LUYE PHARMA GROUP LTD.
绿叶制药集团有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 02186)

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF TWO BIOLOGICAL ANTIBODY PRODUCTS (1) BIOLOGICAL ANTIBODY PRODUCT LY01008 AND LY06006 ENTERED INTO PHASE III AND PHASE I CLINICAL TRIAL RESPECTIVELY IN CHINA; AND (2) PROPOSAL TO SEEK INDEPENDENT SHAREHOLDERS' APPROVAL

Reference is made to the announcement of Luye Pharma Group Ltd. (the "**Company**") dated 4 August 2017 (the "**Announcement**"). Unless the context requires otherwise, terms used herein have the same meanings as defined in the Announcement.

BIOLOGICAL ANTIBODY PRODUCT LY01008 AND LY06006 ENTERED INTO PHASE III AND PHASE I CLINICAL TRIAL RESPECTIVELY IN CHINA

The Board announces that, according to the Seller, LY01008 (biosimilar to Avastin) and LY06006 (biosimilar to Prolia) have respectively entered into phase III and phase I clinical trial in China.

As disclosed in the Announcement:

— LY01008 is a recombinant anti-VEGF humanized monoclonal antibody injection (重組抗VEGF人源化單克隆抗體注射液) indicated for colorectal cancer or non-small cell lung cancer, and according to public financial reports, Avastin (which is a market comparable of LY01008) achieved sales of 6,780 million Swiss francs globally in 2016, while its sales in China were RMB640 million in 2016.

— LY06006 is a recombinant anti-RANKL whole human monoclonal antibody injection (重組抗RANKL 全人單克隆抗體注射液 (dosage 60 mg/bottle) indicated for osteoporosis among postmenopausal women, reducing the risk of vertebral, non-vertebral and hip fractures. According to public financial reports, sales of Prolia (which is a market comparable to LY06006) amounted to US$1,635 million in 2016 and such product has not been launched in China yet.

Since the global pharmaceutical industry has witnessed significant growth in the sales of biopharmaceuticals in recent decades, the Board believes that in order to remain competitive and maintain a long-term sustainable growth, it is important for the Group to accelerate its development in biological antibodies.

PROPOSAL TO SEEK INDEPENDENT SHAREHOLDERS' APPROVAL

As disclosed in the Announcement, if the Products eventually obtain the marketing authorisation and commence sale, Shandong Luye has agreed to pay royalties representing 10% of the revenue generated from the sale of such Products to the Seller. These royalty payments may constitute continuing connected transactions under the Listing Rules when they arise, and the Company may in the future have to comply with the independent shareholders' approval requirement, among other things, under the Listing Rules in respect of such royalty payments.

Upon further discussion between the parties to the Asset Transfer Agreements, to minimise the uncertainty surrounding the Asset Transfer and in particular the royalty payment arrangements under the Asset Transfer Agreements, the Board has decided, and the parties to the Asset Transfer Agreements have agreed, that the Company will now seek independent shareholders' approval for the Group's entering into of the Asset Transfer Agreements and all transactions contemplated thereunder (including the royalty payment arrangements). Accordingly, the Company will convene a special general meeting ("**SGM**") for the purpose of considering, and if thought fit, approving the Asset Transfer Agreements.

At the SGM, Mr. Liu Dian Bo, Mr. Yang Rong Bing and Mr. Yuan Hui Xian and their respective associates are required to abstain from voting on the resolution approving the Asset Transfer Agreements, as they are indirectly interested in Luye Investment (and hence the Seller).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising all the independent Directors (the "**Independent Board Committee**") has been established to advise the independent Shareholders in respect of the Asset Transfer Agreements. Gram Capital Limited ("**Gram Capital**"), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) has been engaged to advise the Independent Board Committee and the independent Shareholders in respect of the Asset Transfer Agreements. The appointment of Gram Capital as the independent financial adviser has been approved by the Independent Board Committee.

DESPATCH OF CIRCULAR

A circular containing, among other things, (1) further information regarding the details of the Asset Transfer Agreements; (2) a letter of recommendation from the Independent Board Committee to the independent Shareholders; (3) a letter of advice from Gram Capital to the Independent Board Committee and the independent Shareholders; (4) a valuation report on the Products; and (5) a notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 11 December 2017.

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

Hong Kong, 20 November 2017

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; the non-executive Director is Mr. SONG Rui Lin; 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.