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Pharma
绿叶制药

LUYE PHARMA GROUP LTD.
绿叶制药集团有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 02186)

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTION FURTHER ANNOUNCEMENT ON THE TRANSFER OF 25% INTEREST IN NANJING LUYE AND RELATED TRANSACTIONS – COMPLETION OF THE EQUITY TRANSFER

Reference is made to the announcement of Luye Pharma Group Ltd. (the "**Company**") dated 28 December 2025 in relation to NJ Xinshi's proposed acquisition of the Exiting Investor's 25% equity interest in Nanjing Luye and the related transactions (the "**Announcement**"). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

THE EQUITY TRANSFER

Completion

The Board announces that the conditions precedent for completion of the Equity Transfer have been satisfied and completion of the Equity Transfer took place on 19 January 2026. Following completion of the Equity Transfer, Nanjing Luye is owned as to 75% by the Group and 25% by NJ Xinshi.

Basis of consideration

The Repurchase Option under the Investment Agreement was not triggered and it was not exercised. Instead, the Equity Transfer is a separate, newly negotiated transaction between the Luye Parties and the Exiting Shareholder. It was designed to allow the Exiting Shareholder (which had expressed its desire to exit Nanjing Luye) to sell its interest in Nanjing Luye and while concurrently allowed the Luye Parties to determine and control the identity of the purchaser and its prospective partner go-forward. Although the Equity Transfer is not an exercise of the Repurchase Option, the parties agreed, after arm's length negotiations, to use the Repurchase Option's pre-agreed pricing formula as the basis for the consideration of the Equity Transfer. The parties considered that the formula offers an objective valuation reference as it reflects the Exiting Investor's capital position in Nanjing Luye and an agreed time value of money, providing a transparent and verifiable benchmark. On that basis, the Luye Parties nominated NJ Xinshi as purchaser, and the parties agreed a purchase price of RMB1,086,383,600.

Listing Rules implications of the Equity Transfer

Prior to completion of the Equity Transfer, the Exiting Investor was a substantial shareholder of Nanjing Luye, a subsidiary of the Company. Accordingly, the Existing Investor was a connected person of the Company at the subsidiary level of the Company for the purpose of Chapter 14A of the Listing Rules. While NJ Xinshi is not a connected person of the Company, however, given Nanjing Luye is a party to the Equity Transfer Agreement, the Equity Transfer is considered a connected transaction for the Company. Since (i) the Exiting Investor was a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer; and (iii) the independent non-executive Directors have confirmed that the terms of the Equity Transfer are fair and reasonable, and that the Equity Transfer is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Equity Transfer is subject to the announcement requirement but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

FURTHER INFORMATION ON NJ XINSHI AND THE PARTNERSHIP AGREEMENT

NJ Xinshi is a limited partnership established under the laws of the PRC in accordance with the Partnership Agreement. A summary of the principal terms of the Partnership Agreement is set out below:

Date

23 October 2025

Parties

1. Hangzhou Xinshi (as general partner);

2. Yantai Hexin (as general partner);

3. China Cinda (as limited partner); and

4. Shandong Luye (as limited partner).

Term and purpose of partnership

The Partnership Agreement has a term of ten years commencing from the date of the establishment of NJ Xinshi. The purpose of NJ Xinshi is to maximise the commercial advantages of the partnership structure, to achieve capital preservation and appreciation through targeted project investments and to generate business opportunities and investment returns for partners.

The scope of business of NJ Xinshi is primarily investment.

Capital contribution

The total capital contribution by all partners pursuant to the Partnership Agreement is RMB602,000,000 and the following table sets out the capital contribution committed to be made by each of the partners:

Partner	**Type**	**Capital contribution commitment** *(RMB)*	**Approximate percentage** *(%)*
China Cinda	Limited partner	400,000,000	66.4
Shandong Luye	Limited partner	200,000,000	33.2
Yantai Hexin	General partner	1,000,000	0.2
Hangzhou Xinshi	General partner	1,000,000	0.2
Total		602,000,000	100.0

The respective capital contribution to NJ Xinshi was determined after arm's length negotiation among the partners with reference to the capital need of NJ Xinshi, the funding needs of the Equity Transfer and the partners' proportionate interests therein. Shandong Luye will use the Group's internal resources to fund the capital contribution commitment to NJ Xinshi.

Management

Hangzhou Xinshi, as a general partner and the executive partner, shall be responsible for overseeing investment, daily management and general business affairs of NJ Xinshi. Ningbo Cinda Hanshi Capital has been appointed as the manager to provide investment management, administrative management, daily operation management and other services to NJ Xinshi.

Profit distribution

Unless otherwise agreed between the partners of NJ Xinshi, any distributable profits attributable to NJ Xinshi shall be distributed in the following order of priority: (1) the Base Return, i.e. 8.5% per annum will be distributed to China Cinda semi-annually commencing from the date on which China Cinda made its first capital contribution to NJ Xinshi; (2) save for the foregoing, the distribution will be made in proportion to each partner's relevant actual paid-in capital contribution to NJ Xinshi; and (3) any remaining surplus will be distributed to Shandong Luye.

The Base Return was determined after arm's length negotiations between the partners of NJ Xinshi, and is set within the range of similar carried interest provisions typically adopted by funds and co-investment vehicles in which China Cinda or its affiliates have participated.

FURTHER INFORMATION ON NANJING LUYE PUT OPTION AND CHINA CINDA PUT OPTION

Nanjing Luye Put Option

As disclosed in the Announcement, under the Nanjing Luye Equity Option Agreement, NJ Xinshi is granted the Nanjing Luye Put Option, being the right to request Yantai Luye to repurchase NJ Xinshi's equity holding in Nanjing Luye at any time upon the occurrence of certain specified events as further set out in the Announcement.

The maximum amount of the Put Purchase Price which Yantai Luye is required to pay NJ Xinshi upon the exercise of the Nanjing Luye Put Option is RMB1,638.4 million, being the sum of the following:

(i) RMB602 million, being the maximum amount of capital contributions to NJ Xinshi by all partners;

(ii) RMB272 million, being the maximum amount of the Base Return due but unpaid to China Cinda under the Partnership Agreement, calculated at a simple interest rate of 8.5% per annum for 96 months (i.e. the term before which the Nanjing Luye Put Option is exercisable (the "**Maximum Base Return**");

(iii) RMB761.4 million, being the maximum amount of any outstanding principal and interest that shall be payable by NJ Xinshi under the Facility; and

(iv) RMB3 million, being the operating expenses payable by NJ Xinshi and all applicable taxes. This amount is arrived at after taking into account the routine operating expenses of NJ Xinshi for up to 96 months, stamp duty payable by NJ Xinshi for its exit from Nanjing Luye, and any potential related legal and valuation fees as well as a reasonable buffer.

China Cinda Put Option

As disclosed in the Announcement, under the NJ Xinshi Partnership Interests Option Agreement, China Cinda is granted the China Cinda Put Option, being the right to request Yantai Luye to purchase China Cinda's entire partnership interests in NJ Xinshi at any time upon the occurrence of certain specified events as further set out in the Announcement.

The maximum amount of the Fund Put Purchase Price which Yantai Luye is required to pay China Cinda upon the exercise of the China Cinda Put Option is RMB672,001,530, being the sum of the following:

(i) RMB400 million, being the amount of the paid-in capital of China Cinda to NJ Xinshi;

(ii) RMB272 million, being the Maximum Base Return; and

(iii) RMB1,530, being the maximum amount of any liquidated damages payable to China Cinda under the Partnership Agreement and any other relevant transaction documents. This cap represents the amount payable to China Cinda for the duration of the 20-business day grace period following non-payment of the Base Return. After such 20-business day grace period, China Cinda Put Option would be triggered and it is expected China Cinda will exercise the China Cinda Put Option.

The Nanjing Luye Put Option and the China Cinda Put Option are mutually exclusive. If the China Cinda Put Option is exercised, the Nanjing Luye Put Option will no longer be exercised; and vice versa. This construct provides a single, orderly exit path for China Cinda.

REASONS FOR AND BENEFITS OF THE PARTNERSHIP AGREEMENT AND THE TRANSACTIONS

As disclosed in the Announcement, in connection with the Equity Transfer, the Group has entered into a series of further transactions including the Shortfall Compensation, Call Option, Nanjing Luye Put Option, China Cinda Put Option, the Transaction Guarantee and the Facility Guarantee which were structured to procure financing and third-party investor backing to facilitate payment of the Equity Transfer.

To support the Equity Transfer, the Directors consider that adopting a partnership-plus-facility structure with the introduction of China Cinda as a partner of NJ Xinshi is commercially prudent and provides clear advantages over other financing options including single-source fundings for reasons including:

- The Facility to be obtained by NJ Xinshi will not exceed RMB648 million, for a tenor of no more than five years, and an interest rate of no more than 3.5% per annum. The Facility proceeds are primarily intended to fund part of the Repurchase Amount. Partner capital contributions, principally from China Cinda under the Partnership Agreement, bridge the funding gap of the Equity Transfer. This combination of financing ensures NJ Xinshi will be able to meet the Repurchase Amount payment timetable under the Equity Transfer Agreement.

- The Transactions as a whole enable the Company to obtain a blend of relatively low-cost bank funding with partnership capital that carries an 8.5% per annum simple Base Return that only applies to the capital actually contributed by China Cinda, thereby producing a weighted average funding cost that is competitive for the size and timing of the Equity Transfer. The Base Return is serviced by distributions at the level of NJ Xinshi, with no Shortfall Compensation being accrued or be payable after the expiry of the 60-Month Period, which limits long-dated obligations and provides visibility on cost. The Company considers this as an efficient allocation of capital relative to alternatives that could entail higher all-in coupon, equity dilution or both.

- The Partnership Agreement is integral to the Equity Transfer's financing architecture. It delivers funding sufficiency and timing certainty for the Equity Transfer, a competitive overall funding cost, disciplined oversight through an institutional partnership model by partnering with China Cinda, the shares of which are listed on the Main Board of the Stock Exchange with the State Council of the PRC being its ultimate beneficial owner. The Transactions also provide for various value realisation scenarios, including support for an exit within 60 months through IPO or equity transfer. This is expressly embedded in the mutually exclusive Nanjing Luye Put Option and China Cinda Put Option, which create a calibrated mechanism for orderly exit and risk rebalancing, while the Call Option provides a right for Yantai Luye to potentially consolidate partnership interests if conditions are favourable. These features align incentives across stakeholders involved in the Transactions.

- The Partnership Agreement and associated Transactions allow the Group to maintain control over the identity of the partner of Nanjing Luye following the departure of the Exiting Shareholder, supporting continuity, governance stability and alignment of strategic objectives.

- The Company assessed fundraising alternatives for the Equity Transfer, including additional on-balance sheet debt and equity financing such as rights issue or open offer. A fully debt-funded structure would place additional pressure on the Company's day-to-day liquidity and reduce financial flexibility, as well as significantly increasing the Group's gearing. At or around the time the Transactions were contemplated, prevailing market conditions were not conducive to an equity fundraising. As such, the Company considered that proceeding with the Transactions provide a financing package with institutional backing and contractual protections that the Company considers to be on normal commercial terms following arm's length negotiations.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Shandong Luye Subscription and the Transactions, as well as the terms under the Partnership Agreement and the Transaction Agreements (including the Shortfall Compensation, Call Option, Nanjing Luye Put Option, China Cinda Put Option, the Transaction Guarantee and the Facility Guarantee) are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 27 January 2026

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. HUANG Liming; 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.