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LUYE PHARMA GROUP LTD.

绿叶制药集团有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 02186)

DISCLOSEABLE TRANSACTIONS SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

The Company had, during the Relevant Period, subscribed for certain wealth management products with various banks. During the Relevant Period, the respective maximum cumulative amount of unsettled wealth management products with each of Agricultural Bank of China, Bank of China, China Merchants Bank, Evergrowing Bank and Ping An Bank was RMB1,050,000,000, RMB362,500,000, RMB608,000,000, RMB950,000,000 and RMB400,000,000. As at the date of this announcement, the cumulative amount of unsettled wealth management products with each of Agricultural Bank of China, Bank of China, China Merchants Bank, Evergrowing Bank and Ping An Bank is nil, RMB200,000,000, RMB99,000,000, RMB450,000,000 and RMB300,000,000.

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the amount under each of the ABC Agreements outstanding from time to time should be aggregated for the purpose of calculating the percentage ratios (as defined under Rule 14.07 of the Listing Rules). This is also the case for the other Agreements. When aggregated, as one or more of the applicable percentage ratios for each of the Agreements exceed 5% but are all less than 25%, the transactions under each of the Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

The Company had, during the Relevant Period, subscribed for certain wealth management products with various banks. The table below sets out (a) the maximum cumulative amount of the unsettled wealth management products with each of Agricultural Bank of China, Bank of China, China Merchants Bank, Evergrowing Bank and Ping An Bank during the Relevant Period; (b) the respective date when one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the subscription for wealth management products with the relevant Bank first exceeded 5%

and therefore constituted a discloseable transaction, together with the cumulative amount of unsettled wealth management products as at that date; and (c) the respective cumulative amount of unsettled wealth management products with each of the Banks as at the date of this announcement.

Banks	(a) The maximum cumulative amount during the Relevant Period (RMB million)	(b) The respective date when one or more of the applicable percentage ratios for the subscription first exceeded 5%/the cumulative amount of unsettled wealth management products as at that date	(c) The respective cumulative amount of unsettled wealth management products as at the date of this announcement (RMB million)
Agricultural Bank of China	1,050.0	29 October 2014/ RMB550 million	Nil
Bank of China	362.5	29 April 2015/RMB362.5 million	200.0
China Merchants Bank	608.0	20 November 2014/ RMB545 million	99.0
Evergrowing Bank	950.0	7 November 2014/ RMB550 million	450.0
Ping An Bank	400.0	13 May 2015/ RMB400 million	300.0

THE AGREEMENTS

A summary of the principal terms of all the Agreements are set out below:

The ABC Agreements

Parties	:	The Company, as the subscriber Agricultural Bank of China, as the custodian bank
Type of return	:	Principal guaranteed with floating return rate of 2.6% to 4.8%
Investment portfolio	:	Low-risk investment instruments such as inter-bank deposits and inter-bank borrowings, and floating income will be generated by linking a portion of the gains derived from the investment with foreign currency options
Return calculation	:	$\text{Investor's return} = \text{units of the wealth management plan held by the investor} \times \text{net annualised rate of return actually paid to the investor} \times \text{actual number of days of the wealth management plan} / 365$
Bank subscription fee	:	Fixed investment management fee of 0.2% (per annum)
Early termination	:	Agricultural Bank of China has the right of early termination
Payment and return upon maturity	:	The principal and interests shall be paid for held-to-maturity products of the investor within two working days upon maturity of the products
First date of subscription	:	10 October 2014

During the Relevant Period, the maximum cumulative amount of the unsettled wealth management products with Agricultural Bank of China was RMB1,050.0 million and as at the date of this announcement, the cumulative amount of unsettled wealth management products with Agricultural Bank of China was nil.

The BOC Agreements

Parties	:	The Company, as the subscriber Bank of China, as the custodian bank
Type of return	:	Return-guaranteed type

Investment portfolio	:	Financial products with public ratings above investment grade such as government bonds, central bank bills, CDB bonds, EIBC bonds and ABC bonds, as well as the monetary market instruments such as inter-bank funding and bond repurchase available in the PRC inter-bank bond market
Return calculation	:	Returns as at the opening day = (principal amount + accrued return for the previous period) × rate of return × period of return / 365
Bank subscription fee	:	Fixed investment management fee of 0.2% (per annum)
Early termination	:	Bank of China has the right of early termination
Payment and return upon maturity	:	The payment date shall be within one working day after the date of early termination or date of redemption
First date of subscription	:	10 October 2014

The BOC T+0 Day Agreement

Date of agreement	:	19 April 2013
Parties	:	The Company, as the subscriber Bank of China, as the custodian bank
Type of return	:	Principal guaranteed with floating return (the annualised rate since 2014 was quoted at 2.8%, after deducting fixed management fee and custody fee)
Investment portfolio	:	Government bonds, financial bonds, central bank bills; bank deposits, large-denomination negotiable certificates of deposit (NCD), bond repurchase; enterprise bonds with high credit ratings, corporate bonds, short-term debentures, mid-term notes, asset-backed securities, debt financing instruments under private placement, monetary market funds and short-term wealth management funds
Return calculation	:	Investor's return of the day = units of the wealth management plan held by the investor on the same day × the wealth management plan's rate of return on the previous trading day of the wealth management plan calculated and announced by the wealth management plan manager for each trading day of the wealth management plan/365
Bank subscription fee	:	Fixed investment management fee rate of 0.2% (per annum) and custody fee rate of 0.03% (per annum)

Early termination	:	Bank of China has the right of early termination
Payment and return upon maturity	:	Application for subscription and redemption are available on each trading day with immediate effect. The 15th day of each month is the distribution date of the investment returns for the month, on which the investment returns from the distribution date of investment returns of last month (inclusive) to the distribution date of investment returns for the current month (not inclusive) are paid. The investment returns shall be paid within two trading days after the distribution date

During the Relevant Period, the maximum cumulative amount of the unsettled wealth management products with Bank of China was RMB362.5 million and as at the date of this announcement, the cumulative amount of unsettled wealth management products with Bank of China was RMB200.0 million.

The CMB Agreement

Date of agreement	:	7 January 2013
Parties	:	the Company, as the subscriber China Merchants Bank, as the custodian bank
Type of return	:	Principal guaranteed with floating return (the annualised rates since 2014 were quoted at between 2.4% and 2.6%, after deducting fixed management fee and custody fee)
Investment portfolio	:	Financial assets with higher credit rating and better liquidity in the PRC inter-bank market, including but not limited to government bonds, financial bonds, central bank bills; bank deposits and bond repurchase; and enterprise bonds, corporate bonds, short-term debentures, mid-term notes, asset-backed securities, debt financing instruments under private placement, monetary market funds and short-term wealth management funds with high credit ratings
Return calculation	:	Investor's returns of the day = units of the wealth management plan held by the investor on the same day × the wealth management plan's rate of return on the previous trading day of the wealth management plan calculated and announced by the wealth management plan manager for each trading day of the wealth management plan / 365
Bank subscription fee	:	0.5% (per annum)
Early termination	:	China Merchants Bank has the right of early termination

Payment and return upon maturity : Application for subscription and redemption are available on each trading day with immediate effect. If the investor redeems the wealth management plan in full, China Merchants Bank will immediately pay the principal and wealth management returns on the same day to the investor. The first business day of each month is the distribution date of investment returns for the month, on which the investment returns from the distribution date of investment returns of last month (inclusive) to the distribution date of investment returns for the current month (not inclusive) are paid. The investment returns shall be paid within three trading days after the distribution day.

During the Relevant Period, the maximum cumulative amount of the unsettled wealth management products with China Merchant Bank was RMB608.0 million and as at the date of this announcement, the cumulative amount of unsettled wealth management products with China Merchant Bank was RMB99.0 million.

The EB Agreements

Parties : The Company, as the subscriber
Evergrowing Bank, as the custodian bank

Type of return : Principal guaranteed with fixed return

Investment portfolio : Financial instruments with higher credit rating and better liquidity, including but not limited to government bonds, financial bonds and central bank bills trading in the inter-bank bond market; subordinated bonds of banks, bond repurchase; enterprise bonds, corporate bonds, short-term debentures and mid-term notes etc. at investment grade or above; inter-bank deposits of commercial banks, placements in monetary market, various financial products secured by bank and non-bank financial institutions and other legal financial assets

Return calculation : $\text{Investor's return} = \text{units of the wealth management plan held by the investor} \times \text{net annualised rate of return actually paid to the investor} \times \text{actual number of days of the wealth management plan} / 365$

Bank subscription fee : Fixed investment management fee of 0.3% (per annum), custody fee rate of 0.03% (per annum) and sales charge of 0.2% (per annum)

Early termination : Evergrowing Bank has the right of early termination

Payment and return upon maturity : The principal and interests shall be paid for held-to-maturity products of the investor within two working days upon maturity of the products

First date of subscription : 31 October 2014

During the Relevant Period, the maximum cumulative amount of the unsettled wealth management products with Evergrowing Bank was RMB950.0 million and as at the date of this announcement, the cumulative amount of unsettled wealth management products with Evergrowing Bank was RMB450.0 million.

The PAB Agreements

Parties	: The Company, as the subscriber Ping An Bank, as the custodian bank
Type of return	: Principal guaranteed with floating return of 2.50% to 4.90% (per annum)
Investment portfolio	: The principal portion of fund will be deposited in Ping An Bank which provides 100% guarantee for the principal amount; the derivative portion of fund will be invested in interest rate derivative product markets through swap transactions by Ping An Bank. The return shall be linked to the performance of 3-month LIBOR of US\$ in the international market
Return calculation	: Actual return of the structured deposits received by the investor = total principal amount of deposit of the products subscribed by the investor × actual rate of return The actual rate of investment return is calculated as follows: <ul style="list-style-type: none">● Actual rate of return = (fixed return rate + floating return rate) × (actual numbers of days of investment / 365)● Fixed return rate (annualised) = 2.50%● Floating return rate (annualised) = 2.40% × (total number of days/ calendar days of the cumulative period)
Bank subscription fee	: Handling fee of 0.10% (per annum) and custody fee of 0.01% (per annum)
Early termination	: Ping An Bank has the right of early termination
Payment and return upon maturity	: The principal and returns shall be paid to the investor within two working days after the maturity date of product, early termination date or extension date

First date of : 28 April 2015
subscription

During the Relevant Period, the maximum cumulative amount of the unsettled wealth management products with Ping An Bank was RMB400.0 million and as at the date of this announcement, the cumulative amount of unsettled wealth management products with Ping An Bank was RMB300.0 million.

REASONS FOR AND BENEFITS OF ENTERING INTO EACH OF THE AGREEMENTS

The subscription of the wealth management products with each of the Banks is principal-preservation in nature utilising certain temporarily idle funds of the Group, and was conducted on the premises that such investments would not affect the working capital of the Company or the operation of the Group's principal business. Please also refer to the section headed "Funds for the subscription of wealth management products and use of IPO proceeds" for further details on the funds used for subscription of the wealth management products.

The subscription of the wealth management products with each of the Banks is conducive to improving the capital usage efficiency and generating investment return from the Group's temporarily idle funds. Giving top priority to risk prevention, the Company implemented control and made prudent decisions in respect of the purchase of wealth management products on the principle of protecting the interests of all shareholders and the Company. On one hand, the Company is able to generate a relatively higher return from subscribing the wealth management products than fixed-term bank deposits and on the other hand, the Company is able to retain flexibility in redeeming wealth management products when it foresees there is a cash need.

As such, the Directors are of the view that the terms and conditions of each of the Agreements are fair and reasonable and the subscription of the wealth management products under the Agreements is in the interests of the Company and its shareholders as a whole.

GENERAL

Information on the Group

The Group is a pharmaceutical company based in the PRC which focuses on the development, production, marketing and selling of innovative products in oncology, cardiovascular system, and alimentary tract and metabolism.

Information on the Banks

The following sets out some background information about the Banks, which are based in information available on the internet.

Agricultural Bank of China is a joint stock company incorporated under the laws of the PRC with limited liability and the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange (Hong Kong stock code: 1288), respectively. It provides a wide range of corporate and retail banking products and services for a broad range of customers and carries out treasury operations on behalf of customers. Its business scope includes, among others, investment banking, fund management, financial leasing and life insurance.

Bank of China is a joint stock company incorporated under the laws of the PRC with limited liability and the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange (Hong Kong stock code: 3988), respectively. It provides a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other related financial services to its customers in the PRC, Hong Kong, Macau Special Administrative Region of the PRC and other major international financial centres.

China Merchants Bank is a joint stock company incorporated in the PRC with limited liability and the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange (Hong Kong stock code: 3968), respectively. It is principally engaged in the provision of corporate and personal banking services, conducting treasury business, provision of asset management and trustee services and other financial services.

Evergrowing Bank is a joint stock commercial bank in the PRC. It provides a wide range of commercial banking services including loans, deposit-taking, trade finance, treasury and investment services.

Ping An Bank is a joint stock commercial bank in the PRC and its shares is listed on the Shenzhen Stock Exchange. It provides a full range of commercial banking services, including insurance, banking and asset management services and other related services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Agricultural Bank of China, Bank of China, China Merchants Bank, Evergrowing Bank and Ping An Bank and its ultimate substantial beneficial owner is a third party independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the amount under the ABC Agreements outstanding from time to time should be aggregated for the purpose of calculating the percentage ratios (as defined under Rule 14.07 of the Listing Rules). This is also the case for the other Agreements. When aggregated, as one or more of the applicable percentage ratios for each of the Agreements exceed 5% but are all less than 25%, the transactions under each of the Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

COMPLIANCE WITH THE LISTING RULES

Due to an oversight, the Company had not previously disclosed the details of the subscription of the wealth management products under the Agreements in a timely manner in accordance with the requirements of Chapter 14 of the Listing Rules. The Company will comply with the Listing Rules if it is to subscribe for any wealth management products or conduct any similar transactions in the future.

REMEDIAL ACTIONS AND IMPROVEMENT MEASURES

The Company is committed to adopt the following internal control measures to prevent a recurrence of similar incidents in the future:

- (i) arranging for the internal control department to review the Company's internal control procedures in respect of the monitoring of all transactions, including reviewing and assessing the nature of any possible transactions which may constitute notifiable transactions, connected transactions and/or other transactions required to be disclosed under the Listing Rules before such transactions are committed by the Group or other appropriate actions should be taken and if necessary, the audit committee will seek advice from the professional advisers (including but not limited to the company secretarial service provider, auditors, compliance advisers and legal advisers);
- (ii) strengthening the communication between the management and the professional advisers on an on-going basis for consultation of the compliance with the Listing Rules and the relevant laws and regulations of Hong Kong in respect of any discloseable matter/events; and
- (iii) requiring the Directors and relevant members of the senior management of the Company to attend training which, in particular, includes identification of notifiable transactions, corporate governance matters, compliance of the Listing Rules and updates of any change in the Listing Rules, to be provided by the Company's professional advisers or other external recognised institutions on a regular basis.

The Board is of the view that as the proposed improvements on the Group's internal controls cover the identification, monitoring and compliance aspects in relation to the identification of notifiable transactions, they are considered sufficient and adequate.

FUNDS FOR THE SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS AND USE OF IPO PROCEEDS

The Company used a portion of its IPO proceeds in the amount of HK\$1,434 million for the subscription of the wealth management products under the Agreements.

As disclosed in the announcement of the Company dated 1 June 2015, the Group has served notices to terminate the agreements in relation to the proposed acquisition of Beijing Jialin Pharmaceutical Co., Ltd. (the “**Acquisition**”) and accordingly, the Acquisition will not proceed. Prior to the termination of the agreements for the Acquisition, it was previously the Company's intention to apply approximately HK\$2,307 million (equivalent to approximately RMB1,822.53 million) representing approximately 60%

of the IPO proceeds (the **“IPO Proceeds for Acquisition”**) to fund part of the purchase price for the Acquisition. For further information, please refer to the circular of the Company dated 31 December 2014 in relation to the Acquisition and the Company’s 2014 annual report published on 28 April 2015. As at the date of the 2014 annual report, the Company utilised HK\$873 million (equivalent to RMB689.67 million) of the IPO proceeds for this purpose, with a balance of the IPO Proceeds for Acquisition of HK\$1,434 million available (equivalent to approximately RMB1,132.86 million) (the **“Remaining IPO Proceeds for Acquisition”**). As completion of the Acquisition was still pending during the Relevant Period, the Remaining IPO Proceeds for Acquisition was standing idle in the Company’s bank account. The Company therefore decided to use such funds together with a portion of idle internal funds to subscribe for wealth management products for the reasons set out in the section headed “Reasons for and benefits of entering into each of the Agreements” above. The Company confirms that it has not utilised any of the remaining 40% of the IPO proceeds to subscribe for wealth management products and there has no change in use of IPO proceeds with respect to such 40% of IPO Proceeds at all.

Although the Acquisition will not proceed, the Company will continue to pursue merger and acquisition opportunities that would supplement the Group’s already existing product portfolio. On the basis of the above, the Directors confirm that there has been no change to the proposed use of IPO proceeds as disclosed in the prospectus of the Company dated 26 June 2014. The Company has no current plan to change the use of IPO proceeds.

DEFINITIONS

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

“A Shares”	ordinary shares listed in the PRC which are subscribed and traded in RMB
“ABC Agreements”	the series of subscription agreements in relation to subscription of wealth management products entered into between the Group and Agricultural Bank of China during the Relevant Period
“Agreements”	the ABC Agreements, the BOC Agreements, the CMB Agreement, the EB Agreements and the PAB Agreements
“Agricultural Bank of China”	Agricultural Bank of China Limited
“Bank of China”	Bank of China Limited
“Banks”	Agricultural Bank of China, Bank of China, China Merchants Bank, Evergrowing Bank and Ping An Bank
“Board”	the board of directors of the Company

“BOC Agreements”	the series of subscription agreements (including the BOC T+0 Day Agreement) in relation to subscription of wealth management products entered into between the Group and Bank of China during the Relevant Period
“China Merchants Bank”	China Merchants Bank Co., Ltd.
“CMB Agreement”	the agreement in relation to the series of subscriptions of wealth management products entered into between the Company and China Merchants Bank during the Relevant Period
“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
“Director(s)”	director(s) of the Company
“EB Agreements”	the series of subscription agreements in relation to subscription of wealth management products entered into between the Group and Evergrowing Bank during the Relevant Period
“Evergrowing Bank”	Evergrowing Bank Co., Limited
“Group”	the Company and its subsidiaries
“H Shares”	shares listed on the Stock Exchange and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in RMB
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO”	the global offering of the Company referred to in the prospectus of the Company dated 26 June 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PAB Agreements”	the series of subscription agreements in relation to subscription of wealth management products entered into between the Group and Ping An Bank during the Relevant Period
“Ping An Bank”	Ping An Bank Co., Limited

“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Relevant Period”	the period from 9 July 2014, being the date on which the Shares are listed and first traded on the Stock Exchange, to the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“US\$”	United States dollars, the lawful currency of the United States

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

Hong Kong, 1 June 2015

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 are Mr. PAN Jian, Mr. LIU Dong and Ms. WANG Xin; and the Independent Non-executive Directors are Mr. ZHANG Hua Qiao, Professor LO Yuk Lam, Mr. LEUNG Man Kit and Mr. CHOY Sze Chung Jojo.