



ASIApharm Group Ltd

Press Release – Acquisition Release

ASIAPHARM ACQUIRES PROPRIETARY CANCER TREATMENT INJECTION DRUG (CMNa® 希美纳) AND ITS INTERNATIONAL AND PRC PATENTS AND DISTRIBUTION CHANNELS FOR RMB 80 MILLION

- **CMNa is the only approved chemical sensitizer for radiotherapy of cancer treatment in the world**
- **CMNa® holds patents from the United States, European Union and Japan (pending approval). Acquisition opens new opportunities to penetrate international markets,**
- **CMNa®, classified as “Class One New Drug”¹, will enhance AsiaPharm’s oncology product portfolio**
- **AsiaPharm’s growth to be expected by integration existing strengths of both companies’ product portfolio, marketing and distribution networks in PRC**

Singapore – 24th Oct 2006 – 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”) announced today the acquisition of the patents, process technology, manufacturing license, distribution networks and all rights to the PRC registrations for CMNa® (Sodium Glycididazole for injection, 希美纳), a cancer treatment injection drug for the consideration of RMB 80 million from Lifetech Pharmaceuticals Ltd (“Lifetech”) in Guangzhou (the “Acquisition”).

¹ **Class One New Drug (一类新药)** refers to drugs that falls within the following description:

“New Ingredients and its formulation (including single and compounded active ingredients abstraction from natural drugs and its formulation), while there is no previous approval and in manufacturing in any other countries, active ingredients and its formulation which is only published in papers.”

CMNa®, a cancer treatment injection drug classified as a “Class One New Drug” by the PRC State Food and Drug Administration (“SFDA”), is the only chemical sensitizer for radiotherapy for cancer treatment in the world. Utilising a unique chemical compound that inhibits the recovery of cancer cells destroyed during radiation therapy, CMNa® increases the curative effects of radiotherapy by preventing potentially lethal damage (“PLDR”) and sub-lethal damage (“SLDR”) repair of tumor cells, which increase the sensitivity of tumor cells to radiotherapy, thereby decreasing radiation dose with the same biological effects. .

CMNa® obtained its new drug approval in 2002 and currently enjoys a 12-year administrative protection that prevents the duplication, marketing and import of similar products in the PRC till 2014. Benefiting from its status as a “Class One New Drug” and the administrative protection, CMNa® has priority product pricing rights which will protect it from price reductions imposed by regulators.

Currently patented in the PRC, USA, European Union and awaiting Japan patent approval, CMNa® presents a unique opportunity for AsiaPharm to penetrate the international oncology pharmaceutical market. Complementing its overseas expansion initiatives, CMNa®'s international patents and academia coverage on its efficacy will provide AsiaPharm with new marketing and cooperation opportunities overseas and further consolidate its position as a leading regional pharmaceutical manufacturer.

The acquisition marks AsiaPharm's first major acquisition following its S\$64.3 million (approximately RMB 322 million) placement in May 2006 and will enhance AsiaPharm's oncology product portfolio. It will also help improve future performance of the Group in line with its strategic focus on the discovery, manufacturing and sale of innovative patented pharmaceutical drugs.

AsiaPharm will pay for the all-cash acquisition in tranches, starting with the disbursement of RMB 34 million as initial sum for the acquisition; the balance of RMB 46 million will be disbursed following the transfer of all product patents and equity shares to AsiaPharm and its subsidiaries.

In addition, the Group has been granted the option to acquire Lifetech's existing manufacturing facilities in Guangzhou for RMB 40 million (“the Option”). The Option may be exercised by the Group (at its sole discretion) at any time within five months from the date of the Acquisition.

CMNa® is currently awaiting approval from SFDA for use in chemotherapy. If granted, an additional payment of RMB 50 million (or RMB 35 million, if the Option is exercised and completed) will have to be paid to Lifetech or its related corporation. The Group believes that with such additional indication for use in chemotherapy, CMNa® will potentially have an even larger market.

CMNa® is currently under the PRC Regional Health Insurance Scheme in 16 provinces, and is made available in approximately 300 hospitals through Guangzhou Lifetech Jiuzhoutong New/Special Drug Company ("JZT" 广州莱泰九州通新特药有限公司). Following the acquisition, AsiaPharm will assimilate CMNa®'s distribution network and sales forces into AsiaPharm's current established sales force with over 280 sales and marketing personnel serving 2000 hospitals, thereby enhancing AsiaPharm's products portfolio, market coverage and boosting future performance.

For the financial year ending 31 December 2006 ("FY2006"), based on Lifetech's management accounts, CMNa® sales revenue is expected to be RMB 30 million with an approximate net profit after tax of RMB 13 million. Based on the projected FY2006 figures, the acquisition of CMNa® is valued approximately at a price-to-earnings ratio of 6 times. Earnings for CMNa® are expected to rise for FY2007 as the integration is completed and synergy effect is fully achieved.

Commenting on the Acquisition, AsiaPharm's Executive Chairman, Mr Liu Dianbo, said:

"M&A remains one of our key growth generators for the future. We remain on the lookout for prospective products and projects in the domestic and international pharmaceutical industry that complement our current operations and will contribute to our growth and future development. As part of our key development in the oncology product offering, I am confident that this acquisition will enhance the growth of the Group and generate higher shareholder values."

"We believe that through the distribution of this new drug, CMNa®, AsiaPharm will serve the growing needs of the millions of cancer patients by giving them a better chance of recovery," he added.

Background information on cancer

Cancer

Since the 1990s, tumor patients have grown to 127 cases/100,000 population in China. There are 1.6-1.7 million new cases every year, with total patients numbering around 4.5 million people.

In 2005, cancer was the number-one ranking cause of death for the urban population in China, making up for more than 22.94% of the national mortality figure. Out of every 1000 people, there are 1.25 people who had died because of cancer. *MOH statistics

Globally speaking, cancer is also a leading cause of death. In 2005, 7.6 million people died of cancer - 13% of the 58 million deaths worldwide. Each year, more than 11 million people are expected to be diagnosed with cancer. It is estimated that there will be 16 million new cases every year by 2020. *WHO database

Treatment of Cancer

There are general 3 major types of treatments for cancer. They are: Surgery, Radiation Therapy (Radiotherapy) and Chemical Therapy (Chemotherapy). In China, the major treatment to cancer is chemotherapy, normally with adjunction of radiation therapy.

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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.