actual subscription to be made by them.

The number of shares corresponding to the share of the Ownership Scheme for this Phase to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include the shares obtained by the Holders prior to the initial public offering of shares by the Company, the shares purchased through the secondary market and the shares obtained through equity incentives.

Chapter Five Duration and Lock-up Period of the Scheme

I. Duration of the Ownership Scheme for this Phase

The duration of the Ownership Scheme for this Phase shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Ownership Scheme for this Phase to the account in the name of the Ownership Scheme for this Phase.

II. Lock-up period for the Underlying Shares of the Ownership Scheme for this Phase

The lock-up period for the Underlying Shares of the Ownership Scheme for this Phase shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares for this phase to the account in the name of the Ownership Scheme for this Phase.

After the expiration of the lock-up period, the Company shall disclose the relevant status of the Ownership Scheme for this Phase in a timely manner.

III. Any changes made to the Ownership Scheme for this Phase in its duration shall be subject to the consent of Holders holding more than two-thirds of the total share present at the Holders' Meeting and shall be submitted to the Board for approval prior to implementation.**IV. Termination of the Ownership Scheme for this Phase**

1. The Ownership Scheme for this Phase shall automatically terminate after the expiration of its duration;
2. After the lock-up period of the Ownership Scheme for this Phase expires, and if the assets in the Ownership Scheme for this Phase are all monetary funds, the Ownership Scheme for this Phase may be terminated in advance;
3. if not all the shares are sold before the expiration of the duration of the Ownership Scheme for this Phase, the duration of the Ownership Scheme for this Phase may be extended upon the approval of Holders with more than two-thirds of the effective voting rights present at the Holders' Meeting and the approval of the Board which are held ten days before the expiration of the duration of the Ownership Scheme for this Phase.

Chapter Six Management Model of the Scheme

The highest organ of authority responsible for the internal management of the Ownership Scheme for this Phase shall be the Holders' Meeting. The Holders' Meeting under the Ownership Scheme for this Phase shall elect a Management Committee. The Management Committee shall perform the daily management of the Ownership Scheme for this Phase in accordance with the provisions of the Scheme and shall exercise shareholder rights or authorise management agencies to exercise shareholder rights on behalf of the Holders.

The management of the Ownership Scheme for this Phase will be commissioned to CITIC Securities Company Limited with asset management qualifications, and the Board will be authorised by the general meeting to handle the related matters regarding the appointment. The accrual of management fees and the payment method will be detailed in relevant provisions of

the management contract signed under the Ownership Scheme for this Phase. Details of the main terms and conditions of the management agreement will be set out in the Second Phase Ownership Scheme (Draft) or the asset management contract.

The shares and funds to be held by the Ownership Scheme for this Phase shall be entrusted property, and the agency managing the Ownership Scheme for this Phase shall not include the entrusted property into its inherent property. Where the agency managing the Ownership Scheme for this Phase is liquidated for being dissolved, de-registered or declared bankruptcy according to law and other reasons, the entrusted property shall not belong to any of its property on the liquidation.

(I) Holders' Meetings of the Ownership Scheme for this Phase

The Holders' Meeting shall comprise all Holders. Holders may attend and vote in person at the Holders' Meeting, or they may appoint other Holders to attend and vote on their behalf.

1. Functions and powers of the Holders' Meeting

- (1) to elect and remove members of the Management Committee;
- (2) to review and decide on the amendments to the administrative measures of the Ownership Scheme for this Phase;
- (3) to review changes to the Second Phase Ownership Scheme (Draft) and submit such matters to the Board for consideration;
- (4) to decide on other changes to the Ownership Scheme for this Phase subject to compliance with the Ownership Scheme and the Second Phase Ownership Scheme (Draft);
- (5) when the Company raises funds by way of placing, additional issue, convertible bonds and other means during the duration of the Ownership Scheme for this Phase, the Management Committee shall submit to the Holders' Meeting of the Ownership Scheme for this Phase to consider whether to participate in the financing and other relevant matters;
- (6) to authorise the Management Committee to carry out daily management of the Ownership Scheme for this Phase;
- (7) when the Company undergoes a merger, division, change in control and other situations after the statutory lock-up period of the Ownership Scheme for this Phase expires, to decide on shortening or extending the duration and lock-up period of the Ownership Scheme for this Phase or terminating the Ownership Scheme for this Phase in advance;

- (8) to authorise the Management Committee to clear the assets of the Ownership Scheme for this Phase at the time of its termination;
- (9) to authorise the Management Committee to exercise shareholder rights, and the Management Committee to authorise the chairman of the Management Committee to exercise shareholders rights attached to shares to be held by the Ownership Scheme for this Phase prior to the completion of clearance and allocation of the Ownership Scheme for this Phase (except for some shareholder rights such as voting rights voluntarily waived by the Holders);
- (10) to authorise the Management Committee to take charge of the alignment work with the asset management agency of the Ownership Scheme for this Phase;
- (11) other matters that the Management Committee deems necessary to convene a Holders' Meeting

2. Procedures for the convening of the Holders' Meeting

The first Holders' Meeting shall be convened and presided over by the Secretary to the Board. Thereafter, the Management Committee to be elected by the Holders' Meeting shall be responsible for convening the meeting and the chairman of the Management Committee shall preside over the meeting. When the chairman of the Management Committee is unable to perform his/her duties, he/she shall appoint a member of the Management Committee to preside over the meeting.

In convening the Holders' Meeting, the Management Committee shall give notice of the meeting three days in advance and serve the notice to all Holders by direct delivery, mail, email or other means. In case of emergency, Holders may be notified of the meeting orally on short notice. The notice of meeting shall at least include the following items:

- (1) the time and place of the meeting;
- (2) the matters to be considered in the meeting (motions);
- (3) the mode of holding the meeting;
- (4) the convener and presider of the meeting, proposer of the ad hoc meeting and his or her written proposals;
- (5) the materials necessary for voting in the meeting;
- (6) the requirement that Holders shall attend in person or appoint other Holders to attend the meeting on their behalf;
- (7) the contact person and contact information;
- (8) the date of notification.

3. Voting procedures of the Holders' Meeting

- (1) After each motion is fully discussed, the presider shall timely invite Holders attending the meeting to vote. Voting shall be conducted in writing by filling in a ballot paper.
- (2) Holders shall exercise their voting rights in proportion to their shares held in the Scheme in the current phase. Each share shall have one vote, and the Holders' Meeting shall adopt the mode of signed voting.
- (3) The intent of Holders in the voting shall be divided into consent, opposition and abstention. Holders shall choose an option from one of the above intents. In the case of failing to make a choice or choosing two or more options at the same time, the Holders concerned shall be deemed to abstain from voting. Any unfilled, wrongly filled, unrecognisable ballot papers or uncast votes shall be considered as abstention. If any of the Holders votes after the presider of the meeting announces the voting results or after the end of specified voting period, such vote shall not be counted.
- (4) The presider of the meeting shall announce the voting figures at the site. Except as otherwise provided by the Holders' Meeting and in the Second Phase Ownership Scheme (Draft), each motion shall be deemed to be approved by voting to form a valid resolution of the Holders' Meeting if it is agreed by Holders present at the Holders' Meeting holding more than 50% (not inclusive of the 50%) of the shares.
- (5) Holders who individually or collectively hold more than 10% (inclusive of the 10%) of the shares in the Ownership Scheme for this Phase may submit an interim motion to the Holders' Meeting. The interim motion shall be submitted to the Management Committee five days before the holding of the Holders' Meeting.
- (6) Holders who individually or collectively hold more than 30% (inclusive of the 30%) of the shares in the Ownership Scheme for this Phase may propose to convene the Holders' Meeting.
- (7) Where a resolution of the Holders' Meeting needs to be submitted to the Board for review, the resolution must be submitted to the Board for review in accordance with the administrative measures of the Ownership Scheme for this Phase.
- (8) In view of the relatively large number of Holders under the Ownership Scheme for this Phase, for the sake of utmost convenience and efficiency, the Holders' Meeting may also be conducted by communications, in written form and by other means. In the case where review and voting of the Holders' Meeting are

carried out by communications, in written form and by other means, the Management Committee shall safeguard the rights of the Holders, including the right to full information.

(II) Management Committee of the Ownership Scheme for this Phase

A Management Committee shall be set up for the Ownership Scheme for this Phase. It shall be held accountable for the Holders' Meeting of the Ownership Scheme for this Phase and shall be the organ responsible for the daily management of the Ownership Scheme for this Phase.

1. Procedures for election of the Management Committee

The Management Committee shall comprise three members and a chairman. The term of office of members of the Management Committee shall be the duration of the Ownership Scheme for this Phase.

Candidates for membership of the Management Committee shall be nominated by Holders who individually or collectively hold more than 10% (inclusive) of the shares under the Ownership Scheme for this Phase, and shall be elected by the Holders' Meeting. The chairman of the Management Committee shall be elected by a majority of all the members of the Management Committee.

2. Obligations of members of the Management Committee

Members of the Management Committee shall abide by the laws and administrative regulations and shall owe the following obligations of loyalty to the Ownership Scheme for this Phase:

- (1) they may not take advantage of their positions and powers to accept bribes or other illegal income, and encroach upon the property of the Ownership Scheme for this Phase;
- (2) they may not misappropriate funds of the Ownership Scheme for this Phase;
- (3) without the consent of the Holders' Meeting, assets or funds of the Ownership Scheme for this Phase may not be deposited in an account opened in their own names or in the name of another individual;
- (4) without the consent of the Holders' Meeting, they may not lend funds of the Ownership Scheme for this Phase to other parties or use the property of the Ownership Scheme for this Phase to provide guarantee for other parties;
- (5) they may not use their positions and powers to damage the interests of the Ownership Scheme for this Phase.

3. Duties of the Management Committee

- (1) to convene the Holders' Meeting;
- (2) to carry out daily management of the Ownership Scheme for this Phase;
- (3) to request the Holders' Meeting to consider shortening or extending the duration and lock-up period of the Ownership Scheme for this Phase or terminating the Ownership Scheme for this Phase in advance;
- (4) to handle matters relating to the subscription of shares of the Ownership Scheme for this Phase;
- (5) to take charge of the alignment work with the asset management agency of the Ownership Scheme for this Phase;
- (6) to handle all matters relating to the lock-up and the lifting of restrictions on shares purchased under the Ownership Scheme for this Phase;
- (7) to exercise the asset management responsibilities under the Ownership Scheme for this Phase, including but not limited to cashing the shares of the Company after the expiration of the lock-up period, and investing the cash assets of the Ownership Scheme for this Phase in fixed income securities, wealth management products, money market funds and other cash management instruments;
- (8) to clear the assets or dispose them of by other specific means upon the termination of the Ownership Scheme for this Phase;
- (9) to develop and implement schemes on matters relating to the participation in additional issues, placing, convertible bond issues and other refinancing issues of the Company during the duration of the Ownership Scheme for this Phase;
- (10) to authorise the chairman of the Management Committee to exercise shareholders rights attached to the shares to be held by the Ownership Scheme for this Phase prior to the completion of liquidation and allocation for the Ownership Scheme for this Phase (except for some shareholder rights such as voting rights voluntarily waived by the shareholders);
- (11) to revise the administrative measures of the Ownership Scheme for this Phase and submit it to the Holders' Meeting for consideration;
- (12) to protect other rights in the interest of the Holders.

Where a member of the Management Committee violates the above obligations and duties, the Holders' Meeting shall have the right to remove such member from office. In the case where the violation causes losses to the Ownership Scheme for this Phase, such member shall be held liable for compensation.

4. Functions and powers of the chairman of the Management Committee

- (1) to convene and preside over the Holders' Meeting and meetings of the Management Committee;
- (2) to exercise shareholder rights on behalf of all Holders with the authorisation of the Management Committee, except for some shareholder rights such as voting rights voluntarily waived by the Holders;
- (3) to supervise and inspect the implementation of resolutions of the Holders' Meeting and the Management Committee;
- (4) to sign relevant agreements and contracts with external parties on behalf of the Ownership Scheme;
- (5) other functions and powers conferred by the Management Committee.

5. Procedures for the convening of meetings of the Management Committee

Meetings of the Management Committee shall be convened by the chairman of the Management Committee, and all members of the Management Committee shall be notified of the meeting three days in advance. In case of emergency, Holders may be notified of the meeting orally on short notice. The notice of meeting shall include the following contents:

- (1) the date and place of the meeting;
- (2) the reasons for and agenda of the meeting;
- (3) the materials necessary for the meeting;
- (4) the date of notification.

6. Procedures for the holding of meetings and voting of the Management Committee

- (1) Meetings of the Management Committee shall be held only when more than half of the members of the Management Committee are present.
- (2) Resolutions of the Management Committee must be passed by a majority of all members of the Management Committee.

- (3) The “one person, one vote” principle shall be adopted for voting on resolutions of the Management Committee. Voting shall be conducted by signed ballot.
 - (4) In the meetings of the Management Committee, on the premise that members of the Management Committee can fully express their opinions, resolutions may be adopted by way of email or other means and shall be signed by the members attending the meeting.
 - (5) Meetings of the Management Committee shall be attended by members of the Management Committee in person. If any member is unable to attend the meeting for any reason, he/she may appoint another member of the Management Committee in writing to attend the meeting on his/her behalf, and the member who attend the meeting on his/her behalf shall exercise the rights within the scope of authorisation. Any failure of attending a meeting of the Management Committee or appointing a representative to attend the meeting shall be deemed to waive the right to vote at that meeting.
 - (6) The Management Committee shall form a resolution in respect of decisions made on the matters that are discussed at the meeting, and members of the Management Committee shall give their signature on the resolution at the meeting.
7. Ways of participation in the Scheme when the Company finances during the duration of the Scheme

When the Company raises funds by way of placing, additional issues, convertible bonds and other means during the duration of the Ownership Scheme for this Phase, the Management Committee shall submit to the Holders’ Meeting of the Ownership Scheme for this Phase to consider whether to participate in the financing and other relevant matters.

Chapter Seven Disposal of Interests of the Scheme

I. Asset composition of the Scheme

- (I) A shares of the Company;
- (II) cash and the interests generated;
- (III) other assets such as proceeds from the asset management.

Assets under the Ownership Scheme for this Phase shall be independent of assets of the Company and the custodian. The Company, the custodian as well as creditors of the Company and the custodian shall have no right to freeze, seize, pledge or impose other sanctions on assets under the Ownership Scheme.

II. Disposal methods of the assets of the Scheme**(I) Disposal methods after the expiration of the duration**

After the expiration of the duration, assets of the Scheme shall be disposed of in the following ways:

1. The Holders' Meetings of the Ownership Scheme for this Phase shall authorise the Management Committee to complete clearance within 15 working days from the expiration of the duration or termination of the Scheme. After deducting relevant taxes and fees according to law, the allocation of interests shall be carried out in accordance with relevant regulations under the administrative measures of the Ownership Scheme for this Phase.
2. If any of the Underlying Shares is still included in the assets which are held by the Ownership Scheme for this Phase, the Management Committee shall determine a specific way of disposal.

During the lock-up period of the Ownership Scheme for this Phase, the shares or interests of the Ownership Scheme for this Phase held by the Holders may not be transferred, withdrawn or used for any mortgage, pledge, guarantee and repayment of debt.

(II) Disposal methods after the expiration of the lock-up period

1. The specific allocation of interests after the expiration of the lock-up period of the Ownership Scheme for this Phase shall be determined by the Management Committee.
2. After the lock-up period of the Ownership Scheme for this Phase expires, interests of the Scheme may be disposed of according to one of the following ways:
 - (1) to continue to hold the Underlying Shares during the duration of the Scheme;
 - (2) to sell the Underlying Shares that are purchased by the Ownership Scheme for this Phase within the duration of the Scheme;
 - (3) to transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Ownership Scheme for this Phase;
 - (4) other ways as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the Ownership Scheme for this Phase expires, the Management Committee shall entrust the asset management agency to sell the Underlying Shares in a centralised manner. Where there is distributable income after the lock-up period of the Ownership Scheme for this Phase expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

(III) The Ownership Scheme for this Phase shall strictly abide by market transaction rules and comply with the regulation that no stocks may be traded during sensitive periods. No party may use the Ownership Scheme for this Phase to engage in securities fraud such as insider trading and market manipulation. The aforementioned “sensitive periods” refer to periods (the “**Lock-up Period**”) during which the directors, supervisors and senior management officers of listed companies may not trade shares of the Company as stipulated in the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (the “**Rules on Management of Changes**”) and other regulations. The details of which include but are not limited to:

- (1) within 30 days before the Company’s announcement of its annual report and interim report, or if the date of announcement of the annual report and interim report is postponed due to special reasons, the period starting from 30 days before the original date of announcement to the day before the announcement;
- (2) within ten days before the quarterly report, the announcement of performance estimation and the announcement of performance preview of the Company;
- (3) the period starting from the date of occurrence or the date of entering the decision-making process of a major event that may have a significant impact on the trading price of the Company’s shares and their derivatives to the date of disclosure according to law;
- (4) other periods as required by the CSRC and the SSE.

The aforementioned “major event” refers to a transaction or any other significant matter that the Company shall disclose in accordance with the provisions of the Stock Listing Rules of the Shenzhen Stock Exchange. If the Rules on Management of Changes is properly revised or the Lock-up Period is otherwise provided for by other relevant laws, administrative laws and regulations and departmental regulations, those latest provisions shall prevail.

In making a decision on the trading of the Company’s shares, the representative of Holders shall timely consult the Secretary to the Board of the Company on whether it is in a stock trading sensitive period.

(IV) During the duration of the Ownership Scheme for this Phase, where any of the following situations occurs to a Participant, such Participant shall no longer take part in the respective phases subsequently to be established under the Ownership Scheme nor is entitled to any income from the respective phases he/she participates that is not distributed; the Management Committee shall have the right to determine to recover without compensation all the shares and the corresponding income of the Ownership Scheme for this Phase that are held by such Participant and to distribute to other Participants.

1. the Holder is held criminally responsible for their conduct according to law;
2. the Holder has violated the provisions of the Company Law, the Securities Law and other laws, administrative regulations, rules and normative documents, thus damaging the interests of the Company;
3. upon confirmation of the Board or the supervisory committee of the Company, the Holder is found to violate the provisions of the Articles of Association and commits a serious violation of the internal rules and policies of the Company;
4. the Holder establishes a labour relationship with other employers without the written consent of the Company;
5. the Holder violates his/her obligations to the Company, such as the restraint on competition and confidentiality;
6. the occurrence or existence of any other actions that is deemed by the Company to be detrimental to the interests of the Company.

(V) During the duration of the Ownership Scheme for this Phase, where any of the following situations occurs to a Participant, the Participant may continue to enjoy the corresponding interests of the Scheme (except as otherwise provided for in item (IV) of this Article):

1. normal retirement in compliance with relevant policies and upon the approval of the Company, and without engaging in the investment in and employment at any business similar with that of the Company prior to clearance;
2. resignation from the Company due to major illness;
3. loss of labour capacity due to work-related injury or illness;
4. death due to work-related injury or illness.

(VI) During the duration of the Ownership Scheme for this Phase, if a Participant leaves, retires, dies, or otherwise, such Participant shall be entitled to all of his/her corresponding interests under the Ownership Scheme for this Phase (except as otherwise provided for in item (IV) of this Article).

(VII) During the duration of the Ownership Scheme for this Phase, where there is any other matter relating to the disposal of interests of the Scheme that is not clarified, it shall be determined by the Management Committee.

III. Taxes and fees payable by the Scheme

Securities transaction fees for the Ownership Scheme for this Phase, including commissions and stamp duties, shall be accrued at the time of occurrence of the investment or transaction and paid according to the prescribed proportions. In addition to commissions and stamp duties, other expenses including asset management fees (if any) and custodial fees (if any) shall be borne by the Participants in accordance with relevant laws, regulations and corresponding agreements. With respect to personal income taxes or other contingent taxes payable by the Participants due to their participation in the Scheme, the Company shall be obliged to withhold and pay such taxes on their behalf. After the shares are sold, the taxes shall be deducted from the income in the name of the Participants before redeeming it to the Participants.

All taxpayers involved in the Ownership Scheme for this Phase shall perform their tax obligations in accordance with national tax laws and regulations. For the Company's financial and accounting treatment of the Scheme as well as its taxation and other issues, they shall be implemented in accordance with relevant financial policies, accounting standards and tax systems.

According to the provisions of the Scheme, after conditions for the growth in performance are met, a certain proportion of the Special Fund shall be extracted as the source of funds for schemes under the Scheme, which may have a certain impact on the operating performance of the Company.

Chapter Eight Selection of Management Agency, Provision for and Payment Method of Management Fees and Terms of Management Agreement

I. Selection of management agency for the Ownership Scheme for this Phase

The Company will commission CITIC Securities Company Limited with asset management qualifications as the management agency for the Ownership Scheme for this Phase, and enter into the relevant asset management contract with CITIC Securities Company Limited.

II. Principle terms of the management agreement

1. Name of the asset management plan: CITIC Securities-Medium to Long-term Business Partner Employee Ownership Scheme No. 2 Single Asset Management Plan of Livzon Group” (中信證券-麗珠集團員工持股計劃1號單一資產管理計劃) (subject to the filing with the Asset Management Association of China, the “**Employee Ownership Scheme No. 2 of Livzon Group**”)
2. Type: single asset management plan
3. Client: Livzon Pharmaceutical Group Inc.* (in charge of the Ownership Scheme for this Phase)
4. Manager: CITIC Securities Company Limited
5. Custodian: Shenzhen Branch of China Merchants Bank
6. Management period: the management period of the Employee Ownership Scheme No. 2 of Livzon Group is expected to be 48 months, which may be extended or terminated in advance.
7. Target size: the maximum size of the Employee Ownership Scheme No. 2 of Livzon Group is 64,965,470 units.
8. Investment objective: the main investment scope is the ordinary A shares (stock code: 000513.SZ), cash assets and others of Livzon Group.

III. Provision for and payment method of management fees

1. Management fees: 0.25%
2. Custody fees: 0.02%
3. Compensation for performance: this single plan shall not charge compensation for performance.
4. Securities transaction expenses: according to the requirements under relevant regulations and corresponding agreements, the expenses shall be recognized as expenses for the current period or recognized as prepaid expenses for the current period as per the actual amount when they incurred, and shall be paid by the trustee of the assets with assets under the asset management plan in accordance with the transfer instruction given by the manager of the assets.

5. Taxes: for taxpayers involved in the operation of the entrusted assets, they shall perform their obligations to pay tax as specified under laws and regulations of the state in relation to taxation. The parties hereby agreed that, in accordance with laws, regulations, departmental rules and other normative documents of the state, the manager shall have the right to pay the corresponding amount of expenses in relation to tax and charges payable out of the entrusted assets when there are tax and charges payable such as value-added tax as a result of taxable acts that lead to tax and charges such as value-added tax during the operation of the Scheme. The actual time and the amount shall be determined by the manager with reference to the corresponding tax and charges payable at the material time, and such amount shall be paid in a lump-sum payment by the trustee to the manager out of the entrusted assets in accordance with the transfer instruction given by the manager.
6. Other expenses: the single plan fees, other than transaction fees, stamp taxes, management fees, custodian fees and service fees, shall be included or allocated to the current period according to the actual amount of expenses in accordance with the relevant laws and regulations and the specific provisions of the corresponding contract or agreement. The payment instruction shall be sent by the manager to the custodian to notify the custodian to pay from a single plan asset.

Chapter Nine Modification and Termination of the Scheme

1. During the duration of the Scheme, any changes made to the Second Phase Ownership Scheme (Draft) shall be submitted to the Board for review and approval after being considered by the Holders' Meeting. Subject to compliance with the Ownership Scheme and the Second Phase Ownership Scheme (Draft), any changes to the Ownership Scheme for this Phase shall be determined by the Holders' Meeting of the Ownership Scheme for this Phase.
2. The Scheme shall be terminated upon expiration of its duration. The Board may extend and shorten the duration of the Scheme after deliberation by the Holders' Meeting. The provisions on the extension and shortening of the duration and lock-up period of the Ownership Scheme for this Phase shall be subject to the Ownership Scheme for this Phase.
3. If the Company undergoes a merger, division, or change in control for any reason, subject to compliance with relevant laws and regulations, the Ownership Scheme for this Phase shall continue to be implemented, except for the cases where the Holders' Meeting of the Ownership Scheme for this Phase makes a decision on shortening or extending the duration and lock-up period or terminating the Ownership Scheme for this Phase in advance.

Chapter Ten Formulation, Approval and Implementation of the Scheme

- (I) The general meeting of the Company shall be the highest organ of authority of the Scheme, responsible for the approval of the Scheme.
- (II) The Company shall be responsible for formulating the Second Phase Ownership Scheme (Draft) on the basis of fully soliciting the opinions of employees through general employee assembly and other organisations. Upon the consideration and approval of the general meeting of the Company, authorisation shall be given to the Board to determine or deal with the following matters, including but not limited to:
1. authorising the Board to extract the annual Special Fund and determine the specific distribution plan;
 2. authorising the Board to decide on the modification of the Second Phase Ownership Scheme (Draft), including but not limited to the disqualification of Holders, addition of Holders, changes in the shares of Holders, handling of matters relating to the succession of deceased Holders, and early termination of the Ownership Scheme for this Phase in accordance with the regulations of the Second Phase Ownership Scheme (Draft);
 3. authorising the Board to make a decision on the extension or shortening of the duration of the Ownership Scheme for this Phase;
 4. authorising the Board to make decisions in respect of the engagement and change of intermediaries, such as asset managers and custodians, for the Ownership Scheme for this Phase;
 5. authorising the Board to give explanation on relevant contents not covered in the Scheme;
 6. authorising the Board to handle all other matters necessary for the Scheme, except for the rights that are clearly stipulated in relevant documents that those rights shall be reviewed and exercised by the general meeting.
- (III) The independent Directors of the Company shall be responsible for expressing independent opinions on whether the Ownership Scheme for this Phase is conducive to the sustainable development of the Company, whether there is any situation that is detrimental to the Company and its interests as well as the legitimate rights and interests of minority shareholders, whether the opinions of employees have been sought prior to the launch of the Scheme, and whether there is any such situation of forcing employees to participate in the Ownership Scheme for this Phase by apportionment, forced distribution and other means.

- (IV) The supervisory committee of the Company shall be responsible for expressing independent opinions on whether the Ownership Scheme for this Phase is conducive to the sustainable development of the Company, whether there is any situation that is detrimental to the Company and its interests as well as the legitimate rights and interests of minority shareholders, whether the opinions of employees have been sought prior to the launch of the Scheme, and whether there is any situation of forcing employees to participate in the Ownership Scheme for this Phase by apportionment, forced distribution and other means.

Chapter Eleven Other Matters

Where any of the provisions of the Ownership Scheme for this Phase is in conflict with relevant national laws, administrative regulations, rules and normative documents, it shall be implemented in accordance with the relevant national laws, administrative regulations, rules and normative documents.

The Ownership Scheme for this Phase shall be interpreted by the Board, and shall take effect and be implemented after the review and approval by the general meeting of the Company.

Livzon Pharmaceutical Group Inc.*

The Board of Directors

12 April 2022

* *For identification purpose only*

The following is the full text of the Administrative Measures. The Administrative Measures is written in Chinese and have no official English version. Therefore, any English version is for reference only, and in case of any discrepancy, the Chinese version shall prevail.



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)

Administrative Measures for the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme

Chapter One General Provisions

Article 1 In order to regulate the implementation of the second phase ownership scheme under Medium to Long-term Business Partner Share Ownership Scheme (hereinafter referred to as the **“Ownership Scheme for this Phase”** or **“Scheme”**) of Livzon Pharmaceutical Group Inc.* (hereinafter referred to as **“Livzon Group”**, **“Livzon Pharma”** or **“Company”**), Livzon Group has formulated this administrative measures in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the **“Company Law”**), the Securities Law of the People's Republic of China (hereinafter referred to as the **“Securities Law”**), the Guiding Opinions on the Pilot Program for the Implementation of Employee Ownership Schemes by Listed Companies from China Securities Regulatory Commission (hereinafter referred to as the **“Guiding Opinions”**), the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (hereinafter referred to as the **“Guideline No. 1 on Self-Discipline Supervision”**) as well as relevant laws, administrative regulations, rules, normative documents, the provisions of the Articles of Association of Livzon Pharmaceutical Group Inc.* (hereinafter referred to as the **“Articles of Association”**) and Medium to Long-term Business Partner Share Ownership Scheme (Revised) of Livzon Pharmaceutical Group Inc.* (hereinafter referred to as the **“Ownership Scheme”**).

Chapter Two Formulation of the Scheme**Article 2 Purpose of the Scheme**

Against a backdrop of escalating market competition and an increasingly complex economic environment, organisational reengineering and enterprise innovation are the cores of business management and strategic development for enterprises. In order to achieve the goal of realising leapfrog development again to become an international pharmaceutical company first rated in China and leading in the world, Livzon Group needs to display enterprise characteristics such as diligence, openness, enterprising spirit, passion, and ambition. In light of long-term future-oriented development and governance, establishing an innovative long-term incentive stock ownership mechanism for senior management and core technical teams is effective in motivating the hardworking entrepreneurial spirit of senior management and core technical personnel. By attaching rights and obligations to the Holders and establishing the business partnership mechanism of “enjoying the benefits and assuming the risk together”, it is expected to effectively advance and promote the change from “managers” to “partners” in the Company, uniting a group of era strugglers and business leaders sharing common values to carry forward entrepreneurship, promoting the long-term stable development of the Company, and realising the alignment of interests among shareholders.

The essence of the business partner Ownership Scheme lies in “performance-based stocks” and, through the arrangement of the “business partner Ownership Scheme” and the characteristics of a “business partner”, it can be of a longer term, achieving the sharing of responsibilities and values. Specifically, the Scheme is launched for the following purposes:

- (I) Institutional innovation. The core management team will increase its shareholding in the Company through the business partner Ownership Scheme, which is expected to further improve the corporate governance structure and optimise the Company’s equity structure, and promote the alignment of interests and the sharing of income among shareholders, the Company, and employees, injecting internal vitality and motivation into the Company’s developments, hence ensuring the Company’s long-term, healthy, stable and sustainable development and enhance the overall value of the Company.
- (II) The core management team participating in the business partner Ownership Scheme will comprise all key personnel playing an important role in the overall performance and medium and long-term development of the Company. While continuing to promote organisational reform and improvement in efficiency, adhering to the concept of equal rights and responsibilities and promoting the tie-in of the core management team with the Company’s long-term growth values is conducive to driving the change in the mind-set of the team from being a “manager” to a “partner” in exerting their subjective initiative and actively taking on the responsibility for the Company’s long-term growth to ensure the long-term competitive advantages of the Company.

- (III) Currently, the Company's core management team compensation structure is relatively simple and there is a lack of long-term incentives. The business partner Ownership Scheme will help to optimise the compensation structure and, based on the progress in achieving the Company's performance, setting aside an special fund, purchasing the Company's shares, and locking them up in the medium and long term is conducive to long-term incentives and constraints of the core management team of the Company, hence ensuring the realisation of the Company's long-term business goals.

Article 3 Basic principles of the Scheme

(I) Principle of legality

Relevant entities of the Scheme must strictly abide by the market transaction rules and comply with the regulation that no stocks may be traded during sensitive periods. No party may use the Scheme to engage in securities fraud such as insider trading and market manipulation. In implementing the Scheme, the Company shall perform the procedures in strict accordance with the laws and administrative regulations, and make a disclosure of the information in a truthful, accurate, complete and timely manner.

(II) Principle of voluntary participation

The Scheme follows the principle of voluntary participation of employees, and there will be no such situation of forcing employees to participate in the Scheme by way of apportionment, forced distribution, etc.

(III) Principle of assuming one's own risk

Holders of the Scheme shall be held responsible for one's own profits and losses, and shall take on their own risks and have equal rights with the other investors.

(IV) Principle of ensuring the Company's long-term development

To ensure the long-term healthy development of the Company, the Scheme adheres to the long-term development principle in pegging personal income with the Company's medium and long-term interests.

(V) Principles of value creation and benefit sharing

Adhering to the principles of value creation and benefit sharing, the Scheme will realise the sharing of profits and the assumption of risk with the employees.

Article 4 Determination and basis for determining of Target Participants of the Scheme

(I) Basis for determining the Target Participants of the Scheme

It shall be determined by the Company in accordance with the Company Law, the Securities Law, the Civil Code, the Guiding Opinions and other relevant laws, administrative regulations and rules as well as relevant provisions of the Articles of Association, taking into account the actual circumstances.

(II) Scope of the Target Participants of the Scheme

The scope of the Holders of the Scheme shall include senior management of the Company, key research and development and sales personnel who have made outstanding contribution to the performance in the assessment period or will have important impact on the future performance of the Company, general managers of the business divisions of the Company, key management personnel including general managers of the subsidiaries and heads of level 1 functional departments at the headquarter of the Company. The total number of Participants under the Ownership Scheme for this Phase is 78, of which 9 are Directors (excluding independent Directors), supervisors, and senior management. The finalized Participants shall be determined in accordance with the actual subscription to be made.

Lawyers engaged by the Company shall give a clear opinion on whether the Target Participants, the fund and source of shares, the term and size, the management model and other issues of the Ownership Scheme are compliant with the laws and regulations, and whether the necessary review procedures are performed.

Article 5 Source of funds, source and number of shares of the Scheme

(I) Source of funds of the Scheme

1. Funds of the Ownership Scheme for this Phase come from the special fund of the Ownership Scheme for this Phase (the “**Special Fund**”) set aside by the Company.
2. The Company will extract a corresponding proportion of the special fund according to the special fund extraction principle, transfer it to the capital account of the Scheme and purchase the Underlying Shares using the securities account of the Scheme. The special fund shall be extracted according to the following principles:
 - (1) The special fund shall be extracted with net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in 2018 (RMB947.2163 million) as the base. During the period of

assessment (2019-2028), the Company will use the compound growth rate of net profit achieved in each year as the assessment indicator to calculate and set aside a progressive special fund for each period. The ratios are set out in details as below:

Compound growth rate of net profit achieved in each year of assessment (X)	Percentage of progressive special funds with a compound growth rate of over 15%
$X \leq 15\%$	0
$15\% < X \leq 20\%$	25%
$20\% < X$	35%

Note 1: the above “compound growth rate of net profit” indicator is calculated based on the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss, excluding the impact of the amount of special fund being set aside for the Ownership Scheme.

Note 2: with the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in 2018 as the base, during the period of assessment (2019-2028), the specific values of net profit with a compound growth rate of 15% are set out below:

Year of assessment	Net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss (RMB0'000)
2019	108,929.88
2020	125,269.36
2021	144,059.76
2022	165,668.72
2023	190,519.03
2024	219,096.89
2025	251,961.42
2026	289,755.63
2027	333,218.98
2028	383,201.83

- (2) If the amount of special fund to be set aside exceeds 8% of the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in that year, the special fund shall be set aside in the amount of 8% of the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss.
- (3) If the audited net profit attributable to the shareholders of the Company after deducting the extraordinary gains or loss in the current year decreases by 5% year-on-year comparing to that in the previous year due to the accrual of the special fund, no special fund shall be set aside for the year.

The Board shall be authorised at the general meeting to determine the specific amount of the special fund for the Ownership Scheme for this Phase in accordance with the aforementioned principle of accrual. The Company shall measure and calculate the withdrawal of the special fund according to relevant regulations, and include it in the expenses for the current period.

(II) Source of shares in the Scheme

1. centralised bidding on the secondary market (including but not limited to auction transactions and block trades);
2. other means permitted by the laws and administrative regulations.

Where the shares of the Ownership Scheme for this Phase are purchased through the secondary market, the Company shall complete the purchase of the Underlying Shares within six months after the Ownership Scheme for this Phase are reviewed and approved by the general meeting.

(III) Restrictions on the number of Underlying Shares involved in the Scheme

The aggregate number of shares to be held under the Ownership Scheme for this Phase shall not exceed 10% of the total share capital of the Company, and the aggregate number of shares corresponding to the share of the Ownership Scheme for this Phase to be held by a single employee shall not exceed 1% of the total share capital of the Company.

The aggregate number of the Underlying Shares shall not include the shares obtained by the Holders prior to the initial public offering of shares by the Company, the shares purchased through the secondary market and the shares obtained through equity incentives.

Article 6 Duration of the Ownership Scheme for this Phase

The duration of the Ownership Scheme for this Phase shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Ownership Scheme for this Phase to the account in the name of the Ownership Scheme for this Phase.

Article 7 Lock-up period for the Underlying Shares of the Ownership Scheme for this Phase

The lock-up period of the Underlying Shares acquired from the Ownership Scheme for this Phase shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Ownership Scheme for this Phase to the account in the name of the Ownership Scheme for this Phase.

After the expiration of the lock-up period of the Ownership Scheme for this Phase, the Company shall disclose its relevant status in a timely manner.

Article 8 Any changes made to the Ownership Scheme for this Phase in its duration shall be subject to the consent of Holders holding more than two-thirds of the total share present at the Holders' Meeting and shall be submitted to the Board for approval prior to implementation.

Article 9 Termination and extension of the Ownership Scheme for this Phase

1. The Ownership Scheme for this Phase shall automatically terminate after the expiration of its duration;
2. After the lock-up period of the Ownership Scheme for this Phase expires, and if the assets in the Ownership Scheme for this Phase are all monetary funds, the Ownership Scheme for this Phase may be terminated in advance;
3. If not all the shares are sold before the expiration of the duration of the Ownership Scheme for this Phase, the duration of the Ownership Scheme for this Phase may be extended upon the approval of Holders with more than two-thirds of the effective voting rights present at the Holders' Meeting and the approval of the Board which are held within ten days before the expiration of the duration of the Ownership Scheme for this Phase.

Chapter Three Management Model of the Scheme

Article 10 The highest organ of authority responsible for the internal management of the Ownership Scheme for this Phase shall be the Holders' Meeting. The Holders' Meeting under the Ownership Scheme for this Phase shall elect a management committee (the "**Management Committee**"). The Management Committee shall perform the daily management of the Ownership Scheme for this Phase in accordance with the provisions of the Scheme and shall exercise shareholder rights or authorise management agencies to exercise shareholder rights on behalf of the Holders.

The management of the Ownership Scheme for this Phase will be commissioned to an agency with asset management qualifications, and the Board will be authorised by the general meeting of the Company to determine the specific management agency and handle the related matters regarding the appointment.

The shares and funds to be held by the Ownership Scheme for this Phase shall be entrusted property, and the agency managing the Ownership Scheme for this Phase shall not include the entrusted property into its inherent property. Where the agency managing the Ownership Scheme for this Phase is liquidated for being dissolved, de-registered or declared bankruptcy according to law and other reasons, the entrusted property shall not belong to any of its property on the liquidation.

Article 11 Holders' Meetings under the Ownership Scheme for this Phase

The Holders' Meeting shall comprise all Holders. Holders may attend and vote in person at the Holders' Meeting, or they may appoint other Holders to attend and vote on their behalf.

(I) Functions and powers of the Holders' Meeting

1. To elect and remove members of the Management Committee;
2. To review and decide on the amendments to this administrative measures;
3. To review changes to the second phase ownership scheme (draft) under Medium to Long-term Business Partner Share Ownership Scheme of Livzon Pharmaceutical Group Inc.* (the "**Second Phase Ownership Scheme (Draft)**") and submit such matters to the Board for consideration;
4. To decide on other changes to the Ownership Scheme for this Phase subject to compliance with the Second Phase Ownership Scheme (Draft);
5. When the Company raises funds by way of placing, additional issue, convertible bonds and other means during the duration of the Ownership Scheme for this Phase, the Management Committee of the Ownership Scheme for this Phase shall request the Holders' Meeting to consider whether to participate in the financing and other relevant matters;
6. To authorise the Management Committee to carry out daily management of the Ownership Scheme for this Phase;
7. When the Company undergoes a merger, division, change in control and other situations after the statutory lock-up period of the Ownership Scheme for this Phase expires, to decide on shortening or extending the duration and lock-up period of the Ownership Scheme for this Phase or terminating the Ownership Scheme for this Phase in advance;
8. To authorise the Management Committee to clear the assets of the Ownership Scheme for this Phase at the time of its termination;
9. To authorise the Management Committee to exercise shareholder rights, and the Management Committee to authorise the chairman of the Management Committee to exercise shareholders rights attached to shares to be held by the Ownership Scheme for this Phase prior to the completion of clearance and allocation of the Ownership Scheme for this Phase (except for some shareholder rights such as voting rights voluntarily waived by the Holders);

10. To authorise the Management Committee to take charge of the alignment work with the asset management agency (if any);
11. Other matters that the Management Committee deems necessary to convene the Holders' Meeting.

(II) Procedures for the convening of the Holders' Meeting

The first Holders' Meeting shall be convened and presided over by the Secretary to the Board. Thereafter, the Management Committee to be elected by the Holders' Meeting shall be responsible for convening the meeting and the chairman of the Management Committee shall preside over the meeting. When the chairman of the Management Committee is unable to perform his/her duties, he/she shall appoint a member of the Management Committee to preside over the meeting.

In convening the Holders' Meeting, the Management Committee shall give notice of the meeting three days in advance and serve the notice to all Holders by direct delivery, mail, email or other means. In case of emergency, Holders may be notified of the meeting orally on short notice. The notice of meeting shall at least include the following items:

1. The time and place of the meeting;
2. The matters to be considered in the meeting (motions);
3. The mode of holding the meeting;
4. The convener and presider of the meeting, proposer of the ad hoc meeting and his or her written proposals;
5. The materials necessary for voting in the meeting;
6. The requirement that Holders shall attend in person or appoint other Holders to attend the meeting on their behalf;
7. The contact person and contact information;
8. The date of notification.

(III) Voting procedures of the Holders' Meeting

1. After each motion is fully discussed, the presider shall timely invite Holders attending the meeting to vote. Voting shall be conducted in writing by filling in a ballot paper.

2. Holders shall exercise their voting rights in proportion to their shares held in the Scheme in the current phase. Each share shall have one vote, and the Holders' Meeting shall adopt the mode of signed voting.
3. The intent of Holders in the voting shall be divided into consent, opposition and abstention. Holders shall choose an option from one of the above intents. In the case of failing to make a choice or choosing two or more options at the same time, the Holders concerned shall be deemed to abstain from voting. Any unfilled, wrongly filled, unrecognisable ballot papers or uncast votes shall be considered as abstention. If any of the Holders votes after the presider of the meeting announces the voting results or after the end of specified voting period, such vote shall not be counted.
4. The presider of the meeting shall announce the voting figures at the site. Except as otherwise provided by the Holders' Meeting and in the Second Phase Ownership Scheme (Draft), each motion shall be deemed to be approved by voting to form a valid resolution of the Holders' Meeting if it is agreed by Holders present at the Holders' Meeting holding more than 50% (not inclusive of the 50%) of the shares.
5. Holders who individually or collectively hold more than 10% (inclusive of the 10%) of the shares in the Ownership Scheme for this Phase may submit an interim motion to the Holders' Meeting. The interim motion shall be submitted to the Management Committee five days before the holding of the Holders' Meeting.
6. Holders who individually or collectively hold more than 30% (inclusive of the 30%) of the shares in the Ownership Scheme for this Phase may propose to convene the Holders' Meeting.
7. Where a resolution of the Holders' Meeting needs to be submitted to the Board for review, the resolution must be submitted to the Board for review in accordance with relevant requirements.
8. Given the relatively large number of Holders that will be present in the Ownership Scheme for this Phase, for the sake of utmost convenience and efficiency, the Holders' Meeting may also be conducted by communications, in written form and by other means. In the case where review and voting of the Holders' Meeting are carried out by communications, in written form and by other means, the Management Committee shall safeguard the rights of the Holders, including the right to full information.

Article 12 Management Committee of the Ownership Scheme for this Phase

A Management Committee shall be set up for the Ownership Scheme for this Phase. It shall be held accountable for the Holders' Meeting of the Ownership Scheme for this Phase and shall be the organ responsible for the daily management of the Ownership Scheme for this Phase.

(I) Procedures for election of the Management Committee of the Ownership Scheme for this Phase

The Management Committee of the Ownership Scheme for this Phase shall comprise three members and a chairman. The term of office of members of the Management Committee shall be the duration of the Ownership Scheme for this Phase.

Candidates for membership of the Management Committee shall be nominated by Holders who individually or collectively hold more than 10% (inclusive of the 10%) of the shares under the Ownership Scheme for this Phase, and shall be elected by the Holders' Meeting. The chairman of the Management Committee shall be elected by a majority of all the members of the Management Committee.

(II) Obligations of members of the Management Committee

Members of the Management Committee shall abide by the laws and administrative regulations and shall owe the following obligations of loyalty to the Ownership Scheme for this Phase:

1. They may not take advantage of their positions and powers to accept bribes or other illegal income, and encroach upon the property of the Ownership Scheme for this Phase;
2. They may not misappropriate funds of the Ownership Scheme for this Phase;
3. Without the consent of the Holders' Meeting, assets or funds of the Ownership Scheme for this Phase may not be deposited in an account opened in their own names or in the name of another individual;
4. Without the consent of the Holders' Meeting, they may not lend funds of the Ownership Scheme for this Phase to other parties or use the property of the Ownership Scheme for this Phase to provide guarantee for other parties;
5. They may not use their positions and powers to damage the interests of the Ownership Scheme for this Phase.

(III) Duties of the Management Committee

1. To convene the Holders' Meeting;
2. To carry out daily management of the Ownership Scheme for this Phase;
3. To request the Holders' Meeting to consider shortening or extending the duration and lock-up period of the Ownership Scheme for this Phase or terminating the Ownership Scheme for this Phase in advance;
4. To handle matters relating to the subscription of shares of the Ownership Scheme for this Phase;
5. To take charge of the alignment work with the asset management agency of the Ownership Scheme for this Phase;
6. To handle all matters relating to the lock-up and the lifting of restrictions on shares purchased under the Ownership Scheme for this Phase;
7. To exercise the asset management responsibilities under the Ownership Scheme for this Phase, including but not limited to, being entitled to decide on cashing the shares of the Company after the expiration of the lock-up period, and investing the cash assets of the Ownership Scheme for this Phase in fixed income securities, wealth management products, money market funds and other cash management instruments;
8. To clear the assets or dispose them of by other specific means upon the termination of the Ownership Scheme for this Phase;
9. To develop and implement schemes on matters relating to the participation in additional issues, placing, convertible bond issues and other refinancing issues of the Company during the duration of the Ownership Scheme for this Phase;
10. To authorise the chairman of the Management Committee to exercise shareholders rights attached to the shares to be held by the Ownership Scheme for this Phase prior to the completion of liquidation and allocation for the Ownership Scheme for this Phase (except for some shareholder rights such as voting rights voluntarily waived by the shareholders);
11. To take charge in revising this administrative measures for the Ownership Scheme for this Phase and submit it to the Holders' Meeting for consideration;
12. To protect other rights in the interest of all Holders.

Where a member of the Management Committee violates the above obligations and duties, the Holders' Meeting shall have the right to remove such member from office. In the case where the violation causes losses to the Ownership Scheme for this Phase, such member shall be held liable for compensation.

(IV) Functions and powers of the chairman of the Management Committee

1. To convene and preside over the Holders' Meeting and meetings of the Management Committee;
2. To exercise shareholder rights on behalf of all Holders with the authorisation of the Management Committee, except for some shareholder rights such as voting rights voluntarily waived by the Holders;
3. To supervise and inspect the implementation of resolutions of the Holders' Meeting and the Management Committee;
4. To sign relevant agreements and contracts with external parties on behalf of the Ownership Scheme for this Phase;
5. Other functions and powers conferred by the Management Committee.

(V) Procedures for the convening of meetings of the Management Committee

Meetings of the Management Committee shall be convened by the chairman of the Management Committee, and all members of the Management Committee shall be notified of the meeting three days in advance. In case of emergency, Holders may be notified of the meeting orally on short notice. The notice of meeting shall include the following contents:

1. The date and place of the meeting;
2. The reasons for and agenda of the meeting;
3. The materials necessary for the meeting;
4. The date of notification.

(VI) Procedures for the holding of meetings and voting of the Management Committee

1. Meetings of the Management Committee shall be held only when more than half of the members of the Management Committee are present.
2. Resolutions of the Management Committee must be passed by a majority of all members of the Management Committee.

3. The “one person, one vote” principle shall be adopted for voting on resolutions of the Management Committee. Voting shall be conducted by signed ballot.
4. In the meetings of the Management Committee, on the premise that members of the Management Committee can fully express their opinions, resolutions may be adopted by way of email or other means and shall be signed by the members attending the meeting.
5. Meetings of the Management Committee shall be attended by members of the Management Committee in person. If any member is unable to attend the meeting for any reason, he/she may appoint another member of the Management Committee in writing to attend the meeting on his/her behalf, and the member who attend the meeting on his/her behalf shall exercise the rights within the scope of authorisation. Any failure of attending a meeting of the Management Committee or appointing a representative to attend the meeting shall be deemed to waive the right to vote at that meeting.
6. The Management Committee shall form a resolution in respect of decisions made on the matters that are discussed at the meeting, and members of the Management Committee shall give their signature on the resolution at the meeting.

Article 13 Ways of participation in the Scheme when the Company finances during the duration of the Scheme

When the Company raises funds by way of placing, additional issues, convertible bonds and other means during the duration of the Ownership Scheme for this Phase, the Management Committee of the Ownership Scheme for this Phase shall request the Holders’ Meeting of the Ownership Scheme for this Phase to consider whether to participate in the financing and other relevant matters.

Chapter Four Disposal of Interests of the Scheme

Article 14 Asset composition of the Ownership Scheme for this Phase

- (I) A shares of the Company;
- (II) cash and the interests generated;
- (III) other assets such as proceeds from the asset management.

Assets under the Ownership Scheme for this Phase shall be independent of assets of the Company and the custodian. The Company, the custodian as well as creditors of the Company and the custodian shall have no right to freeze, seize, pledge or impose other sanctions on assets under the Ownership Scheme.

Article 15 Disposal methods of the assets under the Ownership Scheme for this Phase

(I) Disposal methods after the expiration of the duration

After the expiration of the duration, assets of the Scheme shall be disposed of in the following ways:

1. The Holders' Meetings of the Ownership Scheme for this Phase shall authorise the Management Committee to complete clearance within 15 working days from the expiration of the duration or termination of the Scheme. After deducting relevant taxes and fees according to law, the allocation of interests shall be carried out in accordance with relevant regulations under this administrative measures for the Ownership Scheme for this Phase.
2. If any of the Underlying Shares is still included in the assets which are held by the Ownership Scheme for this Phase, the Management Committee shall determine a specific way of disposal.

During the lock-up period of the Ownership Scheme for this Phase, the shares or interests of the Holders of the Ownership Scheme for this Phase may not be transferred, withdrawn or used for any mortgage, pledge, guarantee and repayment of debt.

(II) Disposal methods after the expiration of the lock-up period

1. The specific allocation of interests after the expiration of the lock-up period of the Ownership Scheme for this Phase shall be determined by the Management Committee.
2. After the lock-up period of the Ownership Scheme for this Phase expires, interests of the Scheme may be disposed of according to one of the following ways:
 - (1) to continue to hold the Underlying Shares during the duration of the Scheme;
 - (2) to sell the Underlying Shares that are purchased by the Ownership Scheme for this Phase within the duration of the Scheme;
 - (3) to transfer the ownership of the Underlying Shares to the personal accounts of Holders of the Ownership Scheme for this Phase;
 - (4) other ways as permitted by the laws, administrative regulations, rules or normative documents.

After the lock-up period of the Ownership Scheme for this Phase expires, the Management Committee shall entrust the asset management agency to sell the Underlying Shares in a centralised manner. Where there is distributable income after the lock-up period of the Ownership Scheme for this Phase expires, the Management Committee shall allocate the distributable income. The Management Committee shall, after deducting relevant taxes and fees according to law, allocate the aforementioned distributable income according to the number of shares that are held by the Holders.

(III) The Ownership Scheme for this Phase shall strictly abide by market transaction rules and comply with the regulation that no stocks may be traded during sensitive periods. No party may use the Ownership Scheme for this Phase to engage in securities fraud such as insider trading and market manipulation. The aforementioned “sensitive periods” refer to periods (the “**Lock-up Period**”) during which the Directors, supervisors and senior management of the Company may not trade shares of the Company as stipulated in the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (the “**Rules on Management of Changes**”) and other regulations. The details of which include but are not limited to:

1. Within 30 days before the Company’s announcement of its annual report and interim report, or if the date of announcement of the annual report and interim report is postponed due to special reasons, the period starting from 30 days before the original date of announcement to the day before the announcement;
2. Within 10 days before the quarterly report, the announcement of performance estimation and the announcement of performance preview of the Company;
3. The period starting from the date of occurrence or the date of entering the decision-making process of a major event that may have a significant impact on the trading price of the Company’s shares and their derivatives to the date of disclosure according to law;
4. Other periods as required by the CSRC and the SSE.

The aforementioned “major event” refers to a transaction or any other significant matter that the Company shall disclose in accordance with the provisions of the Stock Listing Rules of the Shenzhen Stock Exchange. If the Rules on Management of Changes is properly revised or the Lock-up Period is otherwise provided for by other relevant laws, administrative laws and regulations and departmental regulations, those latest provisions shall prevail.

In making a decision on the trading of the Company’s shares, the representative of Holders shall timely consult the Secretary to the Board of the Company on whether it is in a stock trading sensitive period.

(IV) During the duration of the Ownership Scheme for this Phase, where any of the following situations occurs to a Participant, such Participant shall no longer take part in the respective phases subsequently to be established under the Ownership Scheme nor is entitled to any income from the respective phases he/she participates that is not distributed; the Management Committee shall have the right to determine to recover without compensation all the shares and the corresponding income of the Ownership Scheme for this Phase that are held by such Participant and to distribute to other Participants.

1. The Holder is held criminally responsible for their conduct according to law;
2. The Holder has violated the provisions of the Company Law, the Securities Law and other laws, administrative regulations, rules and normative documents, thus damaging the interests of the Company;
3. Upon confirmation of the Board or the supervisory committee of the Company, the Holder is found to violate the provisions of the Articles of Association and commits a serious violation of the internal rules and policies of the Company;
4. The Holder establishes a labour relationship with other employers without the written consent of the Company;
5. The Holder violates his/her obligations to the Company, such as the restraint on competition and confidentiality;
6. The occurrence or existence of any other actions that is deemed by the Company to be detrimental to the interests of the Company.

(V) During the duration of the Ownership Scheme for this Phase, where any of the following situations occurs to a Participant, the Participant may continue to enjoy the corresponding interests of the Scheme (except as otherwise provided for in item (IV) of this Article):

1. Normal retirement in compliance with relevant policies and upon the approval of the Company, and without engaging in the investment in and employment at any business similar with that of the Company prior to clearance;
2. Resignation from the Company due to major illness;
3. Loss of labour capacity due to work-related injury or illness;
4. Death due to work-related injury or illness.

(VI) During the duration of the Ownership Scheme for this Phase, if a Participant leaves, retires, dies, or otherwise, such Participant shall be entitled to all of his/her corresponding interests under the Ownership Scheme for this Phase (except as otherwise provided for in item (IV) of this Article).

(VII) During the duration of the Ownership Scheme for this Phase, where there is any other matter relating to the disposal of interests of the Scheme that is not clarified, it shall be determined by the Management Committee.

Article 16 Taxes and fees payable by the Ownership Scheme for this Phase

Securities transaction fees for the Ownership Scheme for this Phase, including commissions and stamp duties, shall be accrued at the time of occurrence of the investment or transaction and paid according to the prescribed proportions. In addition to commissions and stamp duties, other expenses including asset management fees (if any) and custodial fees (if any) shall be borne by the Participants in accordance with relevant laws, regulations and corresponding agreements. With respect to personal income taxes or other contingent taxes payable by the Participants due to their participation in the Scheme, the Company shall be obliged to withhold and pay such taxes on their behalf. After the shares are sold, the taxes shall be deducted from the income in the name of the Participants before redeeming it to the Participants.

All taxpayers involved in the Ownership Scheme for this Phase shall perform their tax obligations in accordance with national tax laws and regulations. For the Company's financial and accounting treatment of the Scheme as well as its taxation and other issues, they shall be implemented in accordance with relevant financial policies, accounting standards and tax systems.

Chapter Five Modification and Termination of the Scheme

Article 17 During the duration of the Scheme, any changes made to the Second Phase Ownership Scheme (Draft) shall be submitted to the Board for review and approval after being considered by the Holders' Meeting. Subject to compliance with the Ownership Scheme and the Second Phase Ownership Scheme (Draft), any changes to the Ownership Scheme for this Phase shall be determined by the Holders' Meeting of the Ownership Scheme for this Phase.

Article 18 The Ownership Scheme for this Phase shall be terminated upon expiration of its duration. The Board may extend and shorten the duration of the Ownership Scheme for this Phase after deliberation by the Holders' Meeting. The provisions on the extension and shortening of the duration and lock-up period of the Ownership Scheme for this Phase shall be subject to the Ownership Scheme for this Phase.

Article 19 If the Company undergoes a merger, division, or change in control for any reason, subject to compliance with relevant laws and regulations, the Ownership Scheme for this Phase shall continue to be implemented, except for the cases where the Holders' Meeting makes a decision on shortening or extending the duration and lock-up period or terminating the Ownership Scheme for this Phase in advance.

Chapter Six Other Matters

Article 20 Where any of the provisions of the Ownership Scheme for this Phase is in conflict with national laws, administrative regulations, rules and normative documents, it shall be implemented in accordance with the relevant national laws, administrative regulations, rules and normative documents.

Article 21 This administrative measures shall take effect from the day when it is considered and approved by the general meeting of the Company, until the day of termination and the completion of settlement of the Ownership Scheme for this Phase.

Article 22 Matters not being covered in this administrative measures shall be subject to negotiation and decision by the Board, the Management Committee and the Holders. The Board authorises the Holders' Meeting of the Ownership Scheme for this Phase to decide on the revising of this administrative measures and to submit to the Board for filing.

Livzon Pharmaceutical Group Inc.*

The Board of Directors

12 April 2022

* *For identification purpose only*