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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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) CAPITAL CONTRIBUTION TO LIVZONBIO
(II) REPURCHASE OF PART OF THE COMPANY'S A SHARES SCHEME
(III) GRANT OF GENERAL MANDATE TO THE BOARD
TO REPURCHASE H SHARES OF THE COMPANY
(IV) CONVENING THE EGM, THE A SHAREHOLDERS'
CLASS MEETING
AND THE H SHAREHOLDERS' CLASS MEETING

The letter from the Board is set out on pages 5 to 19 of this circular.

The Company will hold the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:30 p.m., 3:30 p.m. (or immediately after the conclusion of the EGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment) respectively on Tuesday, 19 December 2023. Notices and proxy forms have been dispatched regarding the EGM and the H Shareholders' Class Meeting by the Company on 18 November 2023. 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 EGM and/or the H Shareholders' Class Meeting 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 Company's H Share Registrar, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting 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:

“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 2023 second class meeting of A Shareholders of the Company to be convened at 3:30 p.m. (or immediately after the conclusion or adjournment of the EGM) on Tuesday, 19 December 2023, if thought fit, to approve the repurchase of part of the Company’s A Shares Scheme and the grant of general mandate to the Board to repurchase H Shares
“A Shares Repurchase Scheme”	the Repurchase of Part of the Company’s A Shares Scheme approved by the Board on 30 October 2023
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors of the Company
“Capital Contribution”	the capital contribution in the amount of RMB1,000,000,000 in cash by the Company to LivzonBio pursuant to the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement dated 17 November 2023 entered into between the Company and LivzonBio in relation to the Capital Contribution
“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

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the 2023 third 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 2:30 p.m. on Tuesday, 19 December 2023, if thought fit, to approve the capital contribution to LivzonBio, the repurchase of part of the Company’s A Shares Scheme and the grant of general mandate to the Board to repurchase H Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Share Repurchase Mandate”	the grant of general mandate to the Board to repurchase H Shares approved by the Board on 30 October 2023
“H Shareholder(s)”	holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the 2023 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 Tuesday, 19 December 2023, if thought fit, to approve the repurchase of part of the Company’s A Shares Scheme and grant of general mandate to the Board to repurchase H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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”	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
“Latest Practicable Date”	13 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Lisheng Juyuan”	Hainan Lisheng Juyuan Investment Partnership (Limited Partnership)* 海南麗生聚源投資合夥企業(有限合夥), a limited partnership incorporated in the PRC and an employee incentive platform of LivzonBio
“LivzonBio”	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary directly owned as to 51.00% by the Company as at the date of this circular, which will be directly owned as to 60.23% by the Company after the completion of the Capital Contribution
“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
“Relevant Period”	has the meaning ascribed to it under the notice of the EGM
“Reorganization”	a series of transactions to streamline and optimize the capital and shareholding structure of certain subsidiaries of the Company (including LivzonBio), the details of which are set out in the circular of the Company dated 16 December 2020
“Repurchase Period”	has the meaning ascribed to it under the notice of the EGM
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“R&D”	research and development
“Securities Law”	the Securities Law of the People’s Republic of China (《中華人民共和國證券法》)
“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
“SZSE Rules”	the Rules Governing the Listing of Shares on Shenzhen Stock Exchange
“US\$”	US dollars, the lawful currency of the United States of America
“YF Pharmab”	YF Pharmab Limited, a company incorporated the British Virgin Islands with limited liability and an independent third party to the Company
“YF Subscription”	the subscription of registered capital at a consideration of US\$50,000,000 for 8.43% interest in LivzonBio by YF Pharmab, an independent third party, pursuant to the Reorganization, being the last round of capital contribution to LivzonBio immediately before the Capital Contribution
%	per cent

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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
YF Life Centre
38 Gloucester Road
Wanchai
Hong Kong

18 November 2023

To the Shareholders

Dear Sir/Madam,

(I) CAPITAL CONTRIBUTION TO LIVZONBIO
(II) REPURCHASE OF PART OF THE COMPANY'S A SHARES SCHEME
(III) GRANT OF GENERAL MANDATE TO THE BOARD
TO REPURCHASE H SHARES OF THE COMPANY
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LETTER FROM THE BOARD

The purpose of this circular is to provide you with relevant information regarding the capital contribution to LivzonBio, the A Shares Repurchase Scheme and the H Share Repurchase Mandate to enable you to make informed decisions in voting on the ordinary resolution or special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting.

I. CAPITAL CONTRIBUTION TO LIVZONBIO

Introduction

Reference is made to the announcement of the Company dated 17 November 2023 in relation to the Capital Contribution. On 17 November 2023, the Company entered into the Capital Contribution Agreement with LivzonBio, pursuant to which the Company has agreed to make capital contribution to LivzonBio in the amount of RMB1,000,000,000 in cash. Upon completion of the Capital Contribution, the Company's direct interest in LivzonBio will increase from 51.00% to 60.23%.

Capital Contribution Agreement

The principal terms of the Capital Contribution Agreement are set out below:

Date: 17 November 2023

Parties: (a) the Company; and
(b) LivzonBio

Capital contribution: The Company has agreed to make capital contribution to LivzonBio in the amount of RMB1,000,000,000 in cash.

Upon completion of the Capital Contribution, the registered capital of LivzonBio will be increased from RMB889,023,284 to RMB1,095,472,334, with RMB659,850,925 to be registered capital attributable to the Company, and the Company's direct interest in LivzonBio will increase from 51.00% to 60.23%.

The Capital Contribution is expected to be funded by internal resources of the Company.

Terms of payment: The Capital Contribution shall be paid within 24 months after the completion of change with industrial and commercial registration of LivzonBio.

LETTER FROM THE BOARD

Information of the Parties

The Company

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.

LivzonBio

LivzonBio is principally engaged in independent innovative R&D and industrialization of biopharmaceuticals, including innovative vaccines, monoclonal antibodies, recombinant protein drugs, antibody conjugate drugs, CAR-T cell therapy, etc. with products covering tumors, autoimmune diseases and reproductive etc..

As at the date of this circular, LivzonBio is directly owned as to 51.00%, 33.07%, 8.43% and 7.50% by the Company, Joicare, YF Pharmab and Lisheng Juyuan, respectively. Upon completion of the Capital Contribution, LivzonBio will be directly owned as to 60.23%, 26.84%, 6.84% and 6.09% by the Company, Joicare, YF Pharmab and Lisheng Juyuan, respectively.

The audited net loss (before and after taxation and extraordinary items) of LivzonBio prepared under the China Accounting Standards for Business Enterprise for the years ended 31 December 2021 and 31 December 2022 are set out below:

	For the year ended	
	31 December	
	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>
Net loss before taxation and extraordinary items	358.1	737.4
Net loss after taxation and extraordinary items	377.2	754.6

As at 30 September 2023, the unaudited negative net asset value of LivzonBio prepared under the China Accounting Standards for Business Enterprise was RMB1,089.1 million.

Upon completion of the Capital Contribution, LivzonBio will continue to be a non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of LivzonBio will continue to be consolidated into the accounts of the Group.

LETTER FROM THE BOARD

Basis for Determination of the Capital Contribution

The amount of the Capital Contribution has been determined after arm's length negotiations between the parties, and with reference to (i) the subscription price of YF Subscription, being the last round of capital contribution to LivzonBio immediately before the Capital Contribution; and (ii) the funding needs of LivzonBio.

Reasons for and Benefits of the Capital Contribution

The Capital Contribution will provide LivzonBio with additional working capital and greater financial flexibility to facilitate its R&D and daily operation activities, which is conducive to consolidating and enhancing the Company's existing competitive advantage in the field of biopharmaceuticals, 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) consider that although the Capital Contribution contemplated under the Capital Contribution Agreement is not conducted in the normal and usual course of business of the Group, the terms of the Capital Contribution Agreement and the Capital Contribution contemplated thereunder are fair and reasonable and are on normal commercial terms, and the Capital Contribution is in the interest of the Company and the Shareholders as a whole.

Implications of the Hong Kong Listing Rules

As at the Latest Practicable Date, Joincare indirectly holds 44.77% of the total issued shares of the Company, hence a controlling shareholder of the Company and, accordingly, a connected person of the Company. Since LivzonBio is a non-wholly owned subsidiary of the Company and Joincare directly holds 33.07% interest in LivzonBio, hence LivzonBio is a connected subsidiary and, accordingly, a connected person of the Company. Therefore, the Capital Contribution 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 under the Hong Kong Listing Rules) in respect of the Capital Contribution exceeds 0.1% but less than 5%, the Capital Contribution is subject to the reporting and announcement requirements, but is exempt from the requirement of approval by independent Shareholders under Chapter 14A of the Hong Kong Listing Rules.

Shareholders' Approval

The Capital Contribution is required to be approved by an ordinary resolution at the EGM pursuant to the SZSE Rules.

LETTER FROM THE BOARD

General

Since (i) Mr. Zhu Baoguo, being a non-executive Director and the chairman of the Company, is also the chairman of Joincare with 48.06% indirect equity interest in Joincare as at the Latest Practicable Date, and a director of LivzonBio; (ii) Mr. Tao Desheng, being a non-executive Director of the Company, and Mr. Tang Yanggang, being an executive Director of the Company, are directors of LivzonBio; and (iii) Mr. Qiu Qingfeng and Mr. Yu Xiong, being non-executive Directors, are also directors of Joincare, therefore Mr. Zhu Baoguo, Mr. Tao Desheng, Mr. Tang Yanggang, Mr. Qiu Qingfeng and Mr. Yu Xiong are deemed to have material interest in the Capital Contribution, and had abstained from voting at the Board meeting for approval of the Capital Contribution. Save as disclosed above, none of the Directors had any material interest in the Capital Contribution and was required to abstain from voting on the relevant resolution at the Board meeting.

II. REPURCHASE OF PART OF THE COMPANY'S A SHARES SCHEME

In order to promote the stable development of the Company and effectively protect the interests of the Shareholders, the Board considered and approved the A Shares Repurchase Scheme on 30 October 2023. The A Shares Repurchase Scheme is subject to Shareholders' approval at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting by way of a special resolution.

1. Purpose of the share repurchase

With the aim of enhancing the long-term investment value of the Company's shares, safeguarding the interests of investors and strengthening investor confidence, on the basis of the high recognition of the Company's value and confidence in the Company's future development, and in accordance with relevant provisions of laws, regulations and normative documents such as the Company Law, the Securities Law, the Rules for the Repurchase of Shares by Listing Companies and the Guideline No.9 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Share Repurchase, the Company intends to use its internal funds to repurchase part of its A Shares by means of centralized bidding, and all the A Shares repurchased shall be cancelled for reducing its registered capital.

LETTER FROM THE BOARD

2. Whether relevant conditions for the share repurchase are satisfied

The share repurchase by the Company complies with relevant provisions of Article 10 of the Guideline No.9 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Share Repurchase:

- (1) the company's shares have been listed for one year;
- (2) the company has no major violation of laws in the last year;
- (3) after the share repurchase, the company has the ability to meet its debt obligations and continue to operate;
- (4) after the share repurchase, the company's shareholding distribution should, in principle, meet the listing requirements;
- (5) other conditions stipulated by the CSRC and the Shenzhen Stock Exchange.

3. Share repurchase method and price range

The Company intends to repurchase part of its A Shares by means of centralized bidding through the trading system of the Shenzhen Stock Exchange. The repurchase price shall not exceed RMB38/A Share.

4. Type, use and number of shares to be repurchased, percentage in the Company's total share capital and total amount of funds to be used for repurchase

- (1) Type of shares to be repurchased: RMB ordinary shares (A Shares) issued by the Company.
- (2) Use of shares to be repurchased: A Shares repurchased shall be cancelled for reducing the registered capital.
- (3) Total amount of funds to be used for repurchase: the total amount of funds to be used by the Company for repurchase shall not be less than RMB400 million (inclusive) and not more than RMB600 million (inclusive). The exact total amount of repurchase funds shall be based on the total amount of funds actually used to repurchase shares when the Repurchase Period expires.

LETTER FROM THE BOARD

- (4) Number of shares to be repurchased and its percentage in the Company's total share capital: if calculating based on the maximum total repurchase funds of RMB600 million and the maximum repurchase price of RMB38/A Share, the number of shares to be repurchased is estimated to be approximately 15,789,474 A Shares, accounting for approximately 1.71% of the Company's total share capital (excluding repurchased shares that have not yet been cancelled) as at the Latest Practicable Date; if calculating based on the minimum total repurchase funds of RMB400 million and the maximum repurchase price of RMB38/A Share, the number of shares to be repurchased is estimated to be approximately 10,526,316 A Shares, accounting for approximately 1.14% of the Company's total share capital (excluding repurchased shares that have not yet been cancelled) as at the Latest Practicable Date. The exact number of shares to be repurchased shall be the actual number of A Shares repurchased when the Repurchase Period expires. If the Company implements any matters relating to ex-rights and ex-dividend shares such as conversion of capital reserves into share capital, distribution of shares, reduction of number of shares, placing of shares and distribution of cash dividends during the Repurchase Period, corresponding adjustment shall be made to the A Shares Repurchase Scheme in accordance with relevant provisions of the CSRC and the Shenzhen Stock Exchange starting from the ex-rights and ex-dividend date. The total number of A Shares that may be repurchased by the Company shall not exceed 10% of the total number of the issued A Shares on the date of the general meeting at which the A Shares Repurchase Scheme is considered.

5. Source of funds for the share repurchase

The source of funds used by the Company for the share repurchase shall be the Company's internal funds only.

6. Implementation period of the share repurchase

Subject to the provisions of paragraphs (1) and (2) below, the implementation period of the share repurchase shall be twelve (12) months from the date of the Company's general meeting at which the A Shares Repurchase Scheme is considered and approved.

(1) The Repurchase Period expires early if any of the following condition is met:

- ① If the amount of funds used for repurchase reaches the maximum limit within the Repurchase Period, implementation of the A Shares Repurchase Scheme shall be completed and the Repurchase Period shall expire early from such date;

LETTER FROM THE BOARD

- ② If the Board decides to terminate the A Shares Repurchase Scheme, the Repurchase Period shall expire early from the date of the Board resolution on the termination of the A Shares Repurchase Scheme;
 - ③ Conclusion of the next annual general meeting of the Company following the passing of the A Shares Repurchase Scheme at the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company (except where the A Shares Repurchase Scheme is renewed by special resolution passed at general meeting, class meeting of A Shareholders and class meeting of H Shareholders of the Company); or
 - ④ The A Shares Repurchase Scheme being revoked or varied by special resolution of the Shareholders in general meeting, class meeting of A Shareholders and class meeting of H Shareholders.
- (2) **The Company may not repurchase its shares within the following periods:**
- ① Within ten (10) trading days prior to the announcement of the annual reports and interim reports of the Company. If the announcement date is postponed due to special reasons, it shall be counted from the ten (10) trading days prior to the original scheduled announcement;
 - ② Within ten (10) trading days prior to the announcement of the quarterly reports, results forecasts and preliminary results of the Company;
 - ③ From the date of occurrence or in the decision-making process of a major event that may have a material impact on the Company's share price until the date of disclosure thereof in accordance to the laws;
 - ④ Other circumstances stipulated by the CSRC, the Hong Kong Stock Exchange and the Shenzhen Stock Exchange.

LETTER FROM THE BOARD

7. Expected changes in the Company's share capital structure after the repurchase

Nature of shares	Before the repurchase and cancellation		After the repurchase and cancellation based on the upper limit		After the repurchase and cancellation based on the lower limit	
	Quantity		Quantity		Quantity	
	(share)	Percentage	(share)	Percentage	(share)	Percentage
I. Restricted shares (A Shares)	19,981,714	2.16%	19,981,714	2.20%	19,981,714	2.19%
II. Unrestricted shares	903,956,425	97.84%	888,166,951	97.80%	893,430,109	97.81%
1. RMB ordinary shares (A Shares)	594,125,208	64.30%	578,335,734	63.68%	583,598,892	63.89%
2. Overseas listed foreign shares (H Shares)	309,831,217	33.53%	309,831,217	34.12%	309,831,217	33.92%
III. Total number of shares	923,938,139	100.00%	908,148,665	100.00%	913,411,823	100.00%

Note: The total number of shares before the repurchase and cancellation by the Company is the total share capital of the Company (excluding repurchased shares that have not yet been cancelled) as at the Latest Practicable Date.

8. Management analysis of the impact of the share repurchase on the Company's operations, finance, research and development, performance on debt obligations, future development, and maintenance of its listing status and other aspects, and the undertaking of all the directors that the share repurchase will not harm the Company's ability to meet its debt obligations and continue to operate

As at 31 December 2022, the Company had total assets of RMB24,864.8254 million, net assets attributable to Shareholders of the Company of RMB13,876.0207 million, and current assets of RMB16,987.2970 million. If calculating based on the maximum total repurchase funds of RMB600 million, the funds used for repurchase accounts for 2.41%, 4.32%, and 3.53% of the Company's total assets, net assets attributable to Shareholders of the Company and current assets, respectively. The Company will have sufficient funds to pay for the share repurchase.

LETTER FROM THE BOARD

As at 30 September 2023 (unaudited), the Company had total assets of RMB24,799.9635 million, net assets attributable to Shareholders of the Company of RMB13,642.4357 million, and current assets of RMB16,984.3915 million. If calculating based on the maximum total repurchase funds of RMB600 million, the funds used for repurchase accounts for 2.42%, 4.40% and 3.53% of the Company's total assets, net assets attributable to Shareholders of the Company and current assets, respectively. The Company will have sufficient funds to pay for the share repurchase.

The Company has sufficient cash flow, and the Company's management believes that the share repurchase will not have material impact on the Company's operations, finance, research and development, ability to meet its debt obligations and future development.

The share repurchase will not lead to change in control of the Company and its listing status, and the shareholding distribution will still be in compliance with the listing requirements.

All Directors of the Company undertake that the share repurchase will not jeopardise the Company's ability to meet its debt obligations and continue to operate.

- 9. Explanation on the Company's shares purchased or sold within six months prior to the resolution adopted by the Board on the share repurchase, and whether there is any insider trading or market manipulation activities conducted individually or jointly with others by the Directors, Supervisors, senior management, controlling shareholders, de facto controllers of the Company and their parties acting in concert, and whether there is any plan to increase or reduce shareholdings during the Repurchase Period; explanation on whether Shareholders holding more than 5% and their parties acting in concert have any plans to reduce their shareholdings in the next six months**

Within six months prior to the resolution adopted by the Board on the share repurchase, the Directors, Supervisors, senior management, controlling shareholders, de facto controllers of the Company and their parties acting in concert did not buy or sell any shares of the Company.

The Directors, Supervisors, senior management, controlling shareholders, de facto controllers and their parties acting in concert had not conducted any insider trading or market manipulation activities individually or jointly with others.

LETTER FROM THE BOARD

The Directors, Supervisors, senior management, controlling shareholders, de facto controllers of the Company and their parties acting in concert have no clear plans to increase or reduce their shareholdings during the Repurchase Period. In case of any plan to increase or reduce shareholdings in the future, the Company will perform its disclosure obligations in a timely manner in accordance with relevant regulations.

Shareholders holding more than 5% of the Company's shares and their parties acting in concert have no clear plans to reduce their holdings in the next six months. In case of any subsequent plan to increase or reduce holdings, the Company will perform its disclosure obligations in a timely manner in accordance with relevant regulations.

10. Relevant arrangements for cancellation according to laws after the share repurchase and relevant arrangements for preventing infringements on the interests of creditors

All A Shares repurchased by the Company will be cancelled for reducing the registered capital. The Company will notify its creditors of matters relating to the cancellation of shares and the reduction of registered capital in accordance with the relevant provisions of the Company Law.

11. Consideration of the A Shares Repurchase Scheme by the Board

The A Shares Repurchase Scheme has been considered and approved at the 6th meeting of the eleventh session of the Board of the Company, and the Company's independent Directors have given their independent opinions on the repurchase. The proposal is required to be submitted to the general meeting of the Company for consideration.

12. Specific authorization on the handling of matters relating to the share repurchase

In order to successfully implement the A Shares Repurchase Scheme, the Company's general meeting is hereby requested to authorize the Board to handle all matters relating to the share repurchase within the scope permitted by laws and regulations. The content and scope of authorization include but are not limited to:

- (1) establishing a dedicated securities account for the repurchase and other related matters;
- (2) repurchasing A Shares as and when appropriate during the Repurchase Period, taking into account factors such as timing, price and quantity of repurchase;

LETTER FROM THE BOARD

- (3) making adjustment to specific implementation plans in accordance with relevant provisions and the requirements of regulatory authorities, and handling other matters relating to the share repurchase;
- (4) making corresponding modification to relevant clauses in the Articles of Association relating to the registered capital, total share capital and etc. according to the actual repurchase situation, and handling industrial and commercial registration filings;
- (5) determining the continuation or termination of the A Shares Repurchase Scheme based on the Company's actual circumstance, the Company's share price performance and other comprehensive factors;
- (6) handling other matters that are not stated above but necessary for the share repurchase in accordance with relevant regulations (i.e. applicable laws and regulations, and relevant provisions of regulatory authorities).

The aforesaid authorization shall commence from the date on which the A Shares Repurchase Scheme is considered and approved by the general meeting of the Company and end on the date on which the matters authorized as above are completed.

13. Reminder of the risk of the A Shares Repurchase Scheme

- (1) In accordance with relevant laws and regulations, the provisions of the Articles of Association and the Hong Kong Listing Rules, the A Shares Repurchase Scheme shall be submitted to the general meeting, the class meeting of A Shareholders and the class meeting of H Shareholders of the Company for consideration and approval by way of a special resolution. If the general meeting, the class meeting of A Shareholders or the class meeting of H Shareholders of the Company fail to approve the A Shares Repurchase Scheme, the A Shares Repurchase Scheme cannot be implemented.
- (2) If the Company's share price continues to exceed the upper limit of the repurchase price as disclosed in the A Shares Repurchase Scheme during the Repurchase Period, there is a risk that the A Shares Repurchase Scheme cannot be implemented.

The Company will perform its disclosure obligations in a timely manner according to the progress of the share repurchase. Investors are kindly reminded to pay attention to investment risks.

LETTER FROM THE BOARD

III. GRANT OF GENERAL MANDATE TO THE BOARD TO REPURCHASE H SHARES OF THE COMPANY

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 30 October 2023. The H Share Repurchase Mandate is subject to Shareholders' approval at the EGM, the H Shareholders' Class Meeting and the A Shareholders' Class Meeting by way of a special resolution.

1. 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 share capital of 935,552,687 shares, comprising 309,831,217 H Shares and 625,721,470 A Shares. The maximum number of H Shares proposed to be repurchased shall not exceed 30,983,121 H Shares, being 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.

The repurchase will be implemented by batches, and each of the repurchase price shall be no higher than 5% of the average closing price in the five trading days prior to the relevant date of repurchase.

2. 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 and other applicable laws and regulations.

3. Disposal of the Repurchased Shares

The Company will cancel the repurchased H Shares upon completion of the repurchase, and the Company will reduce its registered capital accordingly.

LETTER FROM THE BOARD

4. Source of Funds

In repurchasing the H Shares, the Company will apply funds from the Company's internal resources 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.

5. Time Limit of the Repurchase

The Company shall not repurchase its shares within 30 days before the Company convenes a Board meeting for periodical reports or releases periodical reports, within 10 trading days before the estimated results announcement or preliminary financial data announcement, or within 2 trading days after the Company's official publication of inside information during periods when inside information of the Company exists, or in violation of the Hong Kong Listing Rules.

For more details of the H Share Repurchase Mandate, please refer to the notices of the EGM and the H Shareholders' Class Meeting and the explanatory statement set out in the Appendix to this circular.

IV. CONVENING THE EGM, THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

The Company will hold the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting at the Conference Room on the 6th Floor of Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai, Guangdong Province, China at 2:30 p.m., 3:30 p.m. (or immediately after the conclusion of the EGM or any adjournment) and 4:00 p.m. (or immediately after the conclusion of the A Shareholders' Class Meeting or any adjournment) respectively on Tuesday, 19 December 2023. Notices and proxy forms have been dispatched regarding the EGM and the H Shareholders' Class Meeting by the Company on 18 November 2023. 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 EGM and/or the H Shareholders' Class Meeting 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 Company's H Share Registrar, Tricor Investor Services Limited (for H Shareholders) as soon as possible and in any event no later than 24 hours before the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof in person if you so wish.

LETTER FROM THE BOARD

V. RECORD DATE

The record date for determining the qualification of the Shareholders to attend and vote at the EGM and the H Shareholders' Class Meeting will be Tuesday, 12 December 2023. In order to qualify as Shareholders to attend and vote at the EGM and the H Shareholders' Class Meeting, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 December 2023.

VI. VOTING BY POLL

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

VII. RECOMMENDATION

The Board considers that the ordinary resolution and the special resolutions set out in the notices of the EGM and the H Shareholders' Class Meeting are in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of all resolutions to be proposed the EGM and the H Shareholders' Class Meeting.

VIII. 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
18 November 2023

This appendix serves as an explanatory statement, as required under Rule 10.06(1)(b) of the Hong Kong Listing Rules (as modified by Rules 19A.24 and 19A.25 of the Hong Kong Listing Rules), to provide the requisite information to the Shareholders of the Company for their consideration of the terms and mandate of the A Shares Repurchase Scheme (the “**A Share Repurchase Mandate**”) and the H Share Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had a total share capital of 935,552,687 shares, comprising 625,721,470 A Shares (including 11,614,548 repurchased A Shares that have not yet been canceled) and 309,831,217 H Shares.

NUMBER OF A SHARES PROPOSED TO BE REPURCHASED

Based on the maximum aggregate repurchase amount of RMB600 million and the maximum repurchase price of RMB38.00/A Share, the number of A Shares to be repurchased is estimated to be no more than 15,789,474 A Shares, accounting for approximately 1.71% of the Company’s total share capital (excluding repurchased A Shares that have not yet been cancelled) and approximately 2.57% of the Company’s total issued A Shares (excluding repurchased A Shares that have not yet been cancelled) as at the Latest Practicable Date. Based on the minimum aggregate repurchase amount of RMB400 million and the maximum repurchase price of RMB38.00/A Share, the number of A Shares to be repurchased is estimated to be no more than 10,526,316 A Shares, accounting for approximately 1.14% of the Company’s total share capital (excluding repurchased A Shares that have not yet been cancelled) and approximately 1.71% of the Company’s total issued A Shares (excluding repurchased A Shares that have not yet been cancelled) as at the Latest Practicable Date.

The total number of A Shares that may be repurchased under the A Share Repurchase Mandate by the Company shall not exceed 10% of the total number of the issued A Shares that have not yet been repurchased on the date of the passing of the resolution in relation to the A Share Repurchase Mandate at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting.

NUMBER OF H SHARES PROPOSED TO BE REPURCHASED

As at the Latest Practicable Date, the Company had a total issued share capital of 935,552,687 shares, comprising 309,831,217 H Shares and 625,721,470 A Shares. The maximum number of the H Shares proposed to be repurchased shall not exceed 30,983,121 H Shares, being 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 at the EGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, and shall maintain a sufficient public float as required by the Hong Kong Listing Rules.

DISPOSAL OF THE REPURCHASED SHARES

The Company will cancel the repurchased A Shares and H Shares upon completion of the repurchase, and the Company will reduce its registered capital accordingly.

REASONS FOR REPURCHASE

The Directors are of the view that the A Share Repurchase Mandate and the H Share Repurchase Mandate could enhance the long-term investment value of the Company's shares, safeguard the interests of investors and strengthen investor confidence, on the basis of high recognition of the Company's value and confidence in the Company's future development, and afford the Company the flexibility and ability in pursuing the best interests for the Company and its Shareholders and to protect investors' interests. Such repurchases of A Shares and H Shares will, depending on market conditions, be made when the Directors believe that such repurchases will benefit the Company and its Shareholders as a whole.

SOURCE OF FUNDS

In repurchasing A Shares and H Shares of the Company, the Company intends to apply funds from the Company's internal resources legally available for such purposes 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.

IMPACT ON WORKING CAPITAL OR GEARING POSITION

As compared with the financial position of the Company as at 31 December 2022 (being the date to which the latest audited accounts of the Company were made up), the Directors consider that there will not be a material adverse impact on the working capital or the gearing position of the Company in the event that the A Share Repurchase Mandate were to be exercised in full during the Repurchase Period and in the event that the H Share Repurchase Mandate were to be exercised in full during the Relevant Period.

PRESENT INTENTION OF THE DIRECTORS AND CLOSE ASSOCIATES

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Hong Kong Listing Rules) have any present intention to sell any A Shares and H Shares to the Company if the A Share Repurchase Mandate and the H Share Repurchase Mandate are approved by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Hong Kong Stock Exchange that they will exercise the A Share Repurchase Mandate and the H Share Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws of the PRC.

EFFECT OF THE TAKEOVERS CODE AND SIMILAR APPLICABLE LAW

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 A Shares and H Shares pursuant to the A Share Repurchase Mandate and H Share Repurchase Mandate, respectively, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Code on Takeovers and Mergers (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 of the Company 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 41.61% of the H Shares and A Shares of the Company in issue (excluding repurchased A Shares that have not yet been cancelled), and in aggregate approximately 45.34% of the total shares of the Company in issue (excluding repurchased A Shares that have not yet been cancelled). If the A Share Repurchase Mandate is fully exercised, based on the maximum repurchase price of RMB38.00/A Share and the maximum aggregate repurchase amount of RMB600 million, the Company may repurchase approximately 15,789,474 A Shares. If the H Share Repurchase Mandate is fully exercised, the Company may repurchase 30,983,121 H Shares. Accordingly, Joincare's interest in the Company would be increased to approximately 47.75%. The Directors consider that the increase would trigger a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the A Share Repurchase Mandate and the H Share Repurchase Mandate to such extent as would result in takeover obligations or breach the public float requirement of Rule 8.08 under the Hong Kong Listing Rules.

Save as aforesaid, 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 A Shares and H Shares made under the A Share Repurchase Mandate and the H Share Repurchase Mandate.

SHARE REPURCHASE MADE BY THE COMPANY

Details of the repurchase made by the Company during the previous six months preceding the Latest Practicable Date were as follow:

Date of Repurchase	Number of Shares Repurchased (A Shares)	Highest Price (RMB)	Lowest Price (RMB)
7 August 2023	405,500	33.50	32.77
25 August 2023	258,000	33.36	33.12
7 September 2023	668,000	33.82	33.50
8 September 2023	100,000	33.75	33.62
11 September 2023	373,000	34.50	34.22
12 September 2023	400,000	34.99	34.50
13 September 2023	658,000	35.07	34.65
14 September 2023	240,000	35.18	34.70
18 September 2023	450,000	36.25	35.69
19 September 2023	428,000	36.50	36.10
20 September 2023	850,000	36.16	35.95
21 September 2023	200,000	36.28	36.04
22 September 2023	145,000	35.90	35.76
26 September 2023	610,000	37.34	36.80

Save as disclosed above, the Company has not purchased any shares of the Company (whether on the Hong Kong Stock Exchange, the Shenzhen Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

PRESENTATION INTENTION OF THE CORE CONNECTED PERSONS

No core connected persons (as defined in the Hong Kong Listing Rules) have notified the Company that they have a present intention to sell A Shares and H Shares to the Company, or have undertaken not to do so, in the event that the A Share Repurchase Mandate and the H Share Repurchase Mandate are approved by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

PRICES OF A SHARES AND H SHARES

The highest and lowest trading prices at which A Shares and H Shares were traded on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, respectively, during each of the previous 12 months preceding the Latest Practicable Date were as follows:

	A Shares		H Shares	
	Highest <i>RMB</i>	Lowest <i>RMB</i>	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2022				
November	40.67	34.65	28.00	20.10
December	38.79	32.18	27.75	24.40
2023				
January	35.44	32.55	28.70	25.80
February	35.98	33.88	28.15	26.45
March	37.67	33.80	28.15	25.25
April	38.88	34.43	30.15	27.35
May	40.00	35.68	30.10	27.65
June	40.58	37.51	28.75	25.65
July	39.40	36.00	27.90	24.60
August	37.28	32.04	27.30	23.15
September	37.40	33.35	26.25	23.90
October	37.18	31.72	25.95	21.50
November (as at the Latest Practicable Date)	36.07	33.90	24.25	22.50