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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 COMPLETION OF ACQUISITION OF ACINO'S TRANSDERMAL DRUG DELIVERY SYSTEMS BUSINESS

The Board is pleased to announce that the acquisition of Acino AG (now changed its name to Luye Pharma AG) and Acino Supply AG (now changed its name to Luye Supply AG) was completed on 30 November 2016, and following Completion, Luye Pharma AG and Luye Supply AG have become subsidiaries of the Company.

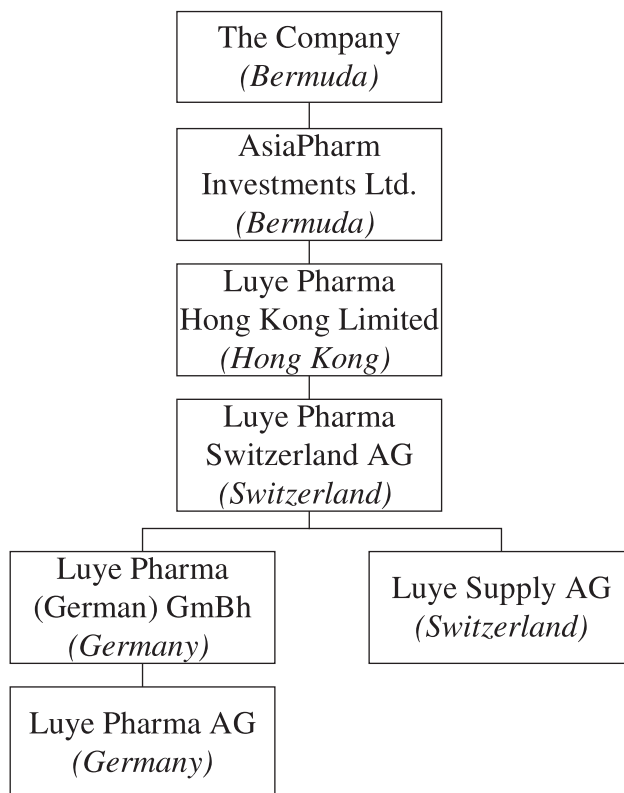
The Company believes that the Acquisition represents a valuable growth opportunity to acquire a well-established European specialised pharmaceutical platform and a leading business in niche markets, together with a strong revenue base supported by a diversified product portfolio as well as a promising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

INTRODUCTION

Reference is made to the announcement of Luye Pharma Group Ltd. (the "**Company**") dated 25 July 2016 regarding the Group's proposed acquisition of the entire issued share capital of Acino AG and Acino Supply AG (the "**July Announcement**"). Unless the context requires otherwise, terms defined in the July Announcement have the same meanings when used in this announcement.

COMPLETION

The Board is pleased to announce that all conditions to Completion have been fulfilled and Completion of the Acquisition took place on 30 November 2016. Acino AG and Acino Supply AG have changed their names to Luye Pharma AG and Luye Supply AG, respectively. Following Completion, each of Luye Pharma AG and Luye Supply AG has become a subsidiary of the Company. The following diagram depicts a simplified shareholding structure of the Target Companies immediately after Closing (unless otherwise specified, each subsidiary is 100%, directly or indirectly, owned by its holding company):



BACKGROUND OF THE TARGET GROUP

The Target Group is a Europe based global leader in advanced transdermal drug delivery systems (TDS) and 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, out-licenses to customers, as well as provides customised solutions from product development to contract manufacturing. The existing core TDS markets of the Target Group focus on developed countries such as Europe and North America. 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 the 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 is a significant step in the Group's international expansion strategy and the Group plans to leverage on the Completion of the Acquisition to 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.

CARVED-OUT BUSINESS

The Acquisition only involved the Target Group's TDS Business (and excluded the Carved-out Business). Prior to Completion, the Target Group had completed the transfer of the Carved-out Business to the Sellers' group. 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. To enable the Group to continue the TDS Business (excluding the Carved-out Business), and the Sellers to continue the Carved-out Business, the Target Companies and the Sellers' group have entered into transitional services agreements under which the Sellers' group on one part and the Target Companies on the other have agreed to provide each other certain transitional services.

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

Hong Kong, 30 November 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.