



MerLion Pharmaceuticals announces the completion of a merger with Combinature Biopharm AG and Athelas SA and first closure of a US\$30M financing round

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- MerLion Pharma completes tripartite merger
- Advanced antibiotic drug candidates moving into clinical trials
- Significant Asian biotech financing round
- Broad additions to technology platform for potential partnering

MerLion Pharmaceuticals Pte Ltd (MerLion) of Singapore, the world's leading natural products based drug discovery company, announces that it has completed a merger by exchange of shares with Combinature Biopharm AG (Berlin, Germany) and Athelas SA (Geneva, Switzerland). Both European companies become 100% subsidiaries of MerLion whose headquarters and drug discovery research centre is based in Singapore. Drug development of its anti-infective programmes and nuclear magnetic resonance screening activities will be conducted from Berlin.

Dr Tony Buss, CEO of MerLion said "This major expansion of our capabilities, combined with proven drug discovery technologies and promising clinical candidates, position MerLion for its next exciting phase of growth. The company will continue its lead discovery activities in a range of therapeutic areas and will focus on the clinical development of anti-infective drugs."

Dr Harald Labischinski, CEO of Combinature Biopharm and the new Chief Scientific Officer of MerLion, said "Combinature is very pleased to enter into such a strategic agreement with the leading natural compound research company and is now for the first time in the position to forward the new company's most advanced antibiotic compounds from late stage pre-clinical development through phase I and phase II clinical. We expect to start our first clinical programmes with a novel mode of action resistance breaker antibiotic as well as with a new subclass of a broad spectrum antibiotic class within a few months from now."

Dr Christine Deuschel, CEO of Athelas, said "MerLion offers Athelas an exceptional opportunity to progress the development of our novel anti-pathogenicity platform. The integration of Athelas' DiVi Technology will provide MerLion with a broad and completely novel way of discovering new molecules based on a mechanism of action unexploited to date".

The company has also completed the first closure of US\$ 25M from a US\$30M round of financing, which will be completed in full during the fourth quarter of 2006. This funding will propel the company towards an initial public offering within two years.

The round, led by Aravis Venture of Switzerland and Bio*One Capital Pte Ltd of Singapore, represents one of the largest private rounds of funding raised for a drug discovery and development company in the region.

Ms. Swee Yeok Chu, CEO of Bio*One Capital and Mr. Jean-Philippe Tripet, Managing Partner of Aravis stated: “We believe that this cross border merger and financing is a landmark deal in Asia that confirms the ability of biotechnology companies to successfully develop from Singapore, capitalising on international alliances, funding from international investors, as well as strong local infrastructure that supports the growth of the company. With this financing and acquisitions, MerLion has now built a profile that compares with the best emerging biotechnology companies globally.”

Other participants in this round of funding include Nomura Research and Advisory, Aurelia Private Equity, Brandenburg Capital, Bioveda Capital, Novartis Venture Fund Mitsubishi Corporation and 3i Group Investment LP.

Michael Toenes of BC Venture GmbH , Juergen Leschke, Management Partner Aurelia Private Equity, Dr. Clemens Doppler of 3i Group Investment LP and Dr Dirk Honold, former CFO of Combinature stated: “The new company is now in the exciting position to further fill and advance the pipeline and to start clinical testing with very promising antibiotic drugs which have already shown exciting profiles. By the transaction the combined entity will have a strategic position to enter into the highly attractive and growing markets in the important area of novel anti-infectives.”

In addition to progressing at least two anti-infective candidates into clinical proof of concept studies and developing the growing portfolio of earlier candidates towards the clinic, MerLion will retain its strong partnership alliances in natural products drug discovery and will expand in two main areas;

Novel Anti-Infectives Discovery

The acquisition of the anti-infectives DiVi discovery platform of Athelas, which received an award at the 2005 Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC), provides MerLion with strong target generation capabilities and proprietary drug discovery screening systems in the area of bacterial pathogenicity.

Nuclear Magnetic Resonance (NMR) Screening

The experienced NMR screening group based in Berlin will continue to utilise their expertise and technology with existing partners and in support of ongoing MerLion portfolio projects. This technology is the subject of increasing interest to the industry and is capable of advancing discovery by closely identifying how active compounds interact with drug targets and how these interactions may be optimised.

MerLion would like to recognise the professional services provided during this complex transaction by Jones Day, CMS, Wong Partnership, Schellenburg-Wittmer, Vischer, PriceWaterhouseCoopers, Ernst & Young and Maidavale Consulting.

Note to Editors

About MerLion Pharmaceuticals

MerLion Pharmaceuticals is the industry partner-of-choice in natural products drug discovery. It maintains the world's largest and most diverse collection of natural product samples and enters multiple risk-share collaborations utilising its unique natural products chemistry expertise and proven high throughput screening capabilities.

The company's current collaboration partners include Abbott Laboratories, Arpida SA, Astellas Pharma Inc., Boehringer Ingelheim, Cancer Research Technologies Ltd, Dow AgroSciences, the Institute of Molecular and Cell Biology (Singapore), Johns-Hopkins (USA), Merck and Co, NovImmune SA, Nura Inc, Novartis Institute for Tropical Diseases, Sankyo Co Ltd. and Schering-Plough Inc.

For more information, please visit <http://www.merlionpharma.com>

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About Combinature Biopharm AG

Combinature Biopharm AG optimizes and develops natural product based pharmaceuticals for preclinical and clinical development. The stringent focus of its internal product development pipeline is on anti infectives. The Company utilises an unique "combinatorial biosynthesis" technology platform which comprises biosynthesis pathway engineering technologies with biocatalytic efforts to achieve specific natural product structure modifications. The company staffed by over 20 employees has a strong pipeline of pre-clinical candidates. A novel mode of action lipopeptide antibiotic for serious hospital infections caused by multi-resistant pathogens is rapidly progressing to clinical phase I testing planned for 2006. Combinature is active and successful in acquiring further antibiotic development candidates and has ongoing co-operations with leading pharmaceutical and biotechnology

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About Athelas SA

Founded in Geneva in 2002, Athelas' core technology, DiVi, is a cell-based approach leading to the discovery and development of potent inhibitors of bacterial pathogenicity. The highly innovative approach offered by DiVi enables for the first

time to explore the previously inaccessible territories of "in vivo essentiality". By interfering with bacterial mechanisms essential for in vivo survival of bacteria, DiVi is able to identify compounds which are able to overcome the problems of multi-drug resistance, as well as to develop efficient preventive and preemptive treatments. Athelas scientific contribution entitled "New targets for antibacterial drugs", presented at the 45th Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC, Washington DC, Dec. 16 - 19, 2005), has received the Committee Award in the area of Pathogenesis of Microbial Diseases. Sponsored by the ICAAC Program Committee, this award recognizes and encourages research excellence.

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