



AsiaPharm Group Ltd

Press Release – Acquisition of subsidiary

ASIAPHARM ACQUIRES TRADING SUBSIDIARY IN STRATEGIC ALIGNMENT EXERCISE

- **AsiaPharm to acquire remaining 20% minority interest of PRC subsidiary, Yantai Luye Drug Trading, for RMB1.21 million**
- **Strategic restructuring of Yantai Luye Drug Trading to focus on higher margin in-house and imported drugs in line with Group’s growth strategy**

Singapore, 30 May 2006 – Singapore Exchange Main Board-listed AsiaPharm Group Ltd (“AsiaPharm” or the “Group”), 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 its wholly owned subsidiary Shandong Luye Pharmaceutical Co., Ltd (“Luye” or “山东绿叶制药有限公司”) has acquired the remaining 20% minority interest shareholding in Luye’s subsidiary, Yantai Luye Drugs Trading Co., Ltd (“LDT” or “烟台绿叶药品贸易有限公司”) for RMB1.21 million.

The acquisition, which is in line with the Group's objective to focus on higher-margin businesses, will see Luye paying a sum of RMB1.21 million for the remaining 20% minority interest of LDT to the existing shareholders; namely Ms Wang Cui Lian (王翠莲), Mr Yang Rong Bing (杨容兵) and Mr Yuan Hui Xian (袁会先). Mr Yang and Mr Yuan are directors of AsiaPharm, while Ms Wang is the wife of Mr Liu Dianbo (刘殿波), Executive Chairman of AsiaPharm. The transaction was arrived at a willing buyer willing seller basis and the consideration was negotiated at arm's length basis and is based on a valuation conducted by an independent valuer.

Following the acquisition, LDT will be restructured to focus on the import and sales of high-margin in-house drugs. LDT will spearhead the sales of our OTC drugs such as Okai, Olai, Ximingting and the newly launched Otong.

"Through this strategic alignment of LDT with the Group's growth strategies, we expect to enhance profitability by focusing resources on the development of our sales and distribution network for the import and sale of high-margin in-house drugs," said Mr Liu.

For the financial year ended 31 December 2005 ("FY2005"), the Group announced that higher sales of its own pharmaceutical products, was the key contributor for its 24.8% surge in net profits to RMB89.6 million. To capitalise on the opportunities presented to the Group, the management will channel resources towards its core competencies in research and development of new products and the sale of its in-house drugs.

Save as disclosed above, none of the other directors or substantial shareholders of Asiapharm has any interest, directly or indirectly, in the above acquisition.

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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.

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

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