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LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 02186)

ISSUE OF CONVERTIBLE BONDS

Reference is made to the announcement (the “**Announcement**”) of Luye Pharma Group Ltd. (the “**Company**”) dated 28 July 2022 in relation to the proposed issue of convertible bonds. Unless the context requires otherwise, capitalised terms used herein have the same meanings as those defined in the Announcement.

ISSUE OF THE FIRM BONDS

The Board announces that all conditions precedent to the issue of the Firm Bonds as set out in the Subscription Agreement, including the receipt of the approval for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Firm Bonds on the Stock Exchange, have been satisfied. On 16 August 2022, the Company issued the Firm Bonds in an aggregate principal amount of Hong Kong dollars equivalent of RMB1,200 million at the Agreed Exchange Rate to the Subscriber. The Agreed Exchange Rate, which is the exchange rate of RMB:HK\$ as published by Bank of China (Hong Kong) on 29 July 2022, is RMB1.00 to HK\$1.1568. Accordingly, the total gross subscription amount for the Firm Bonds is HK\$1,388.16 million. Assuming full conversion of the Firm Bonds at the initial Conversion Price of HK\$3.50 per Share and no further issue of Shares, the Firm

Bonds will be convertible into 396,617,142 Shares, representing approximately 11.17% of the issued share capital of the Company as at the date of this announcement and approximately 10.05% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Firm Bonds.

The Company and the Subscriber have agreed that the Upsize Option under the Subscription Agreement will not be exercised. Any further issue of securities by the Company to the Subscriber will be subject to agreement between the Company and the Subscriber and in compliance with the Listing Rules.

EFFECT ON SHAREHOLDING STRUCTURE

The following table summarises the effects on the shareholding structure of the Company as a result of the issue of the Firm Bonds (by reference to the information on shareholdings available to the Company as at the date of this announcement and assuming full conversion of the Firm Bonds and no further issue of Shares):

	Shares held as at the date of this announcement		Assuming full conversion of the Firm Bonds at the initial Conversion Price	
	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company
The Controlling Shareholder	1,257,196,703	35.42	1,257,196,703	31.86
Hillhouse NEV Holdings Limited	552,324,108	15.56	552,324,108	14.00
Other Shareholders	1,740,149,832	49.02	1,740,149,832	44.10
The Subscriber	—	—	396,617,142	10.05
Total	<u>3,549,670,643</u>	<u>100.00</u>	<u>3,946,287,785</u>	<u>100.00</u>

GENERAL MANDATE

The Conversion Shares to be issued upon conversion of the Firm Bonds will be allotted and issued under the General Mandate. Under the General Mandate, a maximum of 709,934,128 new Shares may fall to be allotted and issued. As at the date of this announcement, other than the issue of the Firm Bonds, the General Mandate has not been utilised. The Conversion Shares in respect of the Firm Bonds will utilise, based on the initial Conversion Price, 396,617,142 Shares under the General Mandate, representing approximately 55.87% of the maximum number that is allowed to be allotted and issued under the General Mandate. As such, the Board considers that the General Mandate will be sufficient, and no further Shareholders' approval is required, for the allotment and issue of the Conversion Shares to be issued upon conversion of the Firm Bonds. A list of events of adjustment to the Conversion Price is summarised in the Announcement. Other than those disclosed in the Announcement, the Subscription Agreement does not provide for any events of adjustment to the Conversion Price.

USE OF PROCEEDS

The net proceeds from the issue of the Firm Bonds (after deduction of related expenses) are approximately HK\$1,366.54 million, representing a net issue price of approximately HK\$3.45 per Conversion Share based on the initial Conversion Price.

The Company intends to use the net proceeds from the issue of the Bonds in the following manner:

Use	Percentage of net proceeds	Expected timeline to complete use of proceeds
Research and development, including pre-clinical studies, clinical trials and related registration and administration, of products under development including LY03010, LY03014, LY03003, LY01005, LY01610, LY01616 and other products in the pipeline	40%	The timing for the use of proceeds will depend on the progress of the research and development of the relevant products and the proceeds are currently estimated to be used for such purposes by the end of 2024
Repayment of debts falling due within 12 months	30%	August 2023
Marketing and commercialisation of products, of which: — approximately 10% will be used for the expansion of the market of the central nervous system field and the marketing team to support the commercialisation of LY03004 and new products to be launched in the future (including LY03005 and LY03010); and — approximately 10% will be used for the expansion of the market of the tumour field and the marketing team to support the commercialisation of new products to be launched in the future (including LY01005 and LY01017)	20%	The timing for the use of proceeds will depend on the progress of the development of the relevant products and the proceeds are currently estimated to be used for such purposes by the end of 2024

Use	Percentage of net proceeds	Expected timeline to complete use of proceeds
General working capital	10%	December 2024

By Order of the Board
LUYE PHARMA GROUP LTD.
Liu Dian Bo
Chairman

Hong Kong, 16 August 2022

As at the date of this announcement, the executive Directors of the Company are Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian and Ms. ZHU Yuan Yuan; the non-executive Directors of the Company are Mr. SONG Rui Lin and Mr. SUN Xin; and the independent non-executive Directors of the Company are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.

In the event of any inconsistencies between the Chinese and the English versions of this announcement, the latter shall prevail.

This announcement contains certain translations at the Agreed Exchange Rate of RMB1.00 to HK\$1.1568. These translations are provided for reference only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK dollars can be or could have been converted at the above rate or any other rates or at all.