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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)

ANNOUNCEMENT

(1) ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND

(2) SALE OF EXISTING SHARES BY CONTROLLING SHAREHOLDER

- On 29 January 2021, the Company and Hillhouse NEV entered into the Subscription Agreement, pursuant to which Hillhouse NEV has agreed to subscribe for 292,406,881 new Shares to be issued by the Company, representing 9.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.26% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Price is HK\$4.28 per Share. The Subscription Price represents a premium of approximately 10.03% over the closing price of HK\$3.89 per Share as quoted on the Stock Exchange on 29 January 2021, being the date of the Subscription Agreement.

- The Company has been informed by LuYe Investment that on 29 January 2021, it entered into the Sale and Purchase Agreement with Hillhouse NEV, pursuant to which LuYe Investment has agreed to sell, and Hillhouse NEV has agreed to buy, 259,917,227 Shares, representing 8.00% of the existing issued share capital of the Company as at the date of this announcement, for HK\$4.28 per Share.
- Immediately following completion of the transactions under the Subscription Agreement and the Sale and Purchase Agreement, Hillhouse NEV is expected to become a holder of a total of 552,324,108 Shares, representing approximately 15.60% of the issued share capital of the Company as enlarged by the Subscription Shares. Following completion of the Subscription and the Sale, Hillhouse NEV will become a substantial shareholder and a connected person of the Company.

Completion of each of the Subscription and the Sale is subject to the satisfaction of certain conditions set out in their respective agreements, and therefore may or may not take place. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 29 January 2021, the Company and Hillhouse NEV entered into the Subscription Agreement, the principal terms of which are set out below:

Date

29 January 2021 (after trading hours)

Parties

- (1) Hillhouse NEV, as subscriber
- (2) the Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, Hillhouse NEV and its ultimate beneficial owners are independent of, and not connected with, the Company and the connected persons of the Company.

Number of Subscription Shares

Hillhouse NEV has agreed to subscribe for 292,406,881 new Shares to be issued by the Company, representing 9.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.26% of the issued share capital of the Company as enlarged by the Subscription Shares.

The Subscription Shares will be fully paid and will rank *pari passu* in all aspects with, and having the same rights in all aspects as the other Shares.

Subscription Price

The Subscription Price is HK\$4.28 per Share and represents:

- (a) a premium of approximately 10.03% over the closing price of HK\$3.89 per Share as quoted on the Stock Exchange on 29 January 2021, being the date of the Subscription Agreement;
- (b) a premium of approximately 9.80% over HK\$3.898, being the average closing price as quoted on the Stock Exchange for the last five consecutive trading days prior to and including 28 January 2021; and
- (c) a premium of approximately 13.47% over HK\$3.772, being the average closing price as quoted on the Stock Exchange for the last 30 consecutive trading days prior to and including 28 January 2021.

The Subscription Price was arrived at after arm's length negotiations between the Company and Hillhouse NEV with reference to the trading prices of the Shares and the results and prospects of the Company.

Conditions

Completion of the Subscription under the Subscription Agreement is conditional upon the following conditions having been satisfied:

- (i) the Board having sufficient capability to approve the allotment and issue of the Subscription Shares without Shareholders' approval pursuant to a general mandate granted to the Board by the Shareholders in accordance with the Listing Rules; and
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked.

None of the conditions stated above can be waived.

In the event that the conditions are not fulfilled within one month from the date of the Subscription Agreement (or such later date as may be agreed between the parties), the obligations and liabilities of the Company and Hillhouse NEV under the Subscription Agreement shall be null and void and neither the Company and Hillhouse NEV shall have any claim against the other for costs, damages, compensation or otherwise.

Completion

Completion of the Subscription is expected to take place on the second business days after satisfaction of the above conditions, or at such date and time as agreed by the Company and Hillhouse NEV.

Nomination of director

Under the Subscription Agreement, the Company has agreed with Hillhouse NEV that at completion of the Subscription, the Company shall take all necessary actions to procure that a person nominated by Hillhouse NEV is appointed as a non-executive Director, provided that, among other things, such person being nominated is suitable to be a director of a company listed on the Stock Exchange.

GENERAL MANDATE

Pursuant to a general mandate granted by the Shareholders at the annual general meeting of the Company held on 23 June 2020, the Directors may exercise all powers of the Company to allot, issue and deal with additional Shares up to 20% of the total nominal amount of issued share capital of the Company as at the date of that annual general meeting. As at the date of this announcement, no Shares have been allotted and issued pursuant to such general mandate. Accordingly, such general mandate is sufficient for the issue of the Subscription Shares and therefore the issue of the Subscription Shares is not subject to separate Shareholders' approval.

APPLICATION FOR LISTING

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

FUND-RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not raised any funds by issuing equity securities during the 12 months immediately before the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors consider that the Subscription represents an opportunity to raise capital for the Company while having Hillhouse NEV as a strategic investor will strengthen the Company's shareholder base. The Directors consider the non-executive director to be nominated by Hillhouse NEV would bring financial experience and industry insights to the Board. Further, the Subscription would strengthen the financial position of the Group and provide working capital to the Group.

The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription are expected to be approximately HK\$1,251.50 million. The net proceeds from the issue of the Subscription Shares, after deducting all related fees and expenses, are expected to be approximately HK\$1,251.00 million. The net price per Subscription Share, after deducting all such related fees and expenses, is approximately HK\$4.28.

The Company intends to apply such net proceeds for general working capital of the Group.

INFORMATION OF THE GROUP

The Group is an international pharmaceutical group dedicated to the research and development (R&D), manufacturing and sale of innovative medications. The Group has established R&D centers in China, the U.S. and Europe, with a robust pipeline of over 30 drug candidates in China and more than 10 drug candidates in other international markets. Along with a number of new drugs and new formulations in the central nervous system and oncology therapeutic areas under study in the U.S., Europe and Japan, the Group has reached high-level international standards in novel drug delivery technologies including microspheres, liposomes, and transdermal drug delivery systems, as well as actively making strategic developments in the fields of biological antibodies, cell therapies and gene therapies, among others. The Group is developing a global supply chain of 8 manufacturing sites with over 30 production lines in total, establishing GMP quality management and international standard control systems. With more than 30 products covering the central nervous system, oncology, cardiovascular, metabolism and other therapeutic areas, business of the Group is conducted in over 80 countries and regions around the world, including the largest pharmaceutical markets — China, the U.S., Europe and Japan, as well as in fast growing emerging markets.

INFORMATION OF HILLHOUSE NEV

Hillhouse NEV is a company formed under the laws of the British Virgin Islands. Hillhouse Capital Management, Ltd. (“**Hillhouse Capital**”) serves as the sole investment manager of Hillhouse NEV.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital’s investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of global institutional clients.

DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER

The Company has been informed by LuYe Investment, a controlling shareholder of the Company, that on 29 January 2021, it entered into the Sale and Purchase Agreement with Hillhouse NEV, pursuant to which LuYe Investment has agreed to sell, and Hillhouse NEV has agreed to buy, 259,917,227 Shares, representing 8.00% of the existing issued share capital of the Company as at the date of this announcement, for HK\$4.28 per Share. Completion of the Sale is subject to a number of conditions, and is expected to take place on or around 3 February 2021.

Completion of the Subscription is not conditional on the completion of the Sale and vice versa.

LuYe Investment has undertaken to Hillhouse NEV that, it shall take all necessary actions and to exercise its voting rights to vote in favour of the appointment of an individual nominated by Hillhouse NEV as a non-executive Director of the Company.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement; (ii) after completion of the Subscription and the Sale, assuming there is no change in the issued share capital of the Company save for the issuance of the Subscription Shares; and (iii) after completion of the Subscription and the Sale, assuming there is no change in the issued share capital of the Company save for the issuance of the Subscription Shares and the full conversion of the Convertible Bonds into Shares at a conversion price of HK\$7.90 per Share:

	(I)		(II)		(III)	
	As at the date of this announcement		Following the completion of the Subscription and the Sale		Assuming full conversion of the Convertible Bonds	
	<i>Number of Shares held</i>	<i>%</i>	<i>Number of Shares held</i>	<i>%</i>	<i>Number of Shares held</i>	<i>%</i>
LuYe Investment	1,517,113,930	46.70	1,257,196,703	35.50	1,257,196,703	32.76
Hillhouse NEV	—	—	552,324,108	15.60	552,324,108	14.39
Other Shareholders	<u>1,731,851,413</u>	<u>53.30</u>	<u>1,731,851,413</u>	<u>48.90</u>	<u>2,028,612,172</u>	<u>52.85</u>
Total issued shares	<u>3,248,965,343</u>	<u>100%</u>	<u>3,541,372,224</u>	<u>100%</u>	<u>3,838,132,983</u>	<u>100%</u>

Following completion of the Subscription and the Sale, Hillhouse NEV will be a substantial shareholder and a connected person of the Company and the Shares held by Hillhouse NEV will not be considered as part of the public float.

Completion of each of the Subscription and the Sale is subject to the satisfaction of certain conditions set out in their respective agreements, and therefore may or may not take place. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Luye Pharma Group Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning given to it in the Listing Rules
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Convertible Bonds”	1.50% convertible bonds with an aggregate principal amount of US\$300,000,000 due 2024 issued by the Company on 9 July 2019 entitling their holders to convert such convertible bonds into Shares at a conversion price of HK\$7.90 per Share (as adjusted)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries, from time to time
“Hillhouse NEV”	Hillhouse NEV Holdings Limited, a company limited by shares incorporated in the British Virgin Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LuYe Investment”	LuYe Pharmaceutical Investment Co., Ltd, a company incorporated in the Cayman Islands with limited liability, a controlling shareholder of the Company
“Sale”	the proposed sale of the Shares by LuYe Investment to Hillhouse NEV pursuant to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 January 2021 entered into between LuYe Investment and Hillhouse NEV
“Shareholders”	the shareholders of the Company
“Shares”	the ordinary shares of US\$0.02 each of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 January 2021 entered into between the Company and Hillhouse NEV
“Subscription Price”	HK\$4.28 per Subscription Share
“Subscription Shares”	the 292,406,881 new Shares, with an aggregate nominal value of US\$5,848,138, to be issued by the Company to Hillhouse NEV under the Subscription Agreement
“substantial shareholder”	has the meaning given to it in the Listing Rules

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

Hong Kong, 31 January 2021

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 Director of the Company is Mr. SONG Rui Lin; 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.