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**丽珠医药**  
**LIVZON**

**麗珠醫藥集團股份有限公司**

**LIVZON PHARMACEUTICAL GROUP INC.\***

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

**(Stock code: 1513)**

**CONNECTED TRANSACTION  
DISPOSAL OF ASSETS RELATING TO  
ANIMAL HEALTH CARE BUSINESS**

**DISPOSAL OF ASSETS RELATING TO ANIMAL HEALTH CARE BUSINESS**

Reference is made to the announcement dated 16 January 2022 in relation to the establishment of the Joint Venture. The Joint Venture was established on 1 February 2023. As at the date of this announcement, the Joint Venture is directly held as to 51% by the Company and 49% by Joincare.

The Board announced that on 17 February 2023, Xinbeijiang Pharma, a non-wholly owned subsidiary of the Company, entered into the Reorganisation Agreement with the Joint Venture, pursuant to which, Xinbeijiang Pharma agreed to sell the Assets to the Joint Venture at the consideration of RMB48.4552 million.

**IMPLICATIONS OF THE HONG KONG LISTING RULES**

As at the date of this announcement, Joincare, the controlling shareholder of the Company, directly holds 49% equity interests of the Joint Venture. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, the Joint Venture is a connected subsidiary and therefore a connected person of the Company. Hence, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Disposal exceeds 0.1% but less than 5% and the consideration for the Disposal exceeds HK\$3,000,000, hence the Disposal is subject to compliance with the reporting and announcement requirements, but is exempt from compliance with the requirement of approval by the independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

## **REORGANISATION AGREEMENT**

The major terms of the Reorganisation Agreement are as follows:

Date: 17 February 2023

Parties: (a) Xinbeijiang Pharma (as seller); and  
(b) the Joint Venture (as purchaser)

Subject matter: Xinbeijiang Pharma agreed to sell the Assets to the Joint Venture.

Consideration and payment term: RMB48.4552 million payable in cash within 10 business days from the date of the Reorganisation Agreement is signed and becomes effective.

Basis of the consideration: The consideration was arrived at arm's length negotiation based on the Valuation Report, which applied discounted cash flow method under income approach to the technical intangible assets such as patents and patent applications and cost approach for fixed assets and trademarks at the Benchmark Date and taking into account the estimated tax applicable to the Disposal. The book value of the Assets was RMB27.3528 million and the appraised value was RMB43.9039 million, representing an appreciation of RMB16.5511 million and a 60.51% appreciation rate.

The Directors (including independent non-executive Directors) consider that the consideration is fair and reasonable.

Delivery schedule: Xinbeijiang Pharma shall deliver the Assets to the Joint Venture as soon as possible according to actual situation according to the following principles:

1. For fixed assets (such as machinery equipment and electronic equipment), Xinbeijiang Pharma shall deliver such assets to the Joint Venture no later than the Completion Date. Xinbeijiang Pharma shall ensure their normal operation, and the Joint Venture shall be able to operate these assets normally after the delivery. Xinbeijiang Pharma shall deliver the relevant documents and materials of such assets to the Joint Venture at the same time.
2. For intangible assets (including patent applications, trademarks, non-patented technologies, etc.), such assets shall be deemed to have been delivered from the Completion Date, and the change of registration procedures for the transfer or re-registration with the relevant government authorities (if required) shall be completed within one year after the Completion Date.
3. For approval documents and business qualifications (including product pipeline approval, veterinary drug production license, etc.), such documents and qualifications shall be deemed to have been delivered from the Completion Date, and the change of registration procedures for the transfer or re-registration with the relevant government authorities shall be completed within one year after the Completion Date.

Both parties shall sign an asset delivery confirmation letter on the Completion Date.

Others: All rights, obligations, profits and losses of the Assets shall be enjoyed or assumed by the Joint Venture from the Completion Date.

Taking effect of the Reorganisation Agreement: The Reorganisation Agreement shall take effect upon signing and affixing of official seals by the legal representatives of the parties or their authorised representatives and approval by the respective internal authorities of both parties and the Board (if required).

## **INFORMATION OF THE GROUP**

### **The Group**

The Group is principally engaged in the R&D, production and sales of drug preparation products, API and intermediates, as well as diagnostic reagents and equipment.

## **INFORMATION OF THE PARTIES**

### **Xinbeijiang Pharma**

Xinbeijiang Pharma is a non-wholly owned subsidiary of the Company, which is a joint stock company established in the PRC with limited liability. Xinbeijiang Pharma is principally engaged in the R&D, production and sales of API and intermediates, and animal health care business.

As at the date of this announcement, Xinbeijiang Pharma is held as to 87.14% by the Company, 8.44% by Zhuhai Zhong Hui Yuan, 2.17% by the Group's employees and 2.26% by other independent shareholders.

### **The Joint Venture**

The Joint Venture is a non-wholly owned subsidiary of the Company incorporated in the PRC with limited liability. The Joint Venture is principally engaged in animal health care business. As at the date of this announcement, the Joint Venture has not commenced actual operation.

As at the date of this announcement, the Joint Venture is directly held as to 51% by the Company and 49% by Joicare.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Considering the characteristics and good development prospect of animal health care products-related business, the Company and Joicare integrate the advantageous resources of both parties and made joint investment to establish the Joint Venture, which is a separate business operation company. The injection of assets in relation to the operation of animal health care business into the Joint Venture by Xinbeijiang Pharma allows the latter to focus on its core business of API (including API for pets) and intermediates on one hand, and from the perspective of the Company's overall interests, is also conducive to strengthening the independence of different businesses and degree of operational professionalism on the other hand, and further accelerates the business layout and promotion in the field of animal health care,

which is conducive to consolidating and enhancing the Company's existing competitive advantage in the field of API for animal health care products and comprehensive business competitiveness and entering the consumer market of animal health care preparations with repaid development, and in line with the Company's strategic requirements for innovation and development and is of significant importance to the Company's future development.

The Directors (Including independent non-executive Directors) are of the view that the terms of the Reorganisation Agreement have been entered into on normal commercial terms, which are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

Upon completion of the Disposal, Xinbeijiang Pharma is expected to record an expected gain of RMB17.4213 million (tax exclusive), which is calculated by reference to the difference between the consideration (tax exclusive) and the estimated book value of the Assets as at the Completion Date (which is currently expected to be no later than end of March 2023). The actual gain to be recorded is subject to the review by the auditors.

Xinbeijiang Pharma intends to use the proceeds from the Disposal for its daily operations.

The Assets include certain machinery equipment and electronic equipment held by Xinbeijiang Pharma for 12 months or less from the Benchmark Date with an original acquisition cost of approximately RMB6.1711 million (tax exclusive).

## **VALUATION**

As discounted cash flow method under income approach was adopted in the Valuation Report, the calculation of the value of technical intangible assets such as patents and patent applications, which formed part of the Assets as set out in the Valuation Report, is regarded as profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Therefore, the Company shall comply with the requirements under Rules 14A.68(7) and Rule 14.62 of the Hong Kong Listing Rules in relation to profit forecast.

Pursuant to Rule 14.62 of the Hong Kong Listing Rules, the major assumptions (including commercial assumptions) of the valuation of technical intangible assets such as patents and patent application using discounted cash flow method under income approach include the following:

*Transaction Assumption:*

It is assumed that all assets to be appraised are already in the process of being transacted, and the valuer carries out the valuation based on the transaction conditions of the assets to be appraised in a simulated market.

*Open Market Assumption:*

Open market assumption is an assumption made on the conditions of the market where the assets are proposed to enter and how the assets will be affected under such market conditions. An open market refers to fully developed and comprehensive market conditions, which means a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have opportunity and time to access adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions.

*Going-concern Assumption:*

Going-concern assumption is an assumption made on the conditions of the market where the assets are proposed to enter and the status of the assets under such market conditions. Firstly, the assets to be appraised are in use; and secondly, it is assumed that the assets in use will be used continuously. Under the conditions of going-concern assumption, no consideration is given to the change of use or remote use or the best utilisation conditions of the assets. The scope of applicability of the valuation results is subject to limitations.

*Other Assumptions:*

1. It is assumed that all the materials related to the valuation provided by the client and the property right holder are true, complete, legal and valid.
2. It is assumed that the equipment under evaluation will continue to be used at the same location, and related technical products will be put into production on schedule.

The Board has reviewed the major assumptions adopted in the aforesaid valuation, and the valuation has been made after due and careful enquiry. Grant Thornton (Special General Partnership), the reporting accountants of the Company, has reviewed the calculations of the discounted cash flow (which does not involve the adoption of accounting policies) on which the aforesaid valuation by the Valuer was based and confirmed that the discounted cash flow concerned have been properly complied in all material aspects and assumptions as set out in the Valuation Report. The letter from the Board and the relevant report from Grant Thornton are set out in Appendix I and II to this announcement, respectively.

## **IMPLICATIONS OF THE HONG KONG LISTING RULES**

As at the date of this announcement, Joincare, the controlling shareholder of the Company, directly holds 49% equity interests of the Joint Venture. Therefore, pursuant to Chapter 14A of the Hong Kong Listing Rules, the Joint Venture is a connected subsidiary and therefore a connected person of the Company. Hence, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the Disposal exceeds 0.1% but less than 5% and the consideration for the Disposal exceeds HK\$3,000,000, hence the Disposal is subject to compliance with the reporting and announcement requirements, but is exempt from compliance with the requirement of approval by the independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

## **GENERAL**

Since (i) Mr. Zhu Baoguo, the non-executive Director and the chairman of the Company, is also the chairman of Joincare, and indirectly holds 45.53% equity interest in Joincare as at the Latest Practicable Date; (ii) Mr. Qiu Qingfeng and Mr. Yu Xiong, who are non-executive Directors, are also directors of Joincare; (iii) Mr. Tang Yanggang, who is executive Director and the President of the Company, is the executive partner of and holds 45.50% equity interests in Zhuhai Zhong Hui Yuan, the chairman of Xinbeijiang Pharma and the chairman of the Joint Venture; and (iv) Mr. Tao Desheng, the non-executive Director and the vice chairman of the Company, is also the director of Xinbeijiang Pharma, therefore Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng are deemed to have material interest in the Disposal, and had abstained from voting at the Board meeting for approval of the Disposal. Apart from Mr. Zhu Baoguo, Mr. Qiu Qingfeng, Mr. Yu Xiong, Mr. Tang Yanggang and Mr. Tao Desheng, none of the other Directors are required to abstain from voting at the Board meeting for approval of the Disposal.

## DEFINITIONS

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

“API”	active pharmaceutical ingredients
“Assets”	The assets related to the animal health care business owned by Xinbeijiang Pharma on the Benchmark Date, including but not limited to machinery equipment, electronic equipment and other fixed assets, and intangible assets, approval documents and business qualifications, etc.
“Benchmark Date”	31 December 2022
“Board”	the board of directors of the Company
“Company”	Livzon Pharmaceutical Group Inc.*(麗珠醫藥集團股份有限公司), a joint stock company incorporated under the Company Law in the PRC on 26 January 1985 with limited liability, whose shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“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
“Completion Date”	the date when Xinbeijiang Pharma delivers and transfers all the Assets to the Joint Venture and the parties sign the asset delivery confirmation letter
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Assets contemplated under the Reorganisation Agreement



“Grant Thornton”	Grant Thornton (Special General Partnership), the reporting accountants of the Company
“Group”	the Company and its subsidiaries, collectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Joincare”	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated in the PRC, and listed on the Shanghai Stock Exchange in 2001 and is one of the Company’s controlling shareholders
“Joint Venture”	Lijian (Guangdong) Animal Healthcare Co., Ltd.* (麗健(廣東)動物保健有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Latest Practicable Date”	15 February 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Regions and Taiwan
“Reorganisation Agreement”	an agreement entered into between Xinbeijiang Pharma and the Joint Venture on 17 February 2023, pursuant to which Xinbeijiang Pharma agreed to sell the Assets to the Joint Venture at the consideration of RMB48.4552 million
R&D	research and development

“RMB”		Renminbi, the lawful currency of the PRC
“Shareholder(s)”		the shareholder(s) of the Company
“Shenzhen Exchange”	Stock	the Shenzhen Stock Exchange (深圳證券交易所)
“Valuation Report”		the asset valuation report in relation to the valuation of the Assets as at the Benchmark date issued by the Valuer
“Valuer”		Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.* (北京華亞正信資產評估有限公司), an independent valuer
“Xinbeijiang Pharma”		Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司), a joint stock company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Zhuhai Yuan”	Zhong Hui	Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), a limited partnership established in the PRC, which is held as to 45.50% by Mr. Tang Yanggang, an executive Director, 14.0% by Ms. Huang Yuxuan, the Vice President of the Company, and 40.5% by five individual shareholders, who are senior management of the Company or its subsidiaries
“%”		per cent

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

Zhuhai, China  
17 February 2023

*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*

## APPENDIX I – LETTER FROM THE BOARD

*The following is the text of a letter from the Board for the purpose of incorporation in this announcement.*

Listing Division

The Stock Exchange of Hong Kong Limited

12<sup>th</sup> Floor, Two Exchange Square

8 Connaught Place, Central, Hong Kong

Dear Sir or Madam

### **CONNECTED TRANSACTION – DISPOSAL OF ASSETS RELATING TO ANIMAL HEALTH CARE BUSINESS**

Reference is made to the announcement of Livzon Pharmaceutical Group Inc.\* (麗珠醫藥集團股份有限公司) (the “**Company**”) dated 17 February 2023 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation Report prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.\* (北京華亞正信資產評估有限公司) (the “**Valuer**”), an independent valuer. The valuation applied discounted cash flow method under income approach to the technical intangible assets such as patents and patent applications among the Assets to be disposed of by Xinbeijiang Pharma (the “**Subject Assets**”) (which is regarded as profit forecast under Rule 14.61 of the Hong Kong Listing Rules) and cost approach for fixed assets and trademarks at the Benchmark Date.

We have reviewed the valuation and discussed with the Valuer on the relevant issues, including the bases and assumptions of the valuation they have conducted. We have also reviewed the letter from our reporting accountants, Grant Thornton (Special General Partnership), dated 17 February 2023 regarding the proper preparation of the profit forecast involved in the valuation in relation to the Subject Assets.

On the basis of the foregoing, we are of the opinion that the valuation in relation to the Subject Assets has been made after due and careful enquiry.

Yours faithfully

For and on behalf of the Board

麗珠醫藥集團股份有限公司

**Livzon Pharmaceutical Group Inc. \***

**Tang Yanggang**

*Executive Director*

Zhuhai, China

17 February 2023

*\* For identification purpose only*

## APPENDIX II – LETTER FROM GRNAT THORTON

*The following is the text of a letter from Grant Thornton for the purpose of incorporation in this announcement.*

The Board of Directors  
Livzon Pharmaceutical Group Inc. (the “**Company**”)

Dear Sir or Madam

### **CONNECTED TRANSACTION – DISPOSAL OF ASSETS RELATING TO ANIMAL HEALTH CARE BUSINESS**

We have reviewed the calculations of the underlying discounted cash flows (the “**Underlying Forecast**”) used by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd.\* (北京華亞正信資產評估有限公司) (the “**Valuer**”) in their preparation of valuation in respect of the technical intangible assets such as patents and patent applications among the assets to be disposed of by Xinbeijiang Pharma (the “**Subject Assets**”) as at 31 December 2022. The discounted cash flows for the aforesaid valuation is regarded as a profit forecast under the Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

#### **Directors’ responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the Underlying Forecast including a set of bases and assumptions (the “**Assumptions**”) for the purpose of valuation of the Subject Assets based on income approach adopting the discounted cash flow method. The Underlying Forecast adopts the cash flow model and no accounting policies have been involved in its preparation. The Underlying Forecast has been prepared using the Assumptions that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the anticipated events occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The directors of the Company are responsible for the reasonableness and validity of the Assumptions.

## **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under the Rule 14.62(2) of the Hong Kong Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We conducted our work in accordance with “Standards on Other Assurance Engagements of PRC Certified Public Accountants No. 3101 – Assurance Engagements other than Audit or Review of Historical Financial Information” (the “**Standards**”). The Standards requires that we comply with ethical requirements and plan and perform the assurance service to obtain reasonable assurance as to the mathematical calculation for Underlying Forecast and whether the Underlying Forecast is prepared based on the Assumptions. Our work mainly includes the review on accuracy of calculation for the Underlying Forecast based on the Assumptions. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. Our work does not constitute any valuation on the Subject Assets to be transferred.

## **Opinion**

Based on the foregoing, in our opinion, the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the Assumptions made by the Directors.

Yours faithfully

Grant Thornton (Special General Partnership)

Certified Public Accountants (PRC):  
Li Encheng

China, Beijing

Certified Public Accountants (PRC):  
Wei Heng

17 February 2023