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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF BOAN BIOTECH
ON THE MAIN BOARD OF THE STOCK EXCHANGE**

**BASIS OF ASSURED ENTITLEMENT OF QUALIFYING SHAREHOLDERS
IN THE PREFERENTIAL OFFERING**

The Company announces that the Assured Entitlement of the Qualifying Shareholders to the Reserved Shares in the Preferential Offering, if and when made, is one Reserved Share for every integral multiple of 6,638 Shares held by Qualifying Shareholders as at 4:30 p.m. on the Record Date, being Friday, 16 December 2022.

As the size and structure of the Global Offering have not yet been finalised, the basis of the Assured Entitlement of the Qualifying Shareholders to the Reserved Shares in the Preferential Offering as set out in this announcement is subject to change. In the event that there is a change to the basis of the Assured Entitlement of Qualifying Shareholders to the Reserved Shares in the Preferential Offering, a further announcement will be made by the Company.

The Proposed Spin-off is subject to, amongst others, the approval of the Listing Committee of the Stock Exchange, the final decisions of the Board and the board of directors of Boan Biotech, market conditions and other considerations. Accordingly, shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the Preferential Offering will not proceed. Shareholders and other investors are reminded to exercise caution in dealing in the securities of the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.

Reference is made to the announcements of the Company in relation to the Proposed Spin-off of Boan Biotech.

BASIS OF THE ASSURED ENTITLEMENT OF QUALIFYING SHAREHOLDERS IN THE PREFERENTIAL OFFERING

In order to enable the Shareholders to participate in the Global Offering on a preferential basis, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares of Boan Biotech on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Shareholders are being invited to apply for the Reserved Shares. The Reserved Shares represent approximately 5.9% and 5.0% of the number of H Shares of Boan Biotech being offered initially under the International Offering and the Global Offering (assuming that the over-allotment option of the Global Offering is not exercised), respectively, as an Assured Entitlement. The Reserved Shares are being offered out of the number of H Shares of Boan Biotech being offered under the International Offering.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 6,638 Shares held by Qualifying Shareholders as at 4:30 p.m. on the Record Date, being Friday, 16 December 2022.

Qualifying Shareholders should note that their Assured Entitlements to the Reserved Shares may not represent a full board lot of 200 H Shares of Boan Biotech. The Reserved Shares allocated to Qualifying Shareholders will be rounded down the closest whole number if required. No odd lot matching services will be provided and dealings in odd lots of the Reserved Shares may be at a price below the prevailing market price for full board lots of the Reserved Shares.

The Assured Entitlements of Qualifying Shareholders to the Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Shareholders may apply for a number of Reserved Shares which is greater than, equal to or less than their Assured Entitlements or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of the Reserved Shares which is less than or equal to a Qualifying Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions of the Preferential Offering.

Where a Qualifying Shareholder applies for a number of the Reserved Shares which is greater than the Qualifying Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to the terms and conditions as mentioned above), but the excess portion of such application will only be satisfied to the extent that there are sufficient available Reserved Shares not taken up by other Qualifying Shareholders as their Assured Entitlements under the Preferential Offering. Details of how such excess portion will be satisfied will be further described in the Prospectus.

Qualifying Shareholders who hold less than 6,638 Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares only. Such application will only be satisfied to the extent that there are sufficient available Reserved Shares not taken up by other Qualifying Shareholders as their Assured Entitlements under the Preferential Offering.

If the Preferential Offering proceeds, details of the Preferential Offering, including the terms and conditions for applications (including excess applications) for the Reserved Shares under the Preferential Offering, will be set out in the Prospectus and the accompanying blue application form.

Beneficial Shareholders who hold the Shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect should note that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), China Securities Depository and Clearing Corporation Limited does not provide services relating to the subscription of newly issued shares. Accordingly, even if the Preferential Offering proceeds, Beneficial Shareholders who hold the Shares through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

As the size and structure of the Global Offering have not yet been finalised, the basis of the Assured Entitlement of Qualifying Shareholders to the Reserved Shares in the Preferential Offering as set out in this announcement is subject to change. In the event that there is a change to the basis of the Assured Entitlement of Qualifying Shareholders to the Reserved Shares in the Preferential Offering, a further announcement will be made by the Company.

GENERAL

The Proposed Spin-off is subject to, amongst others, the approval of the Listing Committee of the Stock Exchange, the final decisions of the Board and the board of directors of Boan Biotech, market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the Preferential Offering will not proceed. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company. Persons who are in doubt about their position or any action to be taken are recommended to consult their own professional advisers.

DEFINITIONS

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

“Assured Entitlement”	the entitlement of Qualifying Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in the Company at 4:30 p.m. on the Record Date
“Beneficial Shareholders”	any beneficial owners of Shares whose Shares are registered, as shown in the register of members of the Company, in the name of a registered Shareholder on the Record Date
“Boan Biotech”	Shandong Boan Biotechnology Co., Ltd., a company incorporated in the PRC and a subsidiary of the Company
“Board”	the board of directors of the Company
“Company”	Luye Pharma Group Ltd., a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
“H Shares”	overseas listed foreign shares in the share capital of Boan Biotech with a nominal value of RMB1.00 each, which, if the Proposed Spin-off occurs, will be listed on the Stock Exchange and traded in Hong Kong dollars

“Hong Kong Public Offering”	the proposed offer of H Shares for subscription by the public in Hong Kong
“International Offering”	the proposed offer of H Shares to certain professional and institutional investors and other investors, and, include the Preferential Offering
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-Qualifying Shareholders”	Shareholders whose names appeared in the register of members of the Company on the Record Date and whose addresses as shown in such register are in a Specified Territory and any Shareholders or Beneficial Shareholders otherwise resident or located in a Specified Territory
“Preferential Offering”	the proposed preferential offering of the H Shares to Qualifying Shareholders as the Assured Entitlement in the Global Offering
“Proposed Spin-off”	proposed spin-off and separate listing of Boan Biotech on the Main Board of the Stock Exchange
“Prospectus”	the prospectus to be issued by Boan Biotech in connection with the Hong Kong Public Offering and the Preferential Offering
“Qualifying Shareholders”	Shareholders whose names appear in the register of members of the Company on the Record Date, other than Non-Qualifying Shareholders
“Record Date”	16 December 2022, being the record date for determining the Assured Entitlement of Qualifying Shareholders to the Reserved Shares in the Preferential Offering
“Reserved Share”	the H Shares to be offered by our Company pursuant to the Preferential Offering to the Qualifying Shareholders as the Assured Entitlement
“Shares”	ordinary shares of a per value of US\$0.02 each in the share capital of the Company

“Specified Territories” such jurisdictions outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdictions, including the United States, the Company and Boan Biotech consider the exclusion of the Shareholders with registered addresses in, or Beneficial Shareholders otherwise resident or located in, such jurisdictions from the Preferential Offering to be necessary or expedient

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Hong Kong, 16 December 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.