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丽珠医药
LIVZON

麗珠醫藥集團股份有限公司

LIVZON PHARMACEUTICAL GROUP INC.*

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

(Stock code: 1513)

PROPOSED ADOPTION OF THE 2022 SHARE OPTIONS INCENTIVE SCHEME

On 29 August 2022, the Company convened a Board meeting to consider and approve the resolutions, among others, in relation to the proposed adoption of (i) the 2022 Share Options Incentive Scheme (Draft) (the “**Incentive Scheme**”) and its summary, and (ii) the Administrative Measures for the Appraisal System of the 2022 Share Options Incentive Scheme (the “**Administrative Measures for Appraisal System**”). The Incentive Scheme and the Administrative Measures for Appraisal System shall become effective upon consideration and approval of the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting of the Company (collectively, the “**General Meetings**”). Before the General Meetings are held for approval of the Incentive Scheme and the Administrative Measures for Appraisal System, the Company may amend the Incentive Scheme and/or the Administrative Measures for Appraisal System pursuant to requests of the regulatory authorities of the PRC and/or Hong Kong.

I. THE PRINCIPAL TERMS OF THE INCENTIVE SCHEME

Purpose of the Incentive Scheme

The Incentive Scheme has been formulated to further establish and improve the Company’s long-term incentive mechanism, attract and retain outstanding employees, fully motivate the directors, senior management, mid-level management and relevant core personnel (i.e. the other employees who have made valuable contributions or possess of key technical expertise) of the Company and effectively integrate Shareholders’ interests, the Company’s interests and individual interests of the core team members so that the parties will make joint efforts for the Company’s long-term development.

The Incentive Scheme also prescribes the vesting period of the Share Options and performance targets which must be achieved before the Share Options can be exercised. The exercise price of the Share Options is also specified in the Incentive Scheme. The Directors consider that the aforesaid criteria and rules help serve the purpose of the Incentive Scheme and to motivate the Incentive Participants to remain employed with the Group

during the vesting period, which allows the Group to benefit from their continued services, and use their best endeavours to meet the performance targets, which contributes to the growth and development of the Company.

Source of Underlying Shares of the Incentive Scheme

The source of the underlying shares of the Incentive Scheme comprise the A Shares to be issued to the Incentive Participants by the Company. Only new A Shares will be issued upon exercise of the Share Options to be granted under the Incentive Scheme and no H Shares will be issued under the Incentive Scheme. The A Shares to be issued upon exercise of the Share Options will be subject to the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the fully paid A Shares in issue, and accordingly will entitle the holders to voting, dividend, transfer and other rights, including those arising from liquidation of the Company. The Share Option(s) *per se* will not entitle the relevant Incentive Participant(s) the aforesaid rights.

Number of Underlying Shares of the Incentive Scheme

Incentive Participants are proposed to be granted 20,000,000 Share Options under the Incentive Scheme, which involve a total of 20,000,000 A Shares, representing approximately 2.14% of the Company's total issued share capital and approximately 3.20% of the A Share in issue as at the date of the approval of the special resolution in relation to the adoption of the Incentive Scheme (based on the total issued share capital of 935,010,604 shares (comprising 625,179,387 A Shares and 309,831,217 H Shares) as at the date of this announcement and assuming there is no change in the issued share capital before the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting).

In particular, 18,000,000 Share Options will be granted under the First Grant, representing 90.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 1.93% of the Company's total issued share capital and approximately 2.88% of the A Shares in issue; and 2,000,000 Share Options will be reserved for the Reserved Grant, representing 10.00% of the total Share Options available under the Incentive Scheme, and accounting for approximately 0.21% of the Company's total issued share capital and approximately 0.32% of the A Shares in issue.

During the period from the date of the Announcement to the completion of the exercise of Share Options by the Incentive Participants, the number of Share Options shall be adjusted accordingly in the event of any capitalisation issue, bonus issue, sub-division, rights issue, or consolidation of share capital of the Company.

Conditions Precedent for the Adoption of the Incentive Scheme

The Incentive Scheme shall be effective upon the approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Scope of the Incentive Participants

The Incentive Participants for the First Grant comprise a total of 1,034 persons who are the Directors, senior management, mid-level management and relevant core personnel of the Company. The Incentive Participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the *de facto* controllers and their spouses, parents or children.

Among the Incentive Participants aforementioned, Directors and senior management must be elected by the general meetings or appointed by the Board of the Company. All Incentive Participants shall have employment or service relationship with the Company (including its branch companies and subsidiaries) at the time of grant of interest under the Incentive Scheme.

Incentive Participants for the Reserved Grant shall be determined within 12 months from the date on which the Incentive Scheme is considered and approved at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. The reserved entitlements shall become invalid where the Incentive Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The criteria for determining the Incentive Participants for the Reserved Grant shall be the same as the criteria for the First Grant.

Allocation of Share Options to be Granted to the Incentive Participants

The allocation details of the Share Options to be granted to each Incentive Participant under the Incentive Scheme are as follows:

Name	Position	Number of Share Options to be granted (0'000 share options)	Percentage to total number of Share Options to be granted	Percentage to A Shares in issue as at the date of this announcement	Percentage to total share capital in issue as at the date of this announcement
Tang Yanggang	Director and President	16.00	0.80%	0.03%	0.02%
Xu Guoxiang	Director and Vice President	16.00	0.80%	0.03%	0.02%
Yang Daihong	Vice President	12.00	0.60%	0.02%	0.01%
XU PENG	Vice President	12.00	0.60%	0.02%	0.01%
Si Yanxia	Vice President, Chief Financial Officer	12.00	0.60%	0.02%	0.01%
Huang Yuxuan	Vice President	12.00	0.60%	0.02%	0.01%
Yang Liang	Vice President, Secretary of the Board and Company Secretary	12.00	0.60%	0.02%	0.01%
Zhou Peng	Vice President	9.60	0.48%	0.02%	0.01%
Mid-level management and relevant core personnel of the Company (1,026 persons)		1,698.40	84.92%	2.72%	1.82%
Reserved Grant		200.00	10.00%	0.32%	0.21%
Total (1,034 persons)		2,000.00	100.00%	3.20%	2.14%

None of the Incentive Participant will be granted Share Options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted to such Incentive Participant (excluding any options and awards lapsed) under the Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant (the “**Individual Limit**”). Any grant of further Share Option(s) above the Individual Limit shall be separately approved by the Shareholders in general meeting and, if required, class meetings of A Shareholders and H Shareholders with such Incentive Participant and his/her close associates (or associates if such Incentive Participant is a connected person) abstaining from voting, and a circular in relation to the proposal for such further grant of Share Option(s) having been sent by the Company to its Shareholders containing such information from time to time required by the Hong Kong Listing Rules. The number and terms of the Share Option(s) to be granted to such Incentive Participant shall be fixed before the approval of the Shareholders.

The total number of A Shares which may be issued in respect of all options or awards to be granted under the Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the Incentive Scheme by the Shareholders (the “**Scheme Mandate Limit**”). Options or awards lapsed in accordance with the terms of the Incentive Scheme or any other share option scheme(s) or share award scheme(s) of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

There is no trustee regime under the Incentive Scheme. Accordingly, none of the Directors is a trustee of the Incentive Scheme or has any direct or indirect interest in any trustee.

Vesting Period, Exercise Conditions and Performance Targets

The vesting period of the Incentive Scheme refers to the period between the registration date of grant of the Share Options and the exercise date of the Share Options. The vesting period of the Share Options under the First Grant of the Incentive Scheme are 12 months, 24 months and 36 months, respectively. If the Reserved Grant is completed before the 2022 third quarterly report of the Company is published, the vesting period of the Share Options under the Reserved Grant are 12 months, 24 months and 36 months, respectively. If the Reserved Grant is completed after the 2022 third quarterly report of the Company is published, the vesting period of the Share Options under the Reserved Grant are 12 months and 24 months, respectively. The Incentive Participants can only exercise the Share Options according to the exercise schedule in tranches if the exercise conditions and performance targets specified under the Incentive Scheme are met.

Exercise Price of the Share Options and Basis for Determination

The exercise price of the Share Options shall not be lower than the par value of the A Shares, and shall be the higher of the following:

(1) the average trading price of the A Shares of the Company on the last trading day preceding the date of the Announcement (i.e. 30 August 2022) (the total transaction value of the A Shares on the last trading day/the total trading volume of the A Shares on the last trading day), being RMB30.679 per A Share;

(2) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of the Announcement (the total transaction value of the A Shares for the last 20 trading days/the total trading volume of the A Shares for the last 20 trading days), being RMB31.303 per A Share.

During the period from the date of the Announcement to the completion of the exercise of Share Options by the Incentive Participants, the exercise price of the Share Options shall be adjusted accordingly in the event of any capitalisation issue, bonus issue, sub-division, rights issue or consolidation of share capital of the Company.

II. IMPLICATIONS OF THE HONG KONG LISTING RULES

The Incentive Scheme constitutes a share option scheme under the Chapter 17 of the Hong Kong Listing Rules, which is subject to the announcement and Shareholders' approval requirements. Therefore, according to Rule 14A.92(3)(a) of the Hong Kong Listing Rules, the grant of the Share Options to the Incentive Participants who are connected persons of the Company is exempted from the reporting, announcement and independent Shareholders' approval requirements. The Company will apply to the Hong Kong Stock Exchange for a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Hong Kong Listing Rules with respect to the exercise price of the Share Options which may be granted under the Incentive Scheme.

III. GENERAL MEETINGS AND CIRCULAR

The Company will hold the General Meetings to consider and approve, among others, the proposed adoption of (i) the Incentive Scheme and (ii) the Administrative Measures for Appraisal System. A circular containing, among other things, (i) terms of the Incentive Scheme and (ii) the Administrative Measures for Appraisal System will be dispatched to the H Shareholders by the Company as soon as possible.

DEFINITIONS

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

“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)

“A Shareholders’ Class Meeting”	the 2022 second class meeting of A Shareholders of the Company to be convened at 3 p.m. (or immediately after the conclusion or adjournment of the EGM) on Thursday, 29 September 2022, if thought fit, to approve among others, (1) the proposed adoption of the Incentive Scheme and its related matters and (2) the proposed adoption of the Administrative Measures for Appraisal System
“Administrative Measures for Appraisal System”	Administrative Measures for the Appraisal System of the 2022 Share Options Incentive Scheme
“Announcement”	the announcement of the Company published on www.cninfo.com.cn (巨潮資訊網) dated 30 August 2022 in relation to the Incentive Scheme
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“close associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“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
“Director(s)”	director(s) of the Company
“EGM”	the 2022 second extraordinary general meeting of the Company to be held at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:00 p.m. on Thursday, 29 September 2022
“First Grant”	the grant of up to 18,000,000 Share Options to the Incentive Participants pursuant to the Incentive Scheme

“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 Shareholders’ Class Meeting”	the 2022 second class meeting of H Shareholders of the Company to be convened at 4 p.m. (or immediately after the conclusion or adjournment of the EGM and the A Shareholders’ Class Meeting) on Thursday, 29 September 2022, if thought fit, to approve among others, (1) the proposed adoption of the Incentive Scheme and its related matters and (2) the proposed adoption of the Administrative Measures for Appraisal System
“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
“Incentive Scheme”	the 2022 Share Options Incentive Scheme (Draft)
“Incentive Participants”	the directors, senior management, mid-level management and relevant core personnel (excluding independent Directors and Supervisors) of the Company who may be granted the Share Options pursuant to the Incentive Scheme
“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
“Reserved Grant”	the grant of up to 2,000,000 Share Options to the Incentive Participants pursuant to the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Share Option(s)”	the right to be granted by the Company to an Incentive Participant to acquire certain number of A Shares of the Company in a particular period of time and subject to certain terms and conditions under the Incentive Scheme
“Shareholder(s)”	the shareholder(s) of the Company

“Shenzhen Stock Exchange” the Shenzhen Stock Exchange (深圳證券交易所)

“Supervisor(s)” supervisor(s) of the Company

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
30 August 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Tang Yanggang (President) and Mr. Xu Guoxiang (Vice Chairman and Vice President); the Non-Executive Directors of the Company are Mr. Zhu Baoguo (Chairman), Mr. Tao Desheng (Vice Chairman), Mr. Qiu Qingfeng and Mr. Yu Xiong; and the Independent Non-Executive Directors of the Company are Mr. Bai Hua, Mr. Tian Qiusheng, Mr. Wong Kam Wa, Mr. Luo Huiyuan and Ms. Cui Lijie.

** For identification purpose only*