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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)

INSIDE INFORMATION

PROPOSED SPIN-OFF AND LISTING OF LIVZON DIAGNOSTICS ON NATIONAL EQUITIES EXCHANGE AND QUOTATIONS

The Board is pleased to announce that on 8 December 2023, the Company was notified by the Hong Kong Stock Exchange that the Listing Committee had agreed that the Company may proceed with the Proposed Spin-off on NEEQ under Practice Note 15 of the Listing Rules and had agreed to grant a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 of the Listing Rules in connection with the Proposed Spin-off on NEEQ.

In relation to the Proposed Spin-off on NEEQ, Livzon Diagnostics will not issue any new shares. The shareholding of the Company in Livzon Diagnostics (i.e 47.43%) will remain unchanged upon completion of the Proposed Spin-off on NEEQ. Subject to market conditions and regulatory approval(s) required, Livzon Diagnostics may possibly subsequently transfer to the Beijing Stock Exchange with an offering of its new A shares. Such proposed issue of new shares by Livzon Diagnostics will result in a dilution of the Company's equity interest in Livzon Diagnostics and, if materialises, it will constitute a deemed disposal of the Company's equity interest in the Livzon Diagnostics under the Listing Rules. Based on the information currently available, all of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) represented by the Proposed PRC Listing are less than 5%. Therefore, neither the Proposed Spin-off on NEEQ nor the Proposed PRC Listing (individually or collectively) will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

According to the relevant requirements under the relevant PRC laws, the Proposed Spin-off on NEEQ and the Proposed PRC Listing are still required to be submitted to the general meeting of the Company for approval.

Shareholders and prospective investors of the Company should note that the Proposed Spin-off on NEEQ and the Proposed PRC Listing are subject to, among other things, obtaining approvals from the general meeting of the Company, and from the board of directors and the general meeting of Livzon Diagnostics, as well as the approvals from the PRC regulatory authorities upon fulfilment of conditions in accordance with all applicable regulations and suitable market conditions, and hence it may or may not materialize. Therefore, shareholders and prospective investors of the Company should note that the Company cannot guarantee whether the Proposed Spin-off on NEEQ and the Proposed PRC Listing will be implemented smoothly or when it will be implemented. Investors are requested to make prudent decisions and pay attention to investment risks.

This announcement is published by 麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.* (the “**Company**”, together with its subsidiaries, the “**Group**”), pursuant to Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the Inside Information Provisions (as defined in the provision of Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 10 November 2023 and 13 November 2023 in relation to a proposed spin-off and listing of Zhuhai Livzon Diagnostics Inc.* (“**Livzon Diagnostics**”, together with its subsidiaries, the “**Livzon Diagnostics Group**”) on the National Equities Exchange and Quotations (the “**NEEQ**”).

APPROVAL IN RESPECT OF THE PROPOSED SPIN-OFF ON NEEQ

The board of directors (the “**Board**”) of the Company would like to update its shareholders (the “**Shareholders**”) and potential investors that, on 8 December 2023, the Company was notified by the Hong Kong Stock Exchange that the Listing Committee had agreed that the Company may proceed with the Proposed Spin-off on NEEQ under Practice Note 15 of the Listing Rules.

Livzon Diagnostics (a controlling subsidiary of the Company) plans to list its existing shares on the NEEQ in the PRC (the “**Proposed Spin-off on NEEQ**”). No new share will be issued in relation to the Proposed Spin-off on NEEQ. The shareholding of the Company in Livzon Diagnostics (i.e 47.43%) will remain unchanged upon completion of the Proposed Spin-off on NEEQ.

Subject to market conditions and regulatory approval(s) required, Livzon Diagnostics may possibly transfer to the Beijing Stock Exchange with an offering of its new A shares (the “**Proposed Share Offering**”, the subsequent transfer to the Beijing Stock Exchange and the Proposed Share Offering collectively known as the “**Proposed PRC Listing**”). The Proposed Share Offering, if materialises, will result in a dilution of the Company’s equity interest in Livzon Diagnostics and will constitute a deemed disposal of the Company’s equity interest in Livzon Diagnostics under the Listing Rules. Based on the information available to the Company as at the date of this announcement and that the shareholding of the Company in Livzon Diagnostics being not less than 37.94% upon completion of the Proposed PRC Listing, all of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) represented by the Proposed PRC Listing are less than 5%. Therefore, neither the Proposed Spin-off on NEEQ nor the Proposed PRC Listing (individually or collectively) will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

According to the relevant requirements under the relevant PRC laws, the Proposed Spin-off on NEEQ and the Proposed PRC Listing are still required to be submitted to the general meeting of the Company for approval. The Company plans to convene a general meeting to seek the Shareholders' approval in respect of the Proposed Spin-off on NEEQ in January 2024. After the completion of the Proposed Spin-off on NEEQ and if the Company decides to proceed with the Proposed PRC Listing and the Proposed Share Offering, the Company will further seek Shareholders' approval as required by the applicable PRC laws and regulations.

THE REASONS FOR, AND THE BENEFIT OF, THE PROPOSED SPIN-OFF ON NEEQ AND THE PROPOSED PRC LISTING

After the completion of the Proposed Spin-off on NEEQ and the Proposed PRC Listing, Livzon Diagnostics Group will be principally engaged in the research and development, production and sale of diagnostic reagents and equipment, while the Group (excluding Livzon Diagnostics Group) will continue to be principally engaged in other existing two principal businesses, i.e. research and development, production and sales of drug preparation products (chemical, biological and traditional Chinese medicine), and active pharmaceutical ingredients and intermediates.

The principal reasons for, and the benefit of, the Proposed Spin-Off on NEEQ and the Proposed PRC Listing are as follows:

- (a) As a supplier of diagnostic reagents and equipment under the Company, Livzon Diagnostics will further enhance its financial strength through the Proposed Spin-off on NEEQ and the Proposed PRC Listing and help to strengthen the overall dominant position of the Group in diagnostic reagents and equipment through the capital market. The Proposed Spin-off on NEEQ and the Proposed PRC Listing will further enhance the profitability and comprehensive competitiveness of the Group;
- (b) The Proposed Spin-off on NEEQ and the Proposed PRC Listing help to deepen the layout of diagnostic reagents and enhance overall competitiveness:
 - (i) Since its establishment, Livzon Diagnostics has been focusing on research and development, production and sale of diagnostic reagents and equipment. After years of intensive development, it has established a multi-faceted technology platform, covering enzyme-linked immunosorbent assay (酶聯免疫), rapid diagnostics with colloidal gold (膠體金快速檢測), chemiluminescence (化學發光), multi-liquid chip technology (多重液相芯片技術) and molecular diagnostics (分子診斷), and has strong market influence in the fields of respiratory tract infections, infectious diseases, drug concentration monitoring. Certain of its products have gained leading positions in terms of the domestic market share; and
 - (ii) The Proposed Spin-off on NEEQ and the Proposed PRC Listing are conducive to further enhancing the brand awareness and social influence of Livzon Diagnostics, optimising the management and operating system of Livzon Diagnostics, and improving the management level of Livzon Diagnostics. The Proposed Spin-off on NEEQ and the Proposed PRC Listing, if successful, will help Livzon Diagnostics broaden its financing channels and further increase its investment in research and development and operations, thereby consolidating the market competitiveness of Livzon Diagnostics. The improvement of market competitiveness of Livzon Diagnostics will in turn help the Company to deepen its strategic layout in the diagnostic reagents industry chain and to achieve stronger development in the business segment in diagnostic reagents, further enhance the asset quality and risk prevention capabilities of the Company, and promote the sustainable, healthy and long-term development for the Company.

- (c) The Proposed Spin-off on NEEQ and the Proposed PRC Listing are conducive to improving the operations and finance transparency of Livzon Diagnostics and the corporate governance of the Company, and providing shareholders and other institutional investors with clearer business and financial status of the Group and Livzon Diagnostics Group, respectively, which facilitates the capital market to conduct reasonable valuation on the different businesses of the Company, fully reflecting the high-quality value of the assets of the Company in the capital market and maximising the interests of shareholders;
- (d) The Proposed Spin-off on NEEQ and the Proposed PRC Listing help to improve financing efficiency and leverage the advantages of the listing platform. After the Proposed Spin-off on NEEQ and the Proposed PRC Listing, Livzon Diagnostics will be connected directly with the capital market, broaden its financing channels, increase its financing flexibility, and improve its financing efficiency with the functions and advantages of direct financing from the capital market, thereby effectively reducing capital costs and providing sufficient funds for Livzon Diagnostics. In the future, Livzon Diagnostics can take advantage of the capital market platform to further expand its business scope, enrich its product lines, and achieve leapfrog development; and
- (e) After completion of the Proposed Spin-off on NEEQ and the Proposed PRC Listing, the Company remains in control of Livzon Diagnostics and will continue to consolidate the financial statements of the Livzon Diagnostics Group. The Company would continue to enjoy the benefits arising from the future business development and growth of the Livzon Diagnostics Group.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Under the Proposed Spin-off on NEEQ, there will be no issue of new shares by Livzon Diagnostics. New shares of Livzon Diagnostics will only be issued when the Proposed Share Offering of the Proposed PRC Listing materialises and such shares will only be issued in the PRC.

As advised by the PRC legal adviser of the Company, under the relevant securities laws and other relevant regulations and rules currently in force, other than (a) residents of Hong Kong and Macao Special Administrative Region and Taiwan working and living in the Mainland China; (b) foreigners working in the Mainland China and whose home country's securities regulatory authorities have established regulatory cooperation mechanisms with the China Securities Regulatory Commission; (c) foreigners who have obtained permanent residency in China; (d) eligible foreign investors who have made strategic investments in listed companies in the PRC; (e) Qualified Foreign Institutional Investors (QFII); (f) RMB Qualified Foreign Institutional Investors (RQFII); (g) foreign natural investors who meet the requirements relevant to the incentive criteria under the Administrative Measures for the Incentive Measures of Listed Companies (only applicable to listed companies to implement the equity incentive for foreign natural employees); and (h) foreign investors holding shares of the company to be listed before the initial public offering, ((a) to (h) are collectively referred to as the “**Qualified Foreign Investors**”), non-PRC investors like natural persons of Hong Kong and Macao Special Administrative region and Taiwan, foreign institutions and the institutions founded in Hong Kong and Macao Special Administrative Region and Taiwan are not allowed to open A shares securities accounts and hence they are not allowed to participate in offline distribution or online subscription of new shares in Livzon Diagnostics in the PRC. Based on the information available from the Company's H share registrar, a majority of the Shareholders of the Company may not be considered as the Qualified Foreign Investors.

Moreover, the Securities Law of the PRC and the Administrative Measures on Issuance and Underwriting of Securities provides that any issuing entities upon public offering shall obtain the approval from the securities regulatory and management authorities. “Public Offering” includes the issuance by offline distribution and online subscription to investors in compliance with the quotation, subscription procedures and rules. For offline distribution, existing Shareholders of the Company may participate in the offline distribution on the condition that they could provide effective quotations according to the PRC law. Even if they could provide such effective quotation, the Company would be unable to make any preferential allocations of the offer shares to its existing Shareholders on the ground that all investors should be treated equally. For online subscription, after the effective subscription amount is confirmed, all valid subscription would need to be assigned through balloting, or time order and proportion of subscription. Therefore, it is impossible to issue shares in Livzon Diagnostics to specific people and reserve shares for Shareholders in Hong Kong pursuant to the existing laws of the PRC.

Given the above, it would be practically difficult, unduly burdensome and not commercially feasible for the Company to comply with the assured entitlement in the shares of Livzon Diagnostics under paragraph 3(f) of Practice Note 15 of the Listing Rules in relation to the Proposed Spin-off on NEEQ and offering of shares in the PRC.

The Company has applied for and the Listing Committee has agreed to grant a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 of the Listing Rules (the “**Waiver**”) in connection with the Proposed Spin-off on NEEQ.

CONFIRMATION FROM THE BOARD

Having considered the above and given that (a) the Proposed Spin-off on NEEQ will have no negative financial effect on the consolidated financial statements of the Company; and (b) the Proposed Spin-off on NEEQ will, among others, enable the Company to capitalise the value of its existing investment in the Livzon Diagnostics Group and to provide separate fund-raising platforms to enhance the possibility of future financing of Livzon Diagnostics, the Board is of the view that the Proposed Spin-off on NEEQ and the Waiver are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Company will make further announcement(s) in relation to the Proposed Spin-Off on NEEQ and the Proposed PRC Listing in accordance with the requirements of the Listing Rules as and when appropriate.

Shareholders and prospective investors of the Company should note that the Proposed Spin-off on NEEQ and the Proposed PRC Listing are subject to, among other things, obtaining approvals from the general meeting of the Company, and from the board of directors and the general meeting of Livzon Diagnostics, as well as the approvals from the PRC regulatory authorities upon fulfilment of conditions in accordance with all applicable regulations and suitable market conditions, and hence it may or may not materialize. Therefore, shareholders and prospective investors of the Company should note that the Company cannot guarantee whether the Proposed Spin-off on NEEQ and the Proposed PRC Listing will be implemented smoothly or when it will be implemented. Investors are requested to make prudent decisions and pay attention to investment risks.

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
10 December 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*