

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement. This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.



**FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED**  
**(Provisional Liquidators Appointed)**

遠東生物制藥科技有限公司

(已委任臨時清盤人)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 399)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

The board (the "Board") of directors (the "Directors") of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2004 (the "Year") together with the comparative figures for the previous corresponding year as follows:

**CONSOLIDATED INCOME STATEMENT**

	<u>Notes</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000 (Restated)
<b>Turnover</b>	4	29,092	992,961
Cost of sales		<u>(26,535)</u>	<u>(621,408)</u>
Gross profit		2,557	371,553
Other income	5	8,260	20,162
Selling expenses		(2,610)	(110,856)
Administrative expenses		<u>(53,333)</u>	<u>(42,714)</u>
<b>(Loss)/profit from operations</b>		(45,126)	238,145
Loss on deconsolidation of the subsidiaries and impairment on investment costs and due from deconsolidated subsidiaries	7	(1,209,136)	-
Other losses	8	(179,625)	-
Finance cost	9	<u>(22,727)</u>	<u>(2,636)</u>
<b>(Loss)/profit before tax</b>		(1,456,614)	235,509
Income tax expense	10	-	(52,682)
<b>(Loss)/profit for the year</b>	11	<u>(1,456,614)</u>	<u>182,827</u>
<b>Attributable to:</b>			
Equity holders of the Company		(1,452,845)	175,040
Minority interests		<u>(3,769)</u>	<u>7,787</u>
		<u>(1,456,614)</u>	<u>182,827</u>
Dividends	12	<u>-</u>	<u>40,715</u>
<b>(Loss)/profit per share</b>	13		
Basic (HK cents per share)		<u>(68.96)</u>	<u>8.60</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>8.34</u>

## CONSOLIDATED BALANCE SHEET

	<u>Notes</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment		25,392	150,094
Prepaid lease payments		9,407	9,607
Goodwill		-	3,973
Intangible assets		-	77,238
Deposits for land use right and construction in progress		-	96,284
		<u>34,799</u>	<u>337,196</u>
<b>Current assets</b>			
Inventories		4,186	73,072
Prepayments, deposits and other receivables		3,074	51,770
Trade receivables	14	5,146	188,984
Prepaid lease payments		200	200
Bank and cash balances		145,237	644,207
		<u>157,843</u>	<u>958,233</u>
<b>Current liabilities</b>			
Bank loans		24,972	2,648
Trade payables	15	10,489	61,525
Accruals and other payables		132,295	67,086
Current tax liabilities		-	11,535
		<u>167,756</u>	<u>142,794</u>
<b>Net current (liabilities)/assets</b>		<u>(9,913)</u>	<u>815,439</u>
<b>Total assets less current liabilities</b>		<u>24,886</u>	<u>1,152,635</u>
<b>Non-current liabilities</b>			
Bank loans		585,000	265,200
Deferred taxation		1,157	-
		<u>586,157</u>	<u>265,200</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(561,271)</u>	<u>887,435</u>
<b>Capital and reserves</b>			
Share capital		54,394	50,894
Reserves		(615,665)	814,356
Equity attributable to equity holders of the Company		(561,271)	865,250
Minority interests		-	22,185
<b>TOTAL EQUITY</b>		<u>(561,271)</u>	<u>887,435</u>

### Notes:

#### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is 35th Floor, One Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 17 June 2004.

The Company is an investment holding company. The activities of its subsidiaries are principally engaged in the manufacturing and distribution of pharmaceutical products.

## 2. BASIS OF PREPARATION

### Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately HK\$1,452,845,000 for the year ended 30 June 2004 (2003: profit of approximately HK\$175,040,000) and as at 30 June 2004 the Group had net current liabilities of approximately HK\$9,913,000 (2003: net current assets of approximately HK\$815,439,000) and net liabilities of approximately HK\$561,271,000 (2003: net assets of approximately HK\$887,435,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In July 2004, an event of default occurred in respect of a syndicated loan totaling approximately HK\$585,000,000 as at 30 June 2004 and such amounts have become repayable on demand. The bank loan, together with the corresponding finance cost, was therefore reclassified as a current liability in subsequent years.

The Group has been experiencing financial difficulties since about 2004. On 15 September 2004, Standard Chartered Bank (Hong Kong) Limited ("SCBHK") petitioned for the winding-up of the Company as the Company failed to repay a syndicated bank loan. Upon the application of SCBHK, on 22 September 2004 Messrs. Lai Kar Yan Derek and Darach E. Haughey, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators (the "Provisional Liquidators") of the Company by the High Court of the Hong Kong Special Administrative Region so as to preserve the assets of the Company and to consider and review all restructuring proposals to maximize the recovery of the creditors and shareholders of the Company.

The Company had been placed into the third stage of the delisting procedures on 17 October 2005. Best Champion Holdings Limited (the "Investor") subsequently decided to pursue a restructuring of the Company.

After various discussions involving representatives of the Provisional Liquidators, the Investor and their respective advisors, the terms of a restructuring proposal were formulated. The restructuring proposal involves, inter alia, (i) capital restructuring; (ii) debt restructuring; (iii) subscription; and (iv) group reorganization.

On 29 March 2006, a proposal for the resumption of trading in the Company's shares was submitted on behalf of the Company to the Stock Exchange by Asian Capital (Corporate Finance) Limited which had been appointed as the financial advisor to the Company.

The financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Having reviewed and considered the operations and the affairs of the Group and the Company, the magnitude of the claims against the Company and the third stage of delisting procedures, the Directors concluded that the proposed restructuring represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business. The Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

In the opinion of the Directors, the financial statements for the year ended 30 June 2004 prepared on the going concern basis present fairly the results, state of affairs and cash flows of the Group.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### Loss of books and records of a subsidiary

The Directors have used their best endeavors to relocate all the financial and business records of a subsidiary, 上海德勝科技集團 (安慶) 制藥有限公司 ("安慶"), as some of its books and records for the year ended 30 June 2004 have been lost and most of the former accounting personnel of 安慶 have left. The Directors were unable to obtain sufficient information to satisfy themselves regarding the treatment of various balances of the subsidiary as at 30 June 2004.

The financial statements have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence described above, the Directors were unable to ascertain that the opening balances and corresponding figures of 安慶 for the year ended 30 June 2004 have been properly reflected in the books and records and in the financial statements.

### Insufficient information provided by the Directors

The Directors were unable to obtain all the relevant information regarding the books and records of the Group, and therefore the Directors were unable to satisfy themselves as to the existence, completeness and accuracy of the following:

#### i) Related party transactions

The Directors were unable to ascertain the existence and completeness of the disclosures of the related party transactions for the year ended 30 June 2004 as required by HKAS 24 "Related Party Disclosures".

#### ii) Employee benefits

The Directors were unable to ascertain the existence and completeness of the disclosures of the employee benefits and retirement benefits scheme.

### Deconsolidation of subsidiaries

The financial statements have been prepared based on the books and records maintained by the Group. However, the Directors considered that the control over certain subsidiaries including Global Profit Far East Limited, Fujian Desheng Pharmaceuticals Company Limited, 福建延年藥業有限公司, 廈門泰倫生物工程公司, 德勝生物科技(深圳)有限公司 and 德勝藥業(上海)有限公司 has been lost from 1 July 2003. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group.

Any adjustment arising from the matters described above might have a significant consequential effect on the Group's results for the year ended 30 June 2004 and the related disclosures thereof in the financial statements.

Also, as a result of the matters described above, the corresponding figures shown in the financial statements may not be comparable with the figures for the current year.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has early adopted, for the first time, all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The applicable HKFRSs are set out below and the 2003 financial statements have been restated in accordance with the relevant requirements, where applicable.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 32	Financial instruments: disclosure and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: recognition and measurement
HKFRS 2	Share-based payments
HKFRS 3	Business combinations

The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

#### a) Minority interests

In previous years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the shareholders of the Company.

With effect from 1 January 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. This change in accounting policy has been applied retrospectively.

#### b) Leases

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to prepaid lease payments. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and impairment losses. HKAS 17 has been applied retrospectively.

The adoption of HKAS 17 resulted in changes in the amounts reported in the balance sheet as follows:

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Decrease in property, plant and equipment	(9,607)	(9,807)
Increase in prepaid lease payments	9,607	9,807
Net effect on the financial positions	<u>-</u>	<u>-</u>

c) Business combinations

The adoption of HKFRS 3 "Business Combinations" resulted in a change in the accounting policy for goodwill. Until 30 June 2003, goodwill was amortised on a straight line basis over the estimated useful life and was assessed by the Directors for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 July 2003. Accumulated amortisation as at 30 June 2003 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 30 June 2004 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER

The Group's turnover which represents sales of pharmaceutical products to customers is as follows:

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Sales of pharmaceutical products	29,092	992,961

5. OTHER INCOME

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Interest income	8	4,513
Waive of trade payables to a supplier	4,077	3,877
Waive of bank loans to a bank	4,175	-
Lease income for granting the rights to manufacture and sale of pharmaceutical products	-	11,250
Exchange gain	-	124
Sundry income	-	398
	<u>8,260</u>	<u>20,162</u>

6. SEGMENT INFORMATION

Primary reporting format - business segments

The Group is principally engaged in the manufacturing and distribution of pharmaceutical products. An analysis of the Group's financial performance and position by business segments, namely 'Manufacturing and distribution' and 'Corporate and others' is as follows:

	Manufacturing and distribution		Corporate and others		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Years ended 30 June 2004 and 2003</u>						
Turnover	29,092	992,961	-	-	29,092	992,961
Segment results	(17,228)	215,615	(36,158)	2,368	(53,386)	217,983
Other income					8,260	20,162
Loss from operations					(45,126)	238,145
Loss on deconsolidation of the subsidiaries and impairment on investment costs and due from unconsolidated subsidiaries					(1,209,136)	-
Other losses					(179,625)	-
Finance cost					(22,727)	(2,636)
(Loss)/profit before tax					<u>(1,456,614)</u>	<u>235,509</u>

At 30 June 2004 and 2003

Segment assets	47,660	1,181,321	144,982	114,108	192,642	1,295,429
Segment liabilities	45,400	110,825	-	297,169	45,400	407,994
Unallocated liabilities					708,513	-
Total liabilities					753,913	407,994

Other segment information:

Capital expenditure	3,702	3,502	-	191	3,702	3,693
Depreciation	2,062	20,569	-	248	2,062	20,817
Amortisation	-	9,558	-	-	-	9,558
Non-cash expenses other than depreciation and amortisation	16,895	1,415	-	15	16,895	1,430
Surplus on revaluation of building recognised directly in equity	3,470	18,000	-	-	3,470	18,000

Secondary reporting format - geographical segments

Over 90% of the Group's revenue are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

7. LOSS ON DECONSOLIDATION OF THE SUBSIDIARIES AND IMPAIRMENT ON INVESTMENT COSTS AND DUE FROM DECONSOLIDATED SUBSIDIARIES

	2004	2003
	HK\$'000	HK\$'000
Loss on deconsolidation of subsidiaries (note a)	237,335	-
Impairment on investment costs in the deconsolidated subsidiaries	333,846	-
Impairment on due from the deconsolidated subsidiaries	637,955	-
	1,209,136	-

a) Loss on deconsolidation of subsidiaries

As disclosed in note 2 to the financial statements, the Directors considered that the control over certain subsidiaries including Global Profit Far East Limited, Fujian Desheng Pharmaceuticals Company Limited, 福建延年藥業有限公司, 廈門泰倫生物工程有限公同, 德勝生物科技(深圳)有限公司 and 德勝藥業(上海)有限公司 has been lost since 1 July 2003. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group.

Net assets of these subsidiaries as at 1 July 2003 were as follows:

	HK\$'000
Property, plant and equipment	120,446
Deposits for land use right and construction in progress	96,284
Intangible assets	54,518
Goodwill	3,973
Inventories	69,200
Trade receivables	167,366
Prepayments, deposits and other receivables	10,907
Bank and cash balances	534,376
Trade payables	(44,588)
Accruals and other payables	(64,914)
Current tax liabilities	(11,535)
Net amount due to the Group	(344,853)
Net assets deconsolidated	591,180

Release of foreign currency translation reserve	(1,583)
Minority interests	(18,416)
Investment costs	(333,846)
Loss on deconsolidation of subsidiaries	<u>237,335</u>
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents of subsidiaries deconsolidated	<u>(534,376)</u>

8. OTHER LOSSES

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Impairment on other receivables	146,420	-
Loss on disposal of property, plant and equipment of 安慶	10,485	-
Impairment on intangible assets of 安慶	22,720	-
	<u>179,625</u>	<u>-</u>

9. FINANCE COST

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Interest on bank loans and syndicated borrowings	<u>22,727</u>	<u>2,636</u>

10. INCOME TAX EXPENSE

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the year	-	52,682
	<u>-</u>	<u>52,682</u>

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2004 (2003: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Amortisation of intangible assets	-	8,462
Amortisation of goodwill	-	1,096
Depreciation	2,062	20,817
Directors' emoluments	-	5,686
Operating lease charges of land and buildings	200	2,346
Auditor's remuneration (Note a)	-	1,303
Cost of inventories sold	26,535	621,408
Loss on disposal of property, plant and equipment	10,523	60
Impairment on intangible assets	22,720	-
Impairment on prepayments	7,849	-
Allowance for trade receivables	9,046	670
Staff costs including directors' emoluments		
Salaries, bonus and allowances	1,778	16,023
Retirement benefits scheme contributions	-	1,315
	<u>1,778</u>	<u>17,338</u>

a) Auditor's remuneration for the year ended 30 June 2004 is borne by the Investor.

## 12. DIVIDENDS

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Proposed final of HK\$Nil (2003: HK cents 8) per ordinary share	-	40,715

## 13. (LOSS)/PROFIT PER SHARE

### Basic (loss)/profit per share

The calculation of basic loss (2003: profit) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK\$1,452,845,000 (2003: profit attributable to equity holders of the Company of approximately HK\$175,040,000) and the weighted average number of ordinary shares of 2,106,857,154 (2003: 2,035,730,408, as adjusted to reflect the share subdivision) in issue during the year.

### Diluted (loss)/profit per share

No diluted loss per share for the year ended 30 June 2004 is presented as the Company did not have any dilutive potential ordinary sharing during the year. The calculation of diluted earning per share for the year ended 30 June 2003 attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK\$175,040,000 and the weighted average number of ordinary shares of 2,098,325,456, being the weighted average number of ordinary shares of 2,035,730,408 (adjusted to reflect the effect on share subdivision) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 62,595,048 (adjusted to reflect the effect on share subdivision) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

## 14. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
30 days or less	1,704	98,771
31 days to 60 days	964	70,157
61 days to 180 days	2,478	19,467
Over 180 days	-	589
	<u>5,146</u>	<u>188,984</u>

As at 30 June 2004, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$9,046,000 (2003: Nil).

## 15. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
30 days or less	1,645	49,062
31 days to 60 days	804	1,433
61 days to 180 days	790	2,279
Over 180 days	7,250	8,751
	<u>10,489</u>	<u>61,525</u>

## 16. CONTINGENT LIABILITIES

A full search for contingent liabilities of the Group has not been conducted. However, lawsuits or winding-up petitions, if any, against the Group will be subject to a formal adjudication process, dealt with and compromised under the restructuring scheme.

Save as disclosed above, the Directors were not aware of any significant contingent liabilities of the Group as at the balance sheet date.



## 17. EVENTS AFTER THE BALANCE SHEET DATE

### **Winding Up Petition**

At the resumed hearing of the winding up petition on 26 November 2007, the Honourable Madam Justice Kwan ordered that the Petition be further adjourned to 13 May 2008.

### **Restructuring and Relisting**

#### Stock Exchange's decision on resumption of trading

On 10 October 2007, the Stock Exchange issued a letter to Asian Capital (Corporate Finance) Limited, the financial advisor of the Company and advised that the Listing Appeals Committee concurred with the decisions of the Listing Committee and the Listing (Review) Committee that the Company had not submitted a valid resumption proposal as required. Nevertheless, having considered all submissions (both written and oral) presented by the review parties for the purpose of the reconvened Review Hearing on 19 September 2007, it had decided to allow the Company to proceed with the Resumption Proposal (as supplemented by subsequent submissions), subject to prior compliance with various conditions to the satisfaction of the Listing Division of the Stock Exchange within six months from the date of the letter, i.e. on or before 9 April 2008.

Since then, the representatives of the Provisional Liquidators of the Company, the Investor and their respective advisors have been endeavoured to achieve full compliance of the conditions set out by the Stock Exchange.

In view of the fact that there are various long public holidays during the six-month period, the conditions could not be fully complied with on or before 9 April 2008. In the circumstances, the Company is now seeking from the Stock Exchange an extension for complying with the conditions.

#### Debt restructuring

The Company has made an application to the High Court of Hong Kong for a sanction to a Scheme of Arrangement (with modifications) under section 166 of the Hong Kong Companies Ordinance between the Company and all its creditors with non-preferential claims against the Company, which was duly approved at the Scheme Meeting ordered by the Court and held on 22 February 2008. The hearing of the application by the High Court is scheduled on 8 April 2008.

#### Capital restructuring

The Company will convene an extraordinary general meeting of the members to seek the shareholders' approval on the proposed capital restructuring. The Company has also made an application to the court in the Cayman Islands for a restructuring in its capital. The hearing date of this petition is fixed on 20 June 2008.

## **QUALIFIED INDEPENDENT AUDITOR'S REPORT**

The Directors would like to draw your attention to the fact that the independent auditor's report on the financial statements of the Group for the year ended 30 June 2004 has been qualified. The relevant parts of the auditor's report that dealt with the qualification are quoted as follows:

### **Basis for disclaimer of opinion**

#### **1 Scope Limitation – 上海德勝科技集團(安慶)制藥有限公司 ("安慶")**

The Directors are unable to provide us sufficient information of the subsidiary 安慶 for us to carry out all necessary audit procedures. Hence, we were unable to satisfy ourselves as to whether the following items regarding 安慶 are fairly stated in these financial statements.

##### **1.1 Transactions and Loss for the Year**

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the transactions of 安慶 for the year ended 30 June 2004. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the loss of 安慶 of approximately HK\$49,094,000 that is included in the consolidated loss of approximately HK\$1,456,614,000 for the year ended 30 June 2004.

##### **1.2 Inventories**

We were appointed as auditor of the Company subsequent to the balance sheet date of 30 June 2004. In consequence, we were unable to attend the Group's physical counts of inventories possessed by 安慶 as at that date. No sufficient stock records have been provided to us to verify the quantity and the carrying amount of inventories of approximately HK\$4,186,000 as at 30 June 2004. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities, conditions and valuation of these inventories as at 30 June 2004.

##### **1.3 Trade Receivables**

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the trade receivables of 安慶 totaling approximately HK\$5,146,000 as at 30 June 2004.

#### 1.4 Bank Loans

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the bank loans of 安慶 totaling approximately HK\$24,972,000 as at 30 June 2004.

#### 1.5 Trade Payables

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the trade payables of 安慶 totaling approximately HK\$8,676,000 as at 30 June 2004.

### **2 Scope Limitation – All Group Companies**

The Directors are unable to provide all the relevant information and evidence for the purpose of our audit. Hence, we were unable to carry out the audit procedures necessary to ascertain the following items:

#### 2.1 Opening Balances and Corresponding Figures

The consolidated financial statements of the Company for the year ended 30 June 2003 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of opening balances and the comparative figures shown in the current year's consolidated financial statements.

#### 2.2 Loss on Deconsolidation of the Subsidiaries and Impairment on Investment Costs and Due from Deconsolidated Subsidiaries

No sufficient evidence has been provided to satisfy ourselves as to the loss on deconsolidation of the subsidiaries and the impairment on investment costs and due from deconsolidated subsidiaries of HK\$1,209,136,000 for the year ended 30 June 2004 as disclosed in note 7 to the financial statements.

#### 2.3 Impairment on Other Receivables

No sufficient evidence has been provided to satisfy ourselves as to the impairment on other receivables of HK\$146,420,000 included in other losses for the year ended 30 June 2004 as disclosed in note 8 to the financial statements.

#### 2.4 Employee Benefits

No sufficient evidence has been provided to satisfy ourselves as to the completeness of the employee benefits recorded for the year ended 30 June 2004.

#### 2.5 Related Party Transactions

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the year ended 30 June 2004 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 2 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 30 June 2003 and 2004 and the financial positions of the Group as at 30 June 2003 and 2004 and the related disclosures thereof in the financial statements.

## **Material uncertainty relating to the going concern basis**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 March 2006. The Resumption Proposal involves capital restructuring, debt restructuring, subscription of shares and group restructuring, resulting in a reduction of the Company's indebtedness.

The Resumption Proposal is, however, dependent upon the scheme of arrangement for the restructuring of the Company's indebtedness being accepted by the majority of each class of the Company's creditors and the re-listing of the Company's shares on the Stock Exchange. The Resumption Proposal is also conditional upon the relevant approvals being obtained from the shareholders, the High Court of Hong Kong, the Grand Court of the Cayman Islands and the Hong Kong regulatory authorities including the Stock Exchange and the Securities and Futures Commission.

The financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that, following the Resumption Proposal, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements do not include any adjustments that would result from a failure to complete the Resumption Proposal. However, in view of the extent of the material uncertainty relating to the completion of the Resumption Proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## **Disclaimer of opinion: disclaimer on view given by financial statements**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30 June 2004 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group's turnover for the year ended 30 June 2004 amounted to approximately HK\$29,092,000, representing a significant decrease from the year ended 30 June 2003. This significant decrease was mainly attributable to the deconsolidation of certain subsidiaries.

### **RESTRUCTURING**

Following the appointment of the Provisional Liquidators, the Investor had been identified for the restructuring of the Group. A proposal for the resumption of the trading in the shares of the Company was submitted to the Stock Exchange in March 2006.

On 10 October 2007, the Stock Exchange issued a letter to Asian Capital (Corporate Finance) Limited, the financial advisor of the Company and advised that it had decided to allow the Company to proceed with the Resumption Proposal (as supplemented by subsequent submissions), subject to prior compliance with various conditions to the satisfaction of the Listing Division of the Stock Exchange within six months from the date of the letter, i.e. on or before 9 April 2008.

The Provisional Liquidators, the Investor and their respective advisors are working towards to fulfill the conditions imposed by the Stock Exchange.

## FUTURE PROSPECTS

The Provisional Liquidators and the Investor have endeavored to reactivate the operations of the Group.

### Co-operative joint venture

In April 2007, a co-operative joint venture ("the CJV") was established in the People's Republic of China ("the PRC") for distributing pharmaceutical and healthcare products. Since then, the CJV has been utilizing the strong network of its PRC joint venture partner for distributing pharmaceutical and healthcare products in the PRC and achieved a good result. The turnover of the CJV was over HK\$148 million for the six months from July to December 2007.

In view of the aging population, the increasing awareness of health care and increasing income level in the PRC, it is expected that the CJV will enjoy a stable growth in the business.

### Laolaishou

In order to further improve and enhance the business of the Group, the CJV has also been appointed by Jinan Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) ("Laolaishou") as its exclusive distributor in the PRC (including Hong Kong).

Laolaishou is mainly engaged in the research, manufacturing, and distribution of the pharmaceutical products and health food products. Currently, Laolaishou owns eight pharmaceutical licenses, three health products, two manufacturing rights of patented health food products, namely老來壽膠囊 (Laolaishou Capsule) and 開元唐泰膠囊 (Kaiyuantangtai Capsule), and other patents in the application stage.

The CJV entered into an exclusive distribution agreement with Laolaishou on 20 August 2007. Under the agreement, upon the successful resumption of trading in shares of the Company, the CJV will become the sole agent having the exclusivity right for distributing the products of Laolaishou in the PRC. In addition, the CJV will also become the sole licensee for operating "Laolaishou Health Clubs" in the PRC.

The sales of Laolaishou products are expected to grow and expected to help improving the Group's profitability.

Furthermore, the CJV will utilize the funds raised by the Company to set up its own Laolaishou Health Clubs and dedicated shops in other selected locations in the PRC. The directors believe that the setting up of own retail shops of the CJV and the assimilation of the existing licensed shops into the CJV will substantially enhance the profit margin of the Group mainly due to the capture of the retail sales margin into the Group.

## FOREIGN EXCHANGE EXPOSURE

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars, United States Dollars and Renminbi. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

## CAPITAL STRUCTURE

For the year ended 30 June 2004, the issued share capital of the Company has increased by about HK\$3,500,000 due to the exercise of warrants and share options.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Given that the Company has been appointed Provisional Liquidators, financial assistance from the Investor and cash inflow from operation are, at present, the major sources of funding for the Group.

## ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

### DIRECTORS' INTERESTS IN SHARES

At 30 June 2004, the information regarding director's interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Long/Short position	Capacity	Number of issued ordinary shares held	Note	Percentage of the issued share capital of the Company
Cai Chong Zhen	Long	Beneficiary of a trust	883,400,000	(1)	40.60%
		Beneficial owner	34,000,000		1.56%
Zhang Xiuqiong	Long	Interest of spouse	917,400,000	(2)	42.16%
Chen Ching Ken	Long	Founder of a discretionary trust	883,400,000	(1)	40.60%
Chen Lin Mei Mei	Long	Interest of spouse	883,400,000	(3)	40.60%
Great Wall Investment Group Limited	Long	Trustee	883,400,000	(1)	40.60%
Trident Corporate Services (B.V.I.) Limited (formerly known as Ansbacher (BVI) Limited)	Long	Trustee	883,400,000	(1)	40.60%
Celestial Securities Limited	Long	Other	186,200,000		8.56%

#### Notes:

1. These shares were held by Great Wall Investment Group Limited as the trustee of The Great Wall Unit Trust, a unit trust of which all of the units in issue are owned by Trident Corporate Services (B.V.I.) Limited in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include Mr. Cai Chong Zhen and his spouse and the family member of Mr. Chen Ching Ken.

Accordingly, Mr. Chen Ching Ken, as founder of The C&C Trust, and Mr. Cai Chong Zhen, as one of the discretionary objects of The C&C Trust, were deemed to be interested in the shares owned by Great Wall Investment Group Limited in its capacity as the trustee of The Great Wall Unit Trust under Part XV of the SFO.

2. Ms. Zhang Xiuqiong was deemed to be interested in the 917,400,000 shares of the Company through interests of her spouse, Mr. Cai Chong Zhen.
3. Ms. Chen Lin Mei Mei was deemed to be interested in the 883,400,000 shares of the Company through interests of her spouse, Mr. Chen Ching Ken.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2004.

#### DIVIDEND

The directors do not recommend the payment of a dividend.

#### CORPORATE GOVERNANCE

Since the Company is under provisional liquidation, the Company has not complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

Appropriate personnel will be appointed to the board and arrangements will be made to comply with the Code before the resumption of the trading in shares of the Company.

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to Mr. Tai Kai Hing, Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Mr. Lo Wah Wai, Lowell, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 30 June 2004.

#### AUDIT COMMITTEE

The Company has not complied with Rule 3.21 of the Rules Governing the Listing Securities on the Stock Exchange. Throughout the year ended 30 June 2004, no audit committee has been established. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in shares of the Company.

Since the audit committee has yet to be established, the annual results have not been reviewed by the committee.

#### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

#### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the trading in shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

#### REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 30 June 2004 as set out in the preliminary announcement have been agreed by the Group's auditor, ANDA Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ANDA Certified Public Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ANDA Certified Public Accountants on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual result announcement is published on the websites of the Company (<http://www.feptcl-399.info/>) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The annual report of the Company for 2004 containing all the information required by the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By order of the Board  
**Far East Pharmaceutical Technology Company Limited**  
**(Provisional Liquidators Appointed)**  
**Tai Kai Hing**  
Chairman

Hong Kong, 8 April 2008

*As at the date of this announcement, the Board comprises one executive Director, namely Mr. Tai Kai Hing, two independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor and Mr. Chung Wai Man.*