

# Voluntary Conditional Cash Offer

by



## ABN AMRO Bank N.V., Singapore Branch

(Incorporated in the Netherlands)

for and on behalf of

## LuYe Pharmaceutical Investment Co., Ltd

(Company Registration No: 200942)

(Incorporated in the Cayman Islands)

to acquire all the issued and paid-up ordinary shares in the capital of

## AsiaPharm Group Ltd

(Company Registration No: 33854)

(Incorporated in Bermuda)

### 1. Introduction

ABN AMRO Bank N.V., Singapore Branch (“**ABN AMRO**”) wishes to announce, for and on behalf of LuYe Pharmaceutical Investment Co., Ltd (“**Offeror**”), that the Offeror intends to make a voluntary conditional cash offer (“**Offer**”) for all the issued and paid-up ordinary shares of par value US\$0.02 each (“**Shares**”) in the capital of AsiaPharm Group Ltd (“**Company**”).

### 2. The Offer

**2.1 Offer Terms.** The Offeror will make the Offer on the following terms:

**2.1.1 for each Share: S\$0.725 in cash (“Offer Price”);**

**2.1.2** the Shares will be acquired:

- (i) fully paid;
- (ii) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever; and
- (iii) together with all rights, benefits and entitlements attached thereto as at the date hereof (“**Announcement Date**”) and hereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Announcement Date; and

2.1.3 the Offer will be extended to any and all issued and paid-up ordinary shares in the capital of the Company owned, controlled or agreed to be acquired by any party acting or deemed to be acting in concert with the Offeror in connection with the Offer, including without limitation, those Shares held by the Consortium Shareholders (as defined below).

**2.2 Offer Conditions.** The Offer will be subject to the following conditions (“**Conditions**”):

2.2.1 the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it will result in the Offeror and parties acting in concert with it holding such number of Shares carrying not less than 90 per cent. (“**Offer Threshold**”) of the voting rights attributable to all the issued Shares as at the close of the Offer.

The Offeror reserves the right to revise the Offer Threshold to a level below 90 per cent. but above 50 per cent., provided that such revision be made after obtaining the consent of Securities Industry Council Singapore (“**SIC**”). In the event that the Offer Threshold is revised, the Offer shall remain open for another 14 days following such revision and shareholders of the Company who have accepted the initial Offer will be allowed to withdraw their acceptance within 8 days of the notification of such revision;

2.2.2 there having been no change (or any condition, event or development involving a prospective change), from the Announcement Date until such time as when the Offer is declared unconditional as to the level of acceptances (the “**Conditional Offer Period**”), which has occurred or is threatened in the business, properties, assets, liabilities, operations, results of operations or prospects of the Company, its subsidiaries and associated companies (“**Group**”) which would result in a reduction by more than five per cent. in the consolidated net income of the Company during the Conditional Offer Period as compared to the consolidated net income of the Company for the same period in 2007, on a pro forma basis; and

2.2.3 save as publicly disclosed by the Company prior to the Announcement Date, there having been no material restatement of the audited consolidated financial statements of the Group for any financial period since the incorporation of the Company on 2 July 2003, which would result in a reduction by more than five per cent. of (i) the consolidated profit attributable to equity holders of the Company or (ii) the consolidated net assets of the Company, in such financial period.

Each of the Conditions set out in paragraphs 2.2.2 and 2.2.3 may only be invoked by the Offeror after consent has been obtained from SIC.

### **3. Information on Offeror and Consortium**

**3.1 Offeror.** The Offeror is an investment holding company incorporated in the Cayman Islands on 10 December 2007. The Offeror has not carried on any business since its incorporation except to enter into certain agreements relating to the formation of the Consortium (as defined below). As at the Announcement Date:

3.1.1 the Offeror has an issued and paid-up share capital of US\$1.00, consisting of one ordinary share of par value US\$1.00, which is held by LuYe Pharmaceutical International Co., Ltd. ("**LuYe International**"); and

3.1.2 the sole director of the Offeror is Mr Kuo-Chuan Kung, who is a partner at MBK Partners, L.P. ("**MBKP**"), the ultimate parent of the Offeror.

**3.2 Offeror Group.** LuYe International is a company incorporated in the Cayman Islands, and has an issued and paid-up share capital of US\$1.00, consisting of one ordinary share of par value US\$1.00 (each, a "**LuYe Share**"), which is held by Hygeia Holdings Ltd ("**Hygeia**"). Hygeia is a company incorporated in the Cayman Islands, and is a wholly owned subsidiary of MBKP. MBKP is a limited partnership registered in the Cayman Islands. Founded in 2005, MBKP is a private equity firm which focuses on making investments in Asia, and manages approximately US\$1.56 billion of assets.

**3.3 Consortium.** The Offeror, LuYe International, Hygeia and the persons referred to in paragraph 3.6 below ("**Consortium Shareholders**"), which include members of the senior management of the Company, have formed a consortium ("**Consortium**") to make the Offer.

The senior management of the Company who have joined the Consortium are:

- (i) Mr Liu Dianbo ("**Mr Liu**"), the Executive Chairman of the Company;
- (ii) Mr Yuan Huixian ("**Mr Yuan**"), an Executive Director of the Company; and
- (iii) Mr Yang Rongbing ("**Mr Yang**"), an Executive Director of the Company.

**3.4 Consortium Arrangements.** The arrangements comprised in the Consortium include the following:

3.4.1 the Offeror, Hygeia and LuYe International have entered into an agreement with the Consortium Shareholders, pursuant to which Hygeia has agreed to subscribe in cash for such amount of convertible bonds ("**Convertible Bonds**") to be issued by LuYe International; and

3.4.2 the Consortium Shareholders have:

- (i) given irrevocable undertakings ("**Irrevocable Undertakings**") in favour of the Offeror to accept the Offer in respect of an aggregate of 217,646,650 Shares ("**Consortium Shares**"), representing approximately 44.17 per cent. of the issued share capital of the Company as at the Announcement Date;
- (ii) the Irrevocable Undertakings provide for the Consortium Shares to be tendered into the Offer in two separate tranches. The first tranche of Consortium Shares will comprise an aggregate of 41,379,311 Shares held by AsiaPharm Holdings Ltd. ("**AsiaPharm Holdings**"), representing approximately 8.40 per cent. of the issued share capital of the Company as at the Announcement Date. The remaining Consortium Shares ("**Tranche II Shares**") will be tendered into the Offer subsequently; and

- (iii) entered into an agreement with LuYe International and Hygeia pursuant to which AsiaPharm Holdings will subscribe for new LuYe Shares in cash at an issue price of US\$1.00 per LuYe Share.

**3.5 Resultant Position.** Pursuant to the Consortium arrangements, it is contemplated that following the close of the Offer (and assuming that the Offer becomes or is declared unconditional in all respects):

- 3.5.1 The Offeror will remain a wholly owned subsidiary of LuYe International;
- 3.5.2 AsiaPharm Holdings will hold all the LuYe Shares in issue, except for the one LuYe Share held by Hygeia referred to in **paragraph 3.2** above;
- 3.5.3 Hygeia will hold the Convertible Bonds, which are convertible into new LuYe Shares; and
- 3.5.4 Each of AsiaPharm Holdings and Hygeia will have proportionate board representation on the board of directors of LuYe International based on their respective shareholdings in LuYe International had the Convertible Bonds held by Hygeia been converted up to a maximum of 49 per cent. of the issued share capital of LuYe International.

**3.6 Consortium Shareholders.** The following are the Consortium Shareholders who have provided Irrevocable Undertakings in respect of the Consortium Shares:

Shareholder	Number of Shares	Percentage of Shares in issue as at Announcement Date (%)
AsiaPharm Holdings	192,580,900	39.08
Mr Liu	11,019,950	2.24
Mdm Wang Cuilian (“ <b>Mdm Wang</b> ”), who is the wife of Mr Liu	800,000	0.16
Mr Yuan	6,622,900	1.34
Mr Yang	34,000	0.01
Mdm Su Kajia (“ <b>Mdm Su</b> ”), who is the wife of Mr Yang	6,588,900	1.34
<b>Total</b>	<b>217,646,650</b>	<b>44.17</b>

Mr Liu is also the owner of 75 per cent. of the issued share capital of AsiaPharm Holdings and holds a deemed interest in the 192,580,900 Shares held by AsiaPharm Holdings. Mr Yuan and Mr Yang each own 12.5 per cent. of the issued share capital of AsiaPharm Holdings.

**3.7 Irrevocable Undertakings.** The Irrevocable Undertakings will terminate on, *inter alia*, the date on which the Offer lapses or is withdrawn without having become wholly unconditional.

#### **4. Information on the Company**

The Company was incorporated on 2 July 2003 in Bermuda and was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 5 May 2004. The Company specializes in the research, development and production of pharmaceutical products.

As at the Announcement Date, the Company:

- (1) has 492,764,900 Shares in issue; and
- (2) has not granted any options or issued any rights, warrants or other securities convertible into, exercisable for or redeemable with any Shares.

#### **5. Rationale for Offer**

The Offeror is making the Offer for the following reasons:

- (1) as noted in **paragraph 6** below, the Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising its rights of compulsory acquisition. The Offeror and the Consortium Shareholders believe that the Company can focus its resources on its business operations if it is able to dispense with the expenses and management resources in connection with the maintenance of its status as a listed entity;
- (2) the continuous and extensive reforms in the pharmaceutical and health care sector in China present significant regulatory uncertainties. The Offeror and the Consortium Shareholders are of the view that privatisation of the Company will provide it with the benefit of greater management flexibility, thereby allowing the Company to operate with greater speed in a challenging operating environment; and
- (3) as noted in **paragraph 7** below, the Offer Price represents an attractive premium over the recent market prices of the Shares for shareholders of the Company who wish to realise their investment in the Company for cash without incurring brokerage and other trading costs.

#### **6. Delisting and Compulsory Acquisition**

**6.1 Delisting.** It is the intention of the Offeror to make the Company its wholly-owned subsidiary. It is therefore not the intention of the Offeror to preserve the listing status of the Company.

**6.2 Compulsory Acquisition Rights.** Pursuant to Section 102(1) of the Companies Act 1981, Bermuda (“**Bermuda Companies Act**”), if the Offeror receives acceptances pursuant to the Offer for not less than 90 per cent. of the Shares in issue (other than those already held by

the Offeror, its subsidiary or by a nominee for the Offeror or its subsidiary, as at the date of the Offer), the Offeror will have the right to, and intends to exercise its right to, compulsorily acquire, at the Offer Price, all the Shares held by shareholders of the Company who have not accepted the Offer.

**6.3 Dissenting Shareholders' Rights.** Pursuant to Section 102(2) of the Bermuda Companies Act, if the Offeror acquires such number of Shares which, together with Shares held by it, comprise 90 per cent. or more of the Shares in issue, shareholders of the Company who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders of the Company who wish to exercise such a right are advised to seek their own independent legal advice.

## 7. Financial Evaluation of Offer

**7.1 Offer Price Comparisons.** The Offer Price represents:

Description	Share Price <sup>1</sup>	Premium over Share Price <sup>2</sup>
(1) Last transacted Share price on the SGX-ST on 31 January 2008 (being the last trading day prior to the Announcement Date)	S\$0.635	14.2%
(2) Volume weighted average price per Share on the SGX-ST ("VWAP") for the one month period prior to the last full day of trading in the Shares (" <b>Last Full Day of Trading</b> ") <sup>3</sup> prior to the Announcement (31 December 2007 to 30 January 2008)	S\$0.553	31.1%
(3) VWAP for the three month period prior to the Last Full Day of Trading (31 October 2007 to 30 January 2008)	S\$0.549	32.1%
(4) VWAP for the six month period prior to the Last Full Day of Trading (31 July 2007 to 30 January 2008)	S\$0.566	28.1%

**7.2 Trading Liquidity.** The average daily trading volume of the Shares on the SGX-ST for the period from 1 February 2007 to 31 January 2008 has been approximately 1.12 million Shares, representing approximately 0.23 per cent. of all the Shares in issue as at the Announcement Date. The average daily trading volume of the Shares declined from approximately 2.65

<sup>1</sup> The figures set out in Section 7.1 of this Announcement are based on data extracted from Bloomberg on 1 February 2008.

<sup>2</sup> Computed based on the share prices which were rounded to the nearest three decimal places.

<sup>3</sup> There was a trading halt announcement made on the 31 January 2008 and therefore the last full day of trading in the Shares was 30 January 2008.

million Shares in the first half of 2007 to approximately 0.98 million Shares in the second half of 2007.

## **8. Confirmation of Financial Resources**

ABN AMRO, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer (excluding the consideration payable for the Tranche II Shares to be tendered by the Consortium Shareholders in acceptance of the Offer).

## **9. Disclosure of Shareholdings and Dealings**

**9.1** As at the Announcement Date, the Offeror does not hold any Shares.

**9.2** As at the Announcement Date, ABN AMRO, the financial adviser to the Offeror in connection with the Offer, holds a direct interest in 20,000 Shares, representing approximately 0.004 per cent. of the issued share capital of the Company.

**9.3** Save as disclosed in this Announcement, as at the Announcement Date, neither the Offeror nor any of the following persons (each, a **"Relevant Person"**) owns, controls or has agreed to acquire (a) any Shares, (b) securities which carry voting rights in Company, (c) securities which are convertible into Shares or securities which carry voting rights in Company, or (d) rights to subscribe for, or options in respect of, such Shares or securities (collectively, **"Company Securities"**):

**9.3.1** MBKP;

**9.3.2** LuYe International;

**9.3.3** Hygeia;

**9.3.4** the director of the Offeror;

**9.3.5** each of Mr Liu, Mr Yuan, Mr Yang, and their respective immediate family members;

**9.3.6** each of Mdm Wang and Mdm Su; and

**9.3.7** ABN AMRO.

**9.4 Dealings.** Save as disclosed in this Announcement, neither the Offeror nor any of the Relevant Persons has dealt for value in any Company Securities during the three month period immediately preceding the Announcement Date.

Each of Mr Yuan and Mr Yang had, on or about 1 February 2008 received 34,000 Shares which were issued pursuant to the management incentive plan of the Company.<sup>4</sup>

---

<sup>4</sup> The Shares were issued to Mr Yuan and Mr Yang pursuant to the management incentive plan of the Company and no consideration was paid by Mr Yuan and Mr Yang in relation to these Shares.

**9.5 Irrevocable Undertakings.** Save as disclosed in this Announcement, as at the Announcement Date, neither the Offeror nor any of the Relevant Persons has received any irrevocable undertakings from any party to accept or reject the Offer.

**9.6 Confidentiality.** In the interests of confidentiality, the Offeror has not made enquiries prior to this Announcement in respect of certain other parties who are or may be deemed to be acting in concert with the Offeror in connection with the Offer. Further enquiries will be made of such persons subsequent to this Announcement and the relevant disclosures will be made in due course and in the Offer Document (as defined below). For the same reason, ABN AMRO will be making the necessary enquiries in respect of members of the ABN AMRO group subsequent to this Announcement and the relevant disclosures will be made in due course and in the Offer Document.

## **10. Offer Document**

The formal document, setting out the terms and conditions of the Offer (the “**Offer Document**”) and enclosing the appropriate form(s) of acceptance of the Offer, will be despatched to holders of the Offer Shares not earlier than 14 days and not later than 21 days from the Announcement Date.

## **11. Overseas Shareholders**

**11.1 Overseas Shareholders.** The making of the Offer to shareholders of the Company whose addresses are outside Singapore as shown in the Register of Members of the Company or, as the case may be, in the records of The Central Depository (Pte) Limited (“**Overseas Shareholders**”) may be affected by laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about and observe any applicable legal requirements. Further details in relation to Overseas Shareholders will be set out in the Offer Document.

**11.2 Copy of Offer Document.** Where there are potential restrictions on sending the Offer Document to any overseas jurisdictions, the Offeror and ABN AMRO reserve the right not to send the Offer Document to such overseas jurisdictions. Any affected Overseas Shareholder may nonetheless apply to obtain a copy of the Offer Document from the office of the Company’s share registrar, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street #08-01, Samsung Hub, Singapore 049483. Alternatively, an affected Overseas Shareholder may write to the Company’s share registrar to request the Offer Document to be sent to an address in Singapore by ordinary post at his own risk.

## **12. Responsibility Statement**

The director of the Offeror and Mr Liu (who may each have delegated detailed supervision of this Announcement) has taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to the Company or its subsidiaries),

the sole responsibility of the director of the Offeror and Mr Liu has been to ensure, through reasonable enquires, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

Issued by

**ABN AMRO Bank N.V., Singapore Branch**

For and on behalf of

**LuYe Pharmaceutical Investment Co., Ltd.**

4 February 2008

Singapore

Any enquiries relating to this Announcement or the Offer should be directed during office hours to:

**ABN AMRO Bank N.V., Singapore Branch**

M&A / ECM

---

Mr John Moore

Managing Director

**Tel:** (65) 6518 8966

**Fax:** (65) 6518 6031