



## **ASIAPharm Group Ltd**

### **Press Release – 1Q2006 Results**

# **ASIAPHARM NET PROFIT JUMPS 33.0% ON STRONG GROWTH OF SALE OF PHARMACEUTICAL DRUGS**

- **1Q2006 net profit rises 33.0% year-on-year to hit RMB 20.7 million in line with management focus on sale of higher-margin pharmaceutical drugs**
- **Sale of pharmaceutical drugs posts continued growth of 25.1%**

**Singapore – 2 May 2006** – Singapore Exchange Mainboard-listed AsiaPharm Group Ltd. (“AsiaPharm” or the “Group” or 亚洲药业集团有限公司), a leading specialty pharmaceutical group in the People’s Republic of China (“PRC”) focusing on the research and development, production and sale of natural drugs and drug delivery systems, announced today that net profit attributable to shareholders leapt 33.0% to RMB 20.7 million for the first quarter of financial year ending 31 December 2006 (“1Q2006”) compared to 1Q2005, on strong demand for its pharmaceutical products.

Sales of the Group’s pharmaceutical drugs exhibited continued growth trends posting an increase of 25.1% to RMB 68.8 million for 1Q2006 compared to RMB 55.0 million in 1Q2005, driven by growth in sales for core products Nuosen (90.2%), Sidinuo (Elcatonin for injection) (60.1%), Lutingnuo (32.8%) and Maitongna (7.1%) respectively.

Gross profits improved by 7.3 percentage points to 80.5% due to the success of our strategy to focus on sales of high margin in-house pharmaceutical drugs. Management’s continuous effort to contain costs bore fruits as distribution costs rose moderately by 13.9% despite a 25.1% increase in sales of our pharmaceutical drugs. Due to the increase in research and development (“R&D”) expenditure for our own products, other operating costs and expenses for 1Q2006 increased 56.9% to RMB 3.9 million from RMB 2.5 million.

Revenue increased 8.2% to RMB 76.6 million in 1Q2006 from RMB 70.8 million in 1Q2005 as the Group shifted focus towards the sale of pharmaceutical drugs which command a higher-margin. Distribution sales of other companies’ drugs and export sales of active ingredients for 1Q2006 declined 59.4% and 52.0% to RMB 0.4 million and RMB 4.1 million respectively. With continued focus in the development of in-house drugs instead of third-party contract research, sales of R&D results declined to RMB 3.4 million in 1Q2006 from RMB 6.4 million in 1Q2005.

Testament to the success of the Group’s strategic objectives to re-align its revenue mix, earnings per share jumped 31.4% to 5.02 RMB cents for 1Q2006 from 3.82 RMB cents in 1Q2005.

Net assets per share increased 6.1% to 89.78 RMB cents as at 31 March 2006 from 84.62 RMB cents as at 31 March 2005. Cash and cash equivalents remained healthy at RMB 79.9 million, up 13.5% from RMB 70.4 million as at 31 December 2005.

With over 62 drugs currently under different phases of research or development, the Group expects to introduce an average of two new products annually over the next three years as part of its growth strategy. In March 2006, the Group also launched its latest product *Ximingting* (希明婷), used in the treatment of menopausal effects, and targeted at a market of approximately 60 million older women in China. The Group also expects to launch three new products in 2006: Capsaicin gel (辣椒素凝胶), a pain relief gel for rheumatism/diabetes; Pantoprazole Pellets (泮托拉唑微丸胶囊) an improved formulation of Nuosen and Dioctahedral Smectitie Disperse Tablet (蒙托石分散片), for diarrhoea treatment.

Having expanded its distribution network to approximately 2,000 hospitals in China in FY2005, the Group will now seek to increase product penetration and usage of its pharmaceutical products within the different specialisations of the hospitals served. It has also expressed the intention to acquire synergistic companies or products in 2006 to compete more effectively in the Chinese pharmaceutical industry, which is growing and currently going through a consolidation phase.

“International market penetration will play an important role in our growth strategies following our initial foray into the Vietnam market. We will also seek to strike further alliances and collaborations with institutions, who will strengthen AsiaPharm’s network within the international pharmaceutical industry and hasten the process of attaining Good Manufacturing Practice (“GMP”) accreditation under the United States Food and Drug Administration (“FDA”), the Australian Therapeutic Goods Administration (“TGA”) and the European Union’s EMEA standards” said Mr Liu Dianbo (刘殿波), Executive Chairman of AsiaPharm.

“The success of our growth strategies has allowed AsiaPharm to exceed the performance of the Chinese pharmaceutical industry. We believe that these initiatives which involve the strategic re-alignment of our sales-mix and focus on our competitive advantages in R&D and distribution, will lay the foundation for AsiaPharm to compete effectively in the growing industry,” added Mr Liu.

**### End ###**

*Issued on behalf of AsiaPharm Group Ltd. by WeR1 Consultants Pte Ltd*

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**About AsiaPharm Group Ltd.**

Established in 1994, we are today a leading specialty pharmaceutical group in the People's Republic of China ("PRC") focusing on the research and development, production and sale of natural drugs and drug delivery systems. Our ultra modern facility in Yantai is fully equipped with leading edge technology, fully integrated and GMP certified, enabling us to carry out all aspects of pre-clinical evaluation; from pharmaceutical to pharmacology research, drug safety evaluation and clinical trials; to the full production of our natural drugs. We currently employ more than 120 researchers and have close collaborative relationships with renowned universities and research institutions to drive our R&D efforts, enabling us to stay at the forefront of specialty pharmaceutical developments. To reach our customers, we have established an extensive distribution network of 35 sales support offices, covering 30 provinces, municipals, and autonomous regions, reaching approximately 2,000 hospitals. This is further supported by a strong network of 250 distributors and 280 sales and marketing personnel.