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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)

**DISCLOSEABLE TRANSACTION
PROPOSED ACQUISITION OF
ACINO'S TRANSDERMAL DRUG DELIVERY SYSTEMS BUSINESS**

ACQUISITION

The Board announces that after trading hours on 25 July 2016, the Buyers (each an indirectly wholly-owned subsidiary of the Company), the Company and the Sellers entered into the Share Purchase Agreement, pursuant to which the Buyers have conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, the entire issued share capital of Acino AG and Acino Supply AG. The Company has agreed to guarantee the obligations of the Buyers under the Share Purchase Agreement.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

PURCHASE PRICE

The Purchase Price for the Acquisition is €245,000,000, payable in cash and is subject to adjustments based on the cash balance, the outstanding indebtedness and the working capital level of the Target Group as at the Closing Date.

TARGET GROUP

The Target Group is a Europe based global leader in advanced transdermal drug delivery systems (TDS) and it is one of the largest independent TDS manufacturers in Europe. The product portfolio of the Target Group is focused on more sophisticated and higher margin specialty patch categories such as central nervous system (CNS), pain and hormone spaces under several successfully commercialised and hard-to-make formulations such as Rivastigmine, Buprenorphine, Fentanyl and fertility control patch. It has also developed extensive and proprietary know-how and capabilities in the subcutaneous implants space.

The Target Group possesses strong know-how in difficult-to-make formulations, applying the highest quality standards. As a partner of pharmaceutical companies worldwide, the Target Group provides in-house developed products for out-licensing and customised solutions from product development to contract manufacturing. The existing core TDS markets of the Target Group include Europe, North America, Japan and Australia. It has a proven R&D and successful product launch track record; its robust product pipeline also offers potential to deliver multiple products into the markets over the next few years.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Company believes that the Acquisition represents a valuable growth opportunity to acquire a well-established European specialised pharmaceutical platform and a leading business in niche markets, together with a strong revenue base supported by a diversified product portfolio as well as a promising pipeline of products. The Acquisition will be a significant step in the Group's international expansion strategy and will help the Group achieve various strategic goals.

After taking into consideration the above factors, the Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement exceeds 5%, and all the applicable percentage ratios are less than 25%, as calculated under Rule 14.07 of the Listing Rules, the transactions contemplated under the Share Purchase Agreement constitute a discloseable transaction for the Company under the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should note that Closing is subject to the fulfilment or waiver of certain conditions. The Acquisition may or may not proceed as contemplated or at all. Shareholders and potential investors should also note that there are risks associated with the Acquisition and they should consider and assess all the risks carefully. Shareholders and potential investors are reminded to exercise extreme caution when dealing in the Shares and other securities of the Company.

THE SHARE PURCHASE AGREEMENT

Date

25 July 2016

Parties

- (1) Acino International AG as Seller 1
- (2) Acino Pharma AG as Seller 2
- (3) Luye Pharma (Germany) GmbH as Buyer 1
- (4) Luye Pharma Switzerland AG as Buyer 2
- (5) The Company as Buyer Guarantor

Sellers

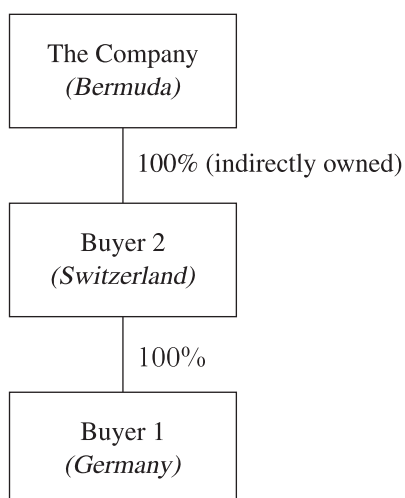
Parties	Place of incorporation	Principal business
Seller 1 — Acino International AG	Switzerland	Investment holding and the sole shareholder of Acino AG
Seller 2 — Acino Pharma AG	Switzerland	Investment holding and the sole shareholder of Acino Supply AG

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Buyers

Buyer 1 is a company incorporated in Germany and a wholly-owned subsidiary of Buyer 2. Buyer 2 is a company incorporated in Switzerland and an indirect wholly-owned subsidiary of the Company. Both of the Buyers are newly incorporated companies acquired or established by the Group for the purposes of the Acquisition.

The following diagram depicts a simplified shareholding structure of the Buyers:



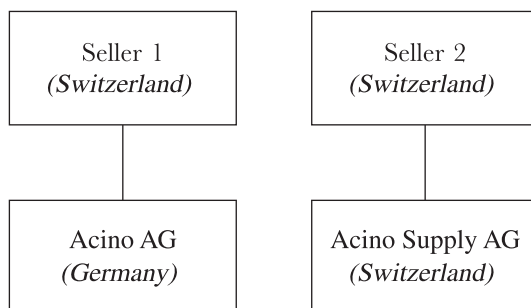
Assets being acquired

Pursuant to Share Purchase Agreement:

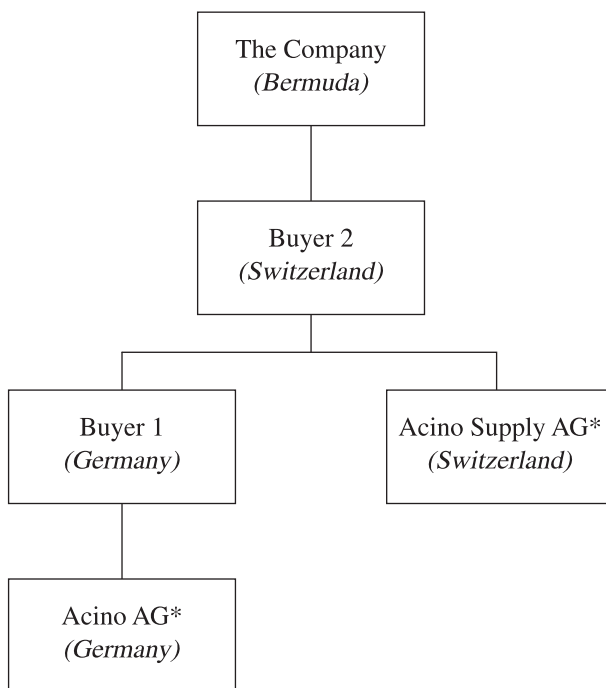
- (1) Buyer 1 has agreed to purchase, and Seller 1 has agreed to sell, 82,092 shares with a nominal value of €2.5564594 each, representing the entire issued share capital, of Acino AG; and
- (2) Buyer 2 has agreed to purchase, and Seller 2 has agreed to sell, 1,000 shares with a nominal value of CHF100 each, representing the entire issued share capital, of Acino Supply AG.

The following diagrams depict a simplified shareholding structure of the Target Companies before and immediately after Closing (unless otherwise specified, each subsidiary is 100%, directly or indirectly, owned by its holding company):

Before Closing



Immediately after Closing



* The Target Companies will change their names before Closing so that their names will have no references to the word “Acino”.

Closing conditions

Completion of the Acquisition is essentially conditional upon:

- (1) the Carve-out having been completed in accordance with the terms of the Share Purchase Agreement; and

(2) the Buyers, the Sellers or their respective relevant affiliates having entered into the reciprocal transitional services agreements.

Please refer to the section headed “Carved-out Business” in this announcement for further information on the Carve-out, the Carved-out Business and the reciprocal transitional services agreements.

The Sellers may waive the conditions referred to (2) above.

If the conditions are not fulfilled (or waived) by 30 November 2016, any of the parties may withdraw the Share Purchase Agreement by giving a notice to the other parties, provided that the withdrawing party is not responsible for the non-fulfilment of the conditions to Closing.

Closing

Completion of the Acquisition shall occur on the last day of the month in which the last condition to Closing is fulfilled or, where applicable, waived, unless the day on which the last condition to Closing is fulfilled or waived occurs later than on the 20th day of such month, in which case Closing shall occur on the fifth business day of the following month or any other date the parties to the Share Purchase Agreement may agree.

Following Closing, the Target Companies will each become a subsidiary of the Company.

Purchase Price

The Purchase Price for the Sale Shares is €245,000,000 payable in cash. As the Target Group is being purchased on a debt free basis, the Purchase Price will be adjusted at Closing accordingly. Further, the Purchase Price will be adjusted to reflect the cash and working capital positions of the Target Companies at Closing.

At Closing, the Buyers will repay on behalf of the Target Companies the Shareholder Loans owed to the Sellers then outstanding. As at the date of the Share Purchase Agreement, the amount of the Shareholder Loans is approximately €10.7 million. As the Target Group is being purchased on a debt free basis, the Purchase Price will be reduced to the extent the Shareholder Loans are repaid by the Buyers at Closing.

The Purchase Price was determined after arm’s length negotiations among the Sellers and the Buyers taking into account various factors, including but not limited to the terms of the Share Purchase Agreement, the historical financial information regarding the performance of the Target Companies and the business prospects and pipeline products of the Target Companies.

Pursuant to the Share Purchase Agreement, the Purchase Price will be paid by the Buyers in the following manner:

(1) at least six working days prior to the Closing Date, the Sellers will provide the Buyers with an estimate of the Purchase Price (“**Preliminary Purchase Price**”) and the amount of the Shareholder Loans due on the Closing Date;

- (2) on the Closing Date, the Buyer will pay the Sellers the Preliminary Purchase Price and the Shareholder Loans; and
- (3) within 50 working days from the Closing Date, the Sellers will prepare the accounts of the Target Group as of the Closing Date (“**Closing Accounts**”), and based on which the parties will agree (or failing which, an independent party acting as expert will determine) the final Purchase Price.

Within 10 working days after the Closing Accounts have been finalised and agreed by the parties, (i) if the final Purchase Price as determined on the basis of the Closing Accounts is higher than the Preliminary Purchase Price, the Buyers shall pay to the Sellers the amount that exceeds the Preliminary Purchase Price; and (ii) if the final Purchase Price as determined on the basis of the Closing Accounts is lower than the Preliminary Purchase Price, Seller 1 shall repay Buyer 1 the amount that falls short of the Preliminary Purchase Price.

The Board intends to fund the payment of the Purchase Price from internal resources of the Group and/or external financing.

Withdrawal of the Share Purchase Agreement

The Share Purchase Agreement may be withdrawn under the following circumstances:

- (1) The Sellers may withdraw from the Share Purchase Agreement if the Buyers fail to (i) pay the Preliminary Purchase Price; (ii) give instruction to release the escrow amount as settlement of part of the Preliminary Purchase Price, in each case at Closing; or (iii) deposit the escrow amount into the escrow account (see the section headed “Escrow” below for further information).
- (2) Each party may withdraw from the Share Purchase Agreement if the conditions are not fulfilled by 30 November 2016, provided that the withdrawing party is not responsible for the non-fulfilment of the conditions.

If the Share Purchase Agreement is withdrawn, the other parties shall pay the Break Fee, being an amount of €23,010,278, to the withdrawing parties. However, the Break Fee is not payable if (i) the Share Purchase Agreement is withdrawn due to the non-fulfilment of the conditions and neither the Sellers nor the Buyers are responsible for such non-fulfilment; or (ii) the Sellers withdraw the Share Purchase Agreement due to the Buyers’ failure to deposit the full escrow amount on time.

Escrow

To secure the Buyers’ obligations to pay the Purchase Price and the Shareholder Loans under the Share Purchase Agreement, Buyer 2 will within three business days from the date of the Share Purchase Agreement, deposit an escrow amount of €34,515,417 with an independent escrow agent. Such escrow amount will be applied to settle the Preliminary Purchase Price and the Shareholder Loans at Closing or repaid to Buyer 2 if the Share Purchase Agreement is, prior to Closing, withdrawn by the Buyers in

accordance with the terms of the Share Purchase Agreement. If the Share Purchase Agreement is withdrawn by the Sellers and the Break Fee is payable, an amount equal to the Break Fee will be released from the escrow amount to the Sellers, with the balance to be repaid to Buyer 2.

Guarantee

The Company has agreed to guarantee the fulfilment of the obligations of the Buyers under the Share Purchase Agreement.

Carved-out Business

The Target Group currently carries on the TDS Business and the non-TDS Business. The Carved-out Business refers to the non-TDS Business and certain TDS Business in certain emerging markets, and includes a number of marketing authorisations, trademarks as well as certain employees, inventories and agreements of the Target Group. The Buyers only intend to acquire the TDS Business (excluding the Carved-out Business) and hence the Sellers and the Buyers have agreed that the Target Group shall, prior to Closing, transfer the Carved-out Business to the Sellers or their affiliates. Under the Share Purchase Agreement, the parties have agreed to enter into certain definitive agreements to effect the Carve-out.

The Carve-out is expected to be completed prior to Closing.

To enable the Buyers to continue the TDS Business (excluding the Carved-out Business), the Sellers or any relevant affiliates of the Sellers will, prior to Closing, enter into a transitional services agreement with the Target Companies under which, after and subject to Closing, the Sellers or their affiliates will provide transitional services to the Target Companies. Similarly, to enable the Sellers to continue the Carved-out Business, the Sellers or any relevant affiliates of the Sellers will, prior to the Closing, enter into a transitional services agreement with the Target Companies under which, after and subject to Closing, the Target Companies will provide transitional services to the Sellers or their affiliates.

INFORMATION ON THE TARGET GROUP AND THE GROUP

The Target Companies

The following table sets out certain basis information about the Target Group:

Target Company	Place of incorporation	Principal business
Acino AG	Germany	Developing and producing therapeutic systems for drug release, which in particular include transdermal systems and implants
Acino Supply AG	Switzerland	Distribution of pharmaceutical products

Financial information on the Target Group

Based on the financial information provided by the Sellers, set out below is a summary of the unaudited combined financial information of the Target Group (excluding the Carved-out Business) for the years ended 31 December 2014 (“**FY14**”) and 31 December 2015 (“**FY15**”), prepared under the International Financial Reporting Standards:

	FY14 € <i>million</i> (unaudited)	FY15 € <i>million</i> (unaudited)
Revenue	41.1	67.3
Net profit before taxation	11.7	19.3
Net profit after taxation	9.8	16.2

Based on the financial information provided by the Sellers, as at 31 December 2015, the unaudited combined net asset value of the Target Group (excluding the Carved-out Business) was approximately €69.5 million.

The Group

The Group is a pharmaceutical company based in the PRC which focuses on the development, production, marketing and sale of innovative products the four of the largest and fastest growing therapeutic areas — oncology, cardiovascular system, metabolism and CNS.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Target Group is a Europe based global leader in advanced TDS and it is one of the largest independent TDS manufacturers in Europe. The product portfolio of the Target Group is focused on more sophisticated and higher margin specialty patch categories such as CNS, pain and hormone spaces under several successfully commercialised and hard-to-make formulations such as Rivastigmine, Buprenorphine, Fentanyl and fertility control patch. It has also developed extensive and proprietary know-how and capabilities in the subcutaneous implants space. The Target Group possesses a strong know-how in difficult-to-make formulations, applying the highest quality standards. As a partner of pharmaceutical companies worldwide, the Target Group provides in-house developed products for out-licensing and customised solutions from product development to contract manufacturing. The existing core TDS markets of the Target Group include Europe, North America, Japan and Australia. It has a proven R&D and successful product launch track record not only in the European markets, but also in the U.S. with recent successful launch of a 1-Day Rivastigmine product (13.3mg/24h strength) in the third quarter of 2015. The robust product pipeline also offers potential to deliver multiple products into the markets over the next few years.

The Target Group has a stable cashflow and a relatively high level of net profit margin, which are primarily generated from developed markets. Possessing high quality factories with European Union Good Manufacturing Practice certificate and certification from the Food and Drug Administration of the United States, the Target Group has strong manufacturing and quality control capabilities. The Company also considers that, with clear product lines focusing on the specialty patch categories of CNS and pain spaces, the products of the Target Group are expected to create a synergistic effect with the Group's existing lines of business. Furthermore, the competition in the market of TDS and subcutaneous implants products (being one of the Target Group's products) is low and as such, the Company believes that there is substantial growth potential in the Target Group's present and pipeline products.

The Company believes that the Acquisition represents a valuable growth opportunity to acquire a well-established European specialised pharmaceutical platform and a leading business in niche markets, together with a strong revenue base supported by a diversified product portfolio as well as a promising pipeline of products. The Acquisition will be a significant step in the Group's international expansion strategy and will help the Group achieve various strategic goals, including but not limited to, (i) expanding the Group's business into the markets where the Target Group has a strong presence and introducing the Target Group's products to the PRC and other international markets; (ii) strengthening the Group's research and development expertise, developing more potential products based on the TDS and subcutaneous implants platform; (iii) establishing the Group's production footprint in the European markets and improving the Group's manufacturing and quality system; and (iv) leveraging on the Target Group's management expertise and best practices to enhance the Group's worldwide operational standards.

After taking into consideration the above factors, the Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Share Purchase Agreement exceeds 5%, and all the applicable percentage ratios are less than 25%, as calculated under Rule 14.07 of the Listing Rules, the transactions contemplated under the Share Purchase Agreement constitute a discloseable transaction for the Company under the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should note that Closing is subject to the fulfilment or waiver of certain conditions. The Acquisition may or may not proceed as contemplated or at all. Shareholders and potential investors should also note that there are risks associated with the Acquisition and they should consider and assess all the risks carefully. Shareholders and potential investors are reminded to exercise extreme caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acino AG”	a company incorporated in Germany and one of the Target Companies
“Acino Supply AG”	a company incorporated in Switzerland and one of the Target Companies
“Acquisition”	the proposed acquisition of the Sale Shares by the Buyers from the Sellers under the Share Purchase Agreement
“Board”	the board of Directors
“Break Fee”	an amount of €23,010,278
“Buyer 1”	Luye Pharma (Germany) GmbH, a company incorporated in Germany and an indirect wholly-owned subsidiary of the Company
“Buyer 2”	Luye Pharma Switzerland AG, a company incorporated in Switzerland and an indirect wholly-owned subsidiary of the Company
“Buyer Guarantor”	the Company
“Buyers”	Buyer 1 and Buyer 2
“Carve-out”	the transfer of the Carved-out Business from the Target Group to the Sellers or their affiliates and certain related matters
“Carved-out Business”	that part of the business carried on by the Target Group, which is to be carved out from the Target Companies and transferred to the Sellers or their affiliates prior to Closing
“CHF”	Swiss Franc
“Closing”	completion of the Acquisition in accordance with the terms of the Share Purchase Agreement
“Closing Accounts”	the accounts of the Target Group as at the Closing Date to be prepared by the Sellers and as further described in the section headed “Purchase Price” of this announcement
“Closing Date”	the date on which Closing takes place
“CNS”	central nervous system

“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
“Directors”	the directors of the Company
“€” or “Eur”	Euro
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Preliminary Purchase Price”	the estimated Purchase Price to be provided by the Sellers to the Buyers as further described in the section headed “Purchase Price” of this announcement
“Purchase Price”	the purchase price of the Sale Shares, as further described in the section headed “Purchase Price” of this announcement
“Sale Shares”	all of the issued shares in the capital of Acino AG and Acino Supply AG, respectively
“Seller 1”	Acino International AG, a company incorporated in Switzerland
“Seller 2”	Acino Pharma AG, a company incorporated in Switzerland
“Sellers”	Seller 1 and Seller 2
“Share Purchase Agreement”	the share purchase agreement dated 25 July 2016 entered into between the Buyers, the Company and the Sellers in relation to the Acquisition
“Shareholder Loans”	the aggregate of (i) the shareholder loan granted to Acino AG by Seller 1; and (ii) the shareholder debt incurred by the Target Companies <i>vis-à-vis</i> the Sellers through their on-going business activities
“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

“Target Companies” or Target Group”	Acino AG and Acino Supply AG (each of which is to be renamed prior to Closing)
“TDS”	transdermal drug delivery systems
“TDS Business”	the business of developing, producing and distributing therapeutic systems for drug release and related products and the provision of related services (including the transdermal systems and implants) carried on by the Target Group

In this announcement, the terms “connected person”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Hong Kong, 25 July 2016

As at the date of this announcement, the executive Directors are Mr. LIU Dian Bo, Mr. YANG Rong Bing, Mr. YUAN Hui Xian and Ms. ZHU Yuan Yuan; 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.