



ASIAPHARM GROUP LTD

VOLUNTARY CONDITIONAL CASH OFFER FROM LUYE PHARMACEUTICAL INVESTMENT CO., LTD FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF ASIAPHARM GROUP LTD

Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the Company's announcements on 5 February 2008 and 19 February 2008 in relation to the Offer.

LETTER FROM TEMPLETON

The Board of Directors of the Company wishes to announce that Templeton Strategic Emerging Markets Funds II, LDC ("**Templeton**"), a shareholder of the Company, has through its solicitors, Messrs Stamford Law Corporation, written to the Company on 10 March 2008, informing that there is a dispute in relation to the shareholder agreement dated 4 May 2006 ("Shareholders' Agreement") entered into between Mr Liu Dianbo, Mr Yuan Huixian and Templeton. Pursuant to the Company's request for clarification on the dispute via a letter dated 14 March 2008 from the Company's solicitors, Messrs KhattarWong, Templeton has through a further letter dated 18 March 2008 from its solicitors, Messrs Stamford Law Corporation clarified, *inter-alia*, that:

"In view of the Irrevocable Undertaking in respect of the shares in the Company held by Mr Liu both directly and indirectly, Mr Liu had proposed to transfer more than 2% of the total issued share capital of the Company in a single transaction thereby triggering Tag-Along Rights under Clause 6 of the Shareholders Agreement. Mr Liu was obliged to give written notice of the terms and conditions of the sale to our clients promptly at the proposal stage, which obligation was breached. Our clients have never been formally notified by Mr Liu of the transaction. Our clients have accordingly been denied their Tag-Along Rights.

Further, Clause 5 of the Shareholder Agreement states, inter alia, that Mr Liu shall not without the prior written consent of our clients, directly or indirectly, transfer, pledge, sell, alienate, dispose of, hypothecate or otherwise encumber in any way whatsoever such number of shares of the Company held by him directly and indirectly which would result in him holding less than 30% shareholding interest in the capital of the Company (the "30% Threshold").

Mr Liu, through his solicitors, has replied that he will not breach the 30% Threshold at any time under the terms of the Conditional Offer. While our clients disagree, our clients understand Mr Liu's reasons are that (a) his indirect and direct shareholding in the Company is being tendered in two tranches into the Conditional Offer, the first tranche being approximately 8.40% of the issued share capital of the Company and the second tranche being the remainder (approximately 33%); and (b) the resultant position after the Conditional Offer, if successful, appears to be that Mr Liu stands to gain a substantial increase in shares under direct or indirect control.

We note that no reason has been given in the Conditional Offer for the need to tender the shares held in two tranches, or for the first tranche to be for only 8.40% of the issued share capital of the Company. Without further information, it appears to our clients that such structure is intended to address the 30% Threshold."

The Board and the Independent Directors have sought clarification from Mr Liu and Mr Yuan and have received a copy of an email dated 10 March 2008, sent by Mr Liu Dianbo to Singapore Exchange Securities Trading Limited stating, inter-alia, that:

"I have consulted my legal advisers Shook Lin & Bok LLP on this matter, and wish to confirm that the shareholders' agreement will not prevent me from fulfilling my obligations under my irrevocable undertaking to LuYe Pharmaceutical Investment Co. Ltd and Hygeia Holdings Ltd of 4 February 2008 with respect to the voluntary conditional cash offer from LuYe Pharmaceutical Investment Co., Ltd for all the issued and paid-up ordinary shares in the capital of Asiapharm Group Ltd."

The Company has also on 20 March 2008, through, its solicitors, Messrs KhattarWong, written to the solicitors for Mr Liu and Mr Yuan, Messrs ShookLin & Bok LLP, in relation to Templeton's allegations and has received a reply on 20 March 2008 stating, inter-alia, that:

"Please note that we had already in our various correspondences with Templeton's solicitors Stamford Law Corporation responded to Templeton's allegations in respect of the Shareholders' Agreement."

In any event, any allegation by Templeton regarding the Shareholders' Agreement should have been directed to our clients and not to Asiapharm as it is not a party to the Shareholders' Agreement. As such, we do not think that it is appropriate for us to provide a response to the allegations raised by Templeton as set out in your letter."

Our client, Mr Liu Dianbo, confirms that his position, as stated in his email to SGX of 10 March 2008 that the Shareholders' Agreement will not prevent the fulfilment of his obligations under the irrevocable undertaking to LuYe Pharmaceutical Investment Co. Ltd and Hygeia Holdings Ltd of 4 February 2008 with respect to the voluntary conditional cash offer from LuYe Pharmaceutical Investment Co., Ltd for all the issued and paid-up ordinary shares in the capital of Asiapharm Group Ltd., remains the same."

The Company and the Independent Directors, were not parties to the Shareholders' Agreement, and have not taken part in the negotiations leading to conclusion of the Shareholders' Agreement and the execution of the Shareholders' Agreement. The Company and the Independent Directors made the necessary due inquiry and have now received sufficient details of the dispute. In view that Mr Liu, Mr Yuan and Templeton are being advised by their respective solicitors, the Company and the Independent Directors are not in any position to comment on the legal position and potential effects of the Shareholders' Agreement, if any, either on the Offer or otherwise.

RESPONSIBILITY STATEMENT

The directors of the Company (including those who have delegated supervision of this announcement (Announcement) have taken all reasonable care to ensure that the facts stated 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 from the letters from Messrs Stamford Law Corporation, letter from Messrs ShookLin & Bok LLP, Mr Liu's email or published or publicly available sources, the sole responsibility of the directors of the Company has been to ensure that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

By Order of the Board

Ms Lim Ka Bee
Company Secretary
21 March 2008