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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 ISSUE OF US\$180,000,000 6.25 PER CENT.  
CONVERTIBLE BONDS DUE 2028**



On 27 June 2023 (after trading hours), the Company and the Manager entered into the Subscription Agreement. Pursuant to the Subscription Agreement, among other things, the Company has conditionally agreed to issue to the Manager or as it may direct, and the Manager has conditionally agreed with the Company to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds, subject to certain conditions set out in the Subscription Agreement.

A book-building exercise has been conducted by the Manager, after which the terms of the Bonds, including but not limited to, the principal amount and the initial Conversion Price, have been determined.

The Bonds may be converted into Conversion Shares pursuant to the Terms and Conditions. Assuming full conversion of the Bonds at the initial Conversion Price of HK\$4.88 per Share and no further issue of Shares, the Bonds will be convertible into 288,793,032 Shares, representing approximately 7.68 per cent. of the issued share capital of the Company as at the date of this announcement and approximately 7.13 per cent. of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds. The Conversion Shares to be issued upon conversion of the Bonds will rank *pari passu* and carry the same rights and privileges in all respects with the Shares then in issue on the relevant registration date.

**The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). The Bonds were offered by way of debt issue to professional investors only.**

**The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and no public offering will be made in the United States. Neither the Bonds nor the Conversion Shares may be offered or sold within the United States absent registration under, or an applicable exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and applicable state or local securities laws of the United States. The Bonds are being offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.**

The net proceeds from the Bonds (after deduction of commissions and other related expenses) are estimated to be approximately US\$176.7 million, representing a net issue price of approximately HK\$4.79 per Conversion Share based on the initial Conversion Price. The Group intends to apply the net proceeds from the issue of the Bonds for refinancing its existing indebtedness and research and development of products.

The Conversion Shares will be allotted and issued under the General Mandate and the issue of the Conversion Shares is not subject to the approval of the Shareholders.

The Company will make a formal application to the Stock Exchange for the listing of, and permission to deal in, the Bonds on the Stock Exchange under Chapter 37 of the Listing Rules. The Company will also make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

**Completion of the transactions under the Subscription Agreement is subject to the satisfaction and/or waiver of certain conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “Subscription Agreement” below for further information.**

**WARNING: As the issue of the Bonds under the Subscription Agreement may or may not proceed to completion, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 27 June 2023 (after trading hours), the Company and the Manager entered into the Subscription Agreement. Pursuant to the Subscription Agreement, among other things, the Company has conditionally agreed to issue to the Manager or as it may direct, and the Manager has conditionally agreed with the Company to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds, subject to certain conditions set out in the Subscription Agreement.

A book-building exercise has been conducted by the Manager, after which the terms of the Bonds, including but not limited to, the principal amount and the initial Conversion Price, have been determined.

## **SUBSCRIPTION AGREEMENT**

**Date:** 27 June 2023

**Parties:** (1) the Company, as the issuer; and  
(2) the Manager.

### **Subscription**

The Company has conditionally agreed to issue to the Manager or as it may direct, and the Manager has conditionally agreed with the Company to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds on the Closing Date.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Manager is a third party independent of the Company and is not a connected person of the Company.

## Subscribers

The Manager has informed the Company that the Bonds will be offered and sold to no less than six independent placees (who will be professional investors).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the initial placees (and their respective ultimate beneficial owners) is a third party independent of the Company and is not a connected person of the Company.

## Conditions Precedent to the Subscription

The obligations of the Manager to subscribe and pay for, or to procure the subscribers to subscribe and pay for, the Bonds are conditional on:

- (a) **Due Diligence:** the Manager being satisfied with the results of its due diligence investigations with respect to the Company and its subsidiaries and the Offering Circular having been prepared in form and content satisfactory to the Manager;
- (b) **Other Contracts:** the execution and delivery (on or before the Closing Date) of the other Contracts, and the execution and delivery on or before the date of the Subscription Agreement of the Securities Lending Agreement, each in a form satisfactory to the Manager, by the respective parties;
- (c) **Shareholders' Lock-up:** the Controlling Shareholder having executed and delivered to the Manager the Lock-up Agreement on or before the Closing Date;
- (d) **Auditors' Letters:** on the date of the Offering Circular and on the Closing Date, there having been delivered to the Manager comfort letters, in form and substance satisfactory to the Manager, and addressed to the Manager from Ernst & Young, the reporting accountants to the Company;
- (e) **Compliance:** at the Closing Date, the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on, such date, the Company having performed all of its obligations under the Contracts to be performed on or before such date, and there having been delivered to the Manager a certificate signed by a duly authorised officer of the Company;
- (f) **Other Consents:** on or prior to the Closing Date, there shall have been delivered to the Manager copies of all consents and approvals required in relation to the issue of the Bonds and the performance of the Company's obligations under the Trust Deed, the Agency Agreement and the Bonds (including the consents and approvals required from all lenders);
- (g) **Listing:** the Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds and the Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Manager, to list the Bonds (or, in each case, the Manager being reasonably satisfied that such listing will be granted);

- (h) **NDRC Pre-Issuance Registration Certificate:** on or prior to the Closing Date, there having been delivered to the Manager a copy of the pre-issuance registration certificate for the issue of the Bonds evidencing the registration of the issue of the Bonds with the NDRC;
- (i) **CSRC Filing:** on or prior to the Closing Date, the agreed and final or substantially complete drafts of certain documents in relation to the CSRC Filing(s), in form and substance satisfactory to the Manager, having been delivered to the Manager; and
- (j) **Legal Opinions:** on or before the Closing Date, there having been delivered to the Manager certain legal opinions from legal advisers for various jurisdictions, in form and substance satisfactory to the Manager, and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Manager may require.

The Manager may, at its discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above conditions (other than conditions (b) and (h) above).

As at the date of this announcement, not all of the above conditions have been satisfied or (as the case may be) waived. The Company is working towards the satisfaction of all of the above conditions by the Closing Date.

### **Termination**

Notwithstanding anything contained in the Subscription Agreement, the Manager may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform, or breach of, any of the Company's undertakings or agreements in the Subscription Agreement;
- (b) if any of the conditions precedent specified in the Subscription Agreement has not been satisfied or waived by the Manager on or prior to the Closing Date;
- (c) if in the opinion of the Manager, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over the counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
- (d) if, in the opinion of the Manager, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Singapore Stock

Exchange and/or the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; or (iii) a general moratorium on commercial banking activities in the United States, the PRC, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong, Singapore or the United Kingdom; or

- (e) if, in the opinion of the Manager, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

## **LOCK-UP UNDERTAKINGS**

### **The Company**

The Company has undertaken with the Manager that neither the Company nor any person acting on its behalf will:

- (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them;
- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares;
- (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise; or
- (d) announce or otherwise make public an intention to do any of the foregoing,

in any such case without the prior written consent of the Manager between the date of the Subscription Agreement and the date which is 60 days after the Closing Date (both dates inclusive) (the “**Lock-up period**”), except for (i) the issuance of the Bonds and the Conversion Shares; (ii) the issuance of the Shares on conversion of the July 2023 Bonds (Series A) and the July 2023 Bonds (Series B) and (iii) the entering into of any transaction, or the announcing or otherwise making public an intention to enter

into a transaction, with respect to the issuance of any Shares as consideration for any acquisition in relation to the Group's business *provided that* the issuance of any Shares pursuant to such acquisition occurs after the end of the Lock-up period.

### **The Controlling Shareholder**

Upon the execution and delivery of the Lock-up Agreement, the Controlling Shareholder will undertake with the Manager that, for a period commencing from the date of the Lock-up Agreement up to 60 days after the Closing Date, without the prior written consent of the Manager, it will not:

- (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Lock-up Shares or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as the Lock-up Shares or other instruments representing interests in the Lock-up Shares or other securities of the same class as them;
- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares;
- (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of the Lock-up Shares or other securities, in cash or otherwise; or
- (d) announce or otherwise make public an intention to do any of the foregoing, except for the Shares which are subject to the Securities Lending Agreement and certain arrangements entered into prior to the date of the Lock-up Agreement.

The lock-up undertakings of the Company and the Controlling Shareholder will terminate if the Subscription Agreement is terminated in accordance with its terms.

### **PRINCIPAL TERMS OF THE BONDS**

Issuer:	the Company
Principal amount:	US\$180,000,000
Issue Date:	6 July 2023 (the “ <b>Issue Date</b> ”)
Maturity Date:	6 July 2028 (the “ <b>Maturity Date</b> ”)
Issue Price:	100 per cent. of the principal amount of the Bonds
Interest Rate:	6.25 per cent.

Form and Denomination: The Bonds are in registered form in denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Upon issue, the Bonds will be represented by a global certificate registered in the name of a nominee of, and deposited with a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.

Status: The Bonds constitute direct, unconditional, unsubordinated and subject to the Terms and Conditions, unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the Terms and Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Conversion Right: Subject to and upon compliance with the Terms and Conditions, the conversion right in respect of a Bond may be exercised, at the option of the Bondholder, at any time (subject to any applicable fiscal or other laws or regulations and as provided in the Terms and Conditions) on or after 16 August 2023 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to the Maturity Date (both days inclusive) (but, except as provided in the Terms and Conditions, in no event thereafter), or if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the Bondholder pursuant to the Terms and Conditions, then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

The number of Conversion Shares shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK\$7.8295 = US\$1.00 (the “**Fixed Exchange Rate**”)) by the Conversion Price in effect on the relevant Conversion Date (as defined in the Terms and Conditions).

Conversion Price:

The initial Conversion Price is HK\$4.88 per Share.

The Conversion Price will be subject to adjustment for, among other things, subdivision, reclassification or consolidation of Shares, capitalisation of profits or reserves, capital distributions, rights issue of Shares or options over Shares at less than 95 per cent. of the Current Market Price, rights issues of other securities, issues of Shares or other options over Shares at less than 95 per cent. of the Current Market Price, modification of rights of conversion at less than 95 per cent. of the Current Market Price, other offers to Shareholders and other events as described in the terms and conditions of the Bonds.

The Conversion Price shall not in any event be reduced to below the nominal value of the Shares as a result of any adjustment under the Terms and Conditions unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares.

“**Current Market Price**” in respect of a Share on a particular date, means, subject to certain adjustments, the average of the closing prices of a Share for the 20 consecutive trading days ending on and including (i) the trading day immediately preceding such date, or (ii) if the relevant announcement was made after the close of trading on such date (being a trading day), such date of announcement.

Adjustment upon Change of Control:

If a Change of Control shall have occurred, the Company shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice (with a copy to the Trustee and the principal agent), upon any exercise of conversion rights such that the relevant Conversion Date falls within the period of 30 days following the later of (1) the relevant Change of Control and (2) the date on which the Change of Control Notice is given to the Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP / (1 + (CP \times (c/t))), \text{ where}$$

NCP = the Conversion Price after such adjustment;

OCP = the Conversion Price before such adjustment. For the avoidance of doubt, OCP for the purposes of this adjustment shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion to which this adjustment is applicable;

CP (or Conversion Premium) = 26.10 per cent. expressed as a fraction;

c = the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t = the number of days from and including the Issue Date to but excluding the Maturity Date.

Ranking of Conversion  
Shares:

The Conversion Shares will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant registration date except for any right excluded by mandatory provisions of applicable law and except that such Conversion Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant registration date.

Redemption at Maturity:

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at its principal amount together with accrued but unpaid interest thereon on the Maturity Date.

Redemption for Taxation  
Reasons:

The Company may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the principal agent in writing and to the Bondholders in accordance with the Terms and Conditions (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at its principal amount, together with interest accrued but unpaid up to but excluding such date (if any), if the Company satisfies the Trustee immediately prior to the giving of such notice that (a) the Company has or will become obliged to pay additional tax amounts as provided or referred to in the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or Bermuda, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 27 June 2023, and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

If the Company gives a Tax Redemption Notice pursuant to the condition on redemption for taxation reasons, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions on the condition of taxation shall not apply in respect of any payment of principal, premium (if any) or interest (if any) to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Company in respect thereof pursuant to the condition on taxation and payment of all amounts by the Company to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld.

Redemption at the Option of the Company:

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the principal agents in writing, and to the Bondholders in accordance with the Terms and Conditions, the Company may redeem all and not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at its principal amount, together with interest accrued but unpaid up to but excluding the Optional Redemption Date (if any) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further Bonds issued pursuant to the Terms and Conditions).

Redemption for Delisting or Change of Control:

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at its principal amount, together with interest accrued but unpaid up to but excluding such date (if any). To exercise such right, the holder of the relevant Bond must deposit during normal business hours at the specified office of any paying agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any paying agent (a "**Relevant Event Put Exercise Notice**"), together with the certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with the Terms and Conditions. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Company's consent.

Within 14 days after it becomes aware of the occurrence of a Relevant Event, the Company shall give notice thereof to the Trustee and the principal agent in writing and to the Bondholders in accordance with the Terms and Conditions. The notice regarding the Relevant Event shall contain a statement informing Bondholders of their entitlement to exercise their conversion rights and their entitlement to exercise their rights to require redemption of their Bonds pursuant to the Terms and Conditions.

Redemption at the Option of  
the Bondholders:

On 6 July 2026 (the "**Optional Put Date**"), the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of the Bonds of such holder on the Optional Put Date at their principal amount, together with interest accrued but unpaid up to but excluding such Optional Put Date (if any). To exercise such right, the Bondholder must complete, sign and deposit with any paying agent a duly completed and signed notice of redemption ("**Optional Put Exercise Notice**") together with the certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Optional Put Date.

An Optional Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Company consents to such withdrawal.

## CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price is HK\$4.88 per Conversion Share, which represents:

- (a) a premium of approximately 26.10 per cent. over the closing price of HK\$3.87 as quoted on the Stock Exchange on 27 June 2023 (being the last trading day before the Subscription Agreement was entered into);
- (b) a premium of approximately 27.42 per cent. over HK\$3.83, being the average of the closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 27 June 2023; and
- (c) a premium of approximately 31.86 per cent. over the HK\$3.701, being the average of the closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 27 June 2023.

The Conversion Price was determined with reference to the prevailing market price of the Shares and the Terms and Conditions (including the redemption options) and was negotiated on an arm's length basis between the Company and the Manager after a book-building exercise. The Directors consider that the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Bonds may be converted into Conversion Shares pursuant to the Terms and Conditions. Assuming full conversion of the Bonds at the initial Conversion Price of HK\$4.88 per Share and no further Shares are issued, the Bonds will be convertible into 288,793,032 Shares, representing approximately 7.68 per cent. of the issued share capital of the Company as at the date of this announcement and approximately 7.13 per cent. of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds. The Conversion Shares to be issued upon conversion of the Bonds will rank *pari passu* and carry the same rights and privileges in all respects with the Shares then in issue on the relevant registration date.

## EFFECT ON SHAREHOLDING STRUCTURE

The following table summarises the potential effects on the shareholding structure of the Company as a result of the issue of the Bonds (by reference to the information on shareholdings available to the Company as at the date of this announcement and (i) assuming full conversion of the July 2023 Bonds (Series A) and the July 2023 Bonds (Series B) and (ii) the Bonds, and no further issue of Shares):

	As at the date of this announcement		Assuming the July 2023 Bonds (Series A) and the July 2023 Bonds (Series B) are fully converted into Shares at the conversion price of HK\$3.50		Assuming the July 2023 Bonds (Series A) and the July 2023 Bonds (Series B) are fully converted into Shares at the conversion price of HK\$3.50 and the Bonds are fully converted into Shares 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	Number of Shares	Approximate % of issued share capital of the Company
The Controlling Shareholder	1,257,196,703	33.42	1,257,196,703	29.53	1,257,196,703	27.65
Hillhouse NEV Holdings Limited	552,324,108	14.68	552,324,108	12.97	552,324,108	12.15
The holder of the July 2023 Bonds (Series A) and the July 2023 Bonds (Series B)	—	—	495,771,427	11.64	495,771,427	10.91
Other Shareholders	1,952,149,832	51.90	1,952,149,832	45.85	1,952,149,832	42.94
The Bondholders	—	—	—	—	288,793,032	6.35
<b>Total (Note)</b>	<b><u>3,761,670,643</u></b>	<b><u>100.00</u></b>	<b><u>4,257,442,070</u></b>	<b><u>100.00</u></b>	<b><u>4,546,235,102</u></b>	<b><u>100.00</u></b>

*Note:* Certain percentage figures included in the table have been subject to rounding adjustments, and accordingly percentage figures shown as total may not be an arithmetic aggregation of the figures preceding them.

## USE OF PROCEEDS

The net proceeds from the Bonds (after deduction of commissions and other related expenses) are estimated to be approximately US\$176.7 million, representing a net issue price of approximately HK\$4.79 per Conversion Share based on the initial Conversion Price. The Group intends to apply the net proceeds from the issue of the Bonds for refinancing of existing indebtedness and research and development of products.

## REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The Board considers that the issue of the Bonds represents an opportunity to improve the liquidity position of the Group and to settle certain short term liabilities of the Group. The Board believes that the issue of the Bonds will improve the Group's debt maturity profile and finance Group's ongoing business development.

## GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 25 May 2023. Under the General Mandate, a maximum of 752,334,128 new Shares may fall to be allotted and issued. As at the date of this announcement, the General Mandate has not been utilised.

The Conversion Shares in respect of the Bonds will utilise, based on the initial Conversion Price, approximately 288,793,032 Shares under the General Mandate, representing approximately 38.39 per cent. 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 for, and no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

In any event, if the number of the Conversion Shares does indeed exceed the General Mandate upon future adjustment to the Conversion Price pursuant to the Terms and Conditions, the Company will seek a specific mandate from its Shareholders for issuing the Conversion Shares exceeding the General Mandate.

## EQUITY FUND-RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

On 16 August 2022, the Company issued the July 2023 Bonds (Series A). The net proceeds from the issue of the July 2023 Bonds (Series A) (after deduction of related expenses and based on the reference exchange rate of RMB1.00:HK\$1.1607) are HK\$1,371.15 million. As at the date of this announcement, the usage of the net proceeds from the issuance of the July 2023 Bonds (Series A) was as follows:

<b>Intended use of proceeds</b>	<b>Approximate allocation of net proceeds as previously disclosed</b> <i>(HK\$ in million)</i>	<b>Approximate utilisation of proceeds as at the date of this announcement</b> <i>(HK\$ in million)</i>	<b>Approximate amount of net proceeds unutilised as at the date of this announcement</b> <i>(HK\$ in million)</i>	<b>Expected timeline for utilisation of unutilised proceeds</b>
Research and development, including preclinical 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	548.46	205.67	342.79	2024
Repayment of debts falling due within 12 months	411.35	246.81	164.54	2023
Marketing and commercialisation of products	274.23	137.12	137.11	2024
General working capital	<u>137.11</u>	<u>68.55</u>	<u>68.56</u>	<u>2024</u>
Total	<u><u>1,371.15</u></u>	<u><u>658.15</u></u>	<u><u>713.00</u></u>	

On 13 September 2022, the Company issued the July 2023 Bonds (Series B). The net proceeds from the issue of the July 2023 Bonds (Series B) (after deduction of related expenses and based on the reference exchange rate of RMB1.00:HK\$1.1607) are approximately HK\$341.63 million. As at the date of this announcement, the usage of the net proceeds from the issuance of the July 2023 Bonds (Series B) was as follows:

<b>Intended use of proceeds</b>	<b>Approximate allocation of net proceeds as previously disclosed <i>(HK\$ in million)</i></b>	<b>Approximate utilisation of proceeds as at the date of this announcement <i>(HK\$ in million)</i></b>	<b>Approximate amount of net proceeds unutilised as at the date of this announcement <i>(HK\$ in million)</i></b>	<b>Expected timeline for utilisation of unutilised proceeds</b>
Update of the Group’s facilities in Sichuan	147.93	44.38	103.55	2024
Update of the Group’s facilities in Yantai	136.65	47.83	88.82	2024
Update of the Group’s facilities in Nanjing	<u>57.05</u>	<u>14.26</u>	<u>42.79</u>	<u>2024</u>
Total	<u><u>341.63</u></u>	<u><u>106.47</u></u>	<u><u>235.16</u></u>	

On 22 February 2023, the Company completed a placing of 212,000,000 new Shares (the “**Placing**”) at a price of HK\$3.78 per Share to no less than six placees, each of whom, to the best of the knowledge, information and belief of the Directors, is a third party independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company, or any of its subsidiaries, or any of their respective associates.

The Company has received total net proceeds from the Placing (after deducting all relevant fees, costs and expenses borne or incurred by the Company) of approximately HK\$794.24 million. The net placing price is therefore approximately HK\$3.75 per Share. As at the date of this announcement, the usage of the net proceeds from the Placing was as follows:

<b>Intended use of proceeds</b>	<b>Approximate allocation of net proceeds as previously disclosed (HK\$ in million)</b>	<b>Approximate utilisation of proceeds as at the date of this announcement (HK\$ in million)</b>	<b>Approximate amount of net proceeds unutilised as at the date of this announcement (HK\$ in million)</b>	<b>Expected timeline for utilisation of unutilised proceeds</b>
Marketing and commercialisation of products Conducting overseas clinical trials of products under development including LY03003, LY03005, LY03010, and other products in the pipeline	238.27	16.68	221.59	2024
Repayment of the Group's debts falling due within 12 months	238.27	19.78	218.49	2024
General corporate purposes	158.85	30.18	128.67	Early 2024
	<u>158.85</u>	<u>7.94</u>	<u>150.91</u>	<u>2024</u>
<b>Total</b>	<b><u>794.24</u></b>	<b><u>74.58</u></b>	<b><u>719.66</u></b>	

Save as disclosed above, the Company has not raised any fund by issuing equity securities during the 12 months immediately before the date of this announcement.

## **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 centres in the PRC, the United States and Europe, with a robust pipeline of 35 drug candidates in the PRC and more than ten drug candidates in other international markets as at 31 December 2022. Along with a number of new drugs and new formulations in the central nervous system and oncology therapeutic areas under study in the United States, Europe and Japan, the Group has reached high-level international standards in novel drug delivery technologies including microspheres, liposome, long acting and extended release technology, targeted drug delivery, new compounds 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 eight 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 — the PRC, the United States, Europe and Japan, as well as in fast growing emerging markets.

## APPLICATION FOR LISTING

The Company will make a formal application to the Stock Exchange for the listing of, and permission to deal in, the Bonds on the Stock Exchange under Chapter 37 of the Listing Rules. The Company will also make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

**Completion of the transactions under the Subscription Agreement is subject to the satisfaction and/or waiver of certain conditions precedents therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “Subscription Agreement” above for further information.**

**WARNING: As the issue of the Bonds under the Subscription Agreement may or may not proceed to completion, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Agency Agreement”	the paying, conversion and transfer agency agreement in respect of the Bonds to be entered into among the Company, the Trustee and the other agents named therein
“Board”	the board of Directors
“Bondholders”	holders of the Bonds from time to time
“Bonds”	6.25 per cent. convertible bonds in an aggregate principal amount of US\$180,000,000 due 2028 to be issued by the Company pursuant to the Subscription Agreement
“Change of Control”	(i) any person or persons other than the Permitted Holders (or persons who are controlled by the Permitted Holders) acting together acquires control of the Company if such person or persons does not or do not have, and would not be deemed to have, control of the Company on the Issue Date;  (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person, unless the consolidation, merger, sale or transfer will not result in such other person or persons, other than the Permitted Holders, acquiring control over the Company or the successor entity; or

	(iii) the Permitted Holders cease to own at least 20 per cent. of the Company
“Closing Date” or the “Issue Date”	the date on which the Bonds are issued, which is tentatively scheduled for 6 July 2023 or such later date (not being later than 20 July 2023) as the Company and the Manager may agree
“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 person”	has the meaning given to it in the Listing Rules
“Contracts”	the Trust Deed, the Agency Agreement and the Subscription Agreement
“Controlling Shareholder”	LuYe Pharmaceutical Investment Co., Ltd., a controlling shareholder of the Company holding approximately 33.42 per cent. of the issued share capital of the Company as at the date of this announcement
“Conversion Shares”	the Shares to be issued by the Company upon conversion of the Bonds pursuant to the Trust Deed and the Terms and Conditions, which assuming full conversion of the Bonds at the initial Conversion Price and no further Shares are issued, will have an aggregate nominal value of US\$5,775,860.64
“CSRC”	the China Securities Regulatory Commission
“CSRC Filing(s)”	any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the issuance of the Bonds and any transactions contemplated by the Subscription Agreement pursuant to the CSRC Filing Rules and other applicable rules and requirements of the CSRC (including, without limitation, the CSRC Filing Report and the PRC legal opinion to be issued by the counsel for the Issuer on the PRC laws)
“CSRC Filing Report”	the filing report of the Company, including any amendments, supplements and/or modifications thereof, in connection with the issuance of the Bonds and any transactions contemplated by the Subscription Agreement and any relevant support materials which will be submitted to the CSRC within the prescribed time period after the Issue Date pursuant to Article 13 of the CSRC Filing Rules

“CSRC Filing Rules”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法(中國證券監督管理委員會公告[2023]43號)) and supporting guidelines issued by the CSRC on 17 February 2023, as amended, supplemented or otherwise modified from time to time
“Directors”	the directors of the Company
“General Mandate”	the general mandate to allot and issue Shares granted to the Directors by resolutions of the Shareholders passed at the annual general meeting of the Company held on 25 May 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“July 2023 Bonds (Series A)”	the 6.5% Hong Kong dollars equivalent of RMB1,200 million convertible bonds issued by the Company on 16 August 2022. Please refer to the announcements of the Company dated 28 July 2022 and 16 August 2022 for further information on the July 2023 Bonds (Series A)
“July 2023 Bonds (Series B)”	the 6.5% Hong Kong dollars equivalent of RMB300 million convertible bonds issued by the Company on 13 September 2022. Please refer to the announcements of the Company dated 2 September 2022 and 13 September 2022 for further information on the July 2023 Bonds (Series B)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Agreement”	a lock-up agreement to be delivered by the Controlling Shareholder to the Manager on or prior to the Closing Date
“Lock-up Shares”	218,500,000 Shares held directly (or through nominees) by the Controlling Shareholder as of the date of the Lock-up Agreement
“Manager”	UBS AG Hong Kong Branch
“NDRC”	the National Development and Reform Commission of the PRC
“Offering Circular”	an offering circular to be prepared by the Company in relation to the issue of the Bonds
“Permitted Holders”	any or all of the following: Mr. Liu Dian Bo, the Controlling Shareholder, and any person or persons controlled by them

“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“professional investors”	has the meaning given to it in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investors) Rules (Cap. 571D)
“Relevant Event”	(i) the Shares cease to be listed or admitted to trading or are suspended on the Main Board of the Stock Exchange for a period equal to or exceeding 30 consecutive trading days; or (ii) there is a Change of Control
“Securities Lending Agreement”	the stock borrowing and lending agreement entered into between the Controlling Shareholder and UBS AG, London Branch (as borrower), whereby the Controlling Shareholder has agreed to provide stock lending over certain Shares to the borrower in connection with the proposed issue of the Bonds
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of US\$0.02 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 27 June 2023 entered into between the Company and the Manager in relation to the subscription of the Bonds
“Terms and Conditions”	the terms and conditions of the Bonds
“Trust Deed”	the trust deed constituting the Bonds to be entered into between the Company and the Trustee
“Trustee”	Citicorp International Limited

“United States” the United States of America

“USD” or “US\$” United States dollars, the lawful currency of the United States

*In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.*

*The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.*

*This announcement contains certain translations at the exchange rate of US\$1.00 to HK\$7.8295. 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 US dollars or HK dollars can be or could have been converted at the above rate or any other rates or at all.*

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

Hong Kong, 28 June 2023

*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, Mr. CHOY Sze Chung Jojo and Ms. XIA Lian.*