



ASIAPHARM GROUP LTD

ANNOUNCEMENT ON LATEST PRICE REVISIONS IMPLEMENTED BY THE PRC NATIONAL DEVELOPMENT AND REFORM COMMISSION

The Board of Directors of AsiaPharm Group Ltd (“AsiaPharm” or “the Group”) wishes to announce that it has received notification of further price revisions for pharmaceutical drugs sold in hospitals implemented by the People’s Republic of China (“PRC”) National Development and Reform Commission (“NDRC”). The latest price revisions, listed out separately in patented and non-patented drugs sections took effect from 26 January 2007 and encompass a total of 354 drugs. The revisions aim to further reduce health care costs to patients.

The price revisions include three drugs developed and marketed by AsiaPharm’s subsidiary Shandong Luye Pharmaceutical Company (“Luye”), namely **Maitongna** (Sodium Aescinate for injection), **Okai** (Sodium Aescinate Tablet), and **Sidinuo** (Elcatonin for injection).

1. **Maitongna**, a patented anti-inflammatory injection drug commonly used in orthopedics and neurology is now subject to a 5%, 9% and 14% downward price revision for its 5mg, 10mg and 15mg dosages, respectively. Since the drug was categorised in the patented drug price revision, the reduction is significantly lower than the 35% price reduction for other non patented drugs produced by other GMP compliant drug manufacturers.

The revision further differentiates the pricing of proprietary drugs and non-proprietary drugs, demonstrating regulatory emphasis on protecting intellectual properties and supporting high quality, technology driven manufacturers.

2. **Okai**, a patented tablet form of Sodium Aescinate commonly used in the treatment of inflammation and haematoma – an extended line product to Maitongna – is now subject to a 25% downward price revision. However, the Group is of the opinion that this price revision contravenes Okai’s existing patent protections as it was included in the non patented drug lists together with other competitive drugs. As such, the Group has submitted relevant appeals to reverse the changes and has begun preliminary discussions with the NDRC.
3. **Sidinuo**, an Elcatonin Acetate injection used in the treatment of Osteoporosis, is now subject to a consolidation of its cross regional pricing structure to a single price compared to the different pricings used previously due to differences in regional classification. Sidinuo had until now been under-priced in various provinces where it was classified as a direct substitute to Calcitonin Salmon, which resulted in Luye delaying entry into those markets. The uniform price revision implemented by the NDRC will see Sidinuo’s price set higher than its current pricing in key areas like Shanghai, Guangdong, Jiangsu and Hunan. This correction will allow AsiaPharm to expand its Sidinuo distribution into areas which had previously been underdeveloped due to the low product prices offered.

The Group believes that the impact of price revision for Maitongna and Sidinuo will have more effect on the end user selling prices of the drugs while the effects to the manufacturers' selling price will not be as significant. The impact of price revision to Okai will be minimal as the revenue contribution of Okai is rather small compare to the group portfolio.

The separation of the price revisions for patented and non-patented drugs has demonstrated a clear regulatory emphasis to develop the PRC pharmaceutical industry into a technology driven industry. This regulatory support will serve to benefit pharmaceutical manufacturers like AsiaPharm who have significant competitive advantages in Research and Development in the long run.

In addition, the increased products lines and business sectors brought in through the Group's recent acquisitions will serve to diversify the Group's overall risk profile and contribute positively to its future financial performance.

By Order of the Board
Liu Dianbo
Executive Chairman
Dated: 29 January 2007