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# FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED

## 遠東生物制藥科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 399)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

The board (the “Board”) of directors (the “Directors”) of Far East Pharmaceutical Technology Company Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2008 together with the comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 30 June 2008*

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	3	<b>317,041</b>	83,111
Cost of sales		<u>(308,933)</u>	<u>(79,151)</u>
Gross profit		<b>8,108</b>	3,960
Other income	4	<b>71</b>	106
Selling expenses		<b>(6,643)</b>	(3,674)
Administrative expenses		<u>(10,135)</u>	<u>(4,066)</u>
<b>Loss from operations</b>		<b>(8,599)</b>	(3,674)
Finance cost	6	<u>(59,947)</u>	<u>(60,457)</u>
<b>Loss before tax</b>		<b>(68,546)</b>	(64,131)
Income tax expense	7	<u>(33)</u>	<u>(10)</u>
<b>Loss for the year</b>	8	<u><b>(68,579)</b></u>	<u><b>(64,141)</b></u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(68,621)</b>	(64,150)
Minority interests		<u>42</u>	<u>9</u>
		<u><b>(68,579)</b></u>	<u><b>(64,141)</b></u>
<b>Loss per share</b>	9		
Basic (HK cents per share)		<u><b>(31.54)</b></u>	<u>(29.48)</u>
Diluted (HK cents per share)		<u><b>N/A</b></u>	<u><b>N/A</b></u>

# CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		24,383	26,233
Prepaid lease payments		<u>10,368</u>	<u>9,607</u>
		<u>34,751</u>	<u>35,840</u>
<b>Current assets</b>			
Inventories		5,641	2,612
Prepayments, deposits and other receivables		344	2,221
Trade receivables	10	10,828	3,656
Prepaid lease payments		241	218
Bank and cash balances		<u>1,710</u>	<u>1,007</u>
		<u>18,764</u>	<u>9,714</u>
<b>Current liabilities</b>			
Bank loans		674,146	612,871
Trade payables	11	24,599	15,933
Accruals and other payables		<u>141,810</u>	<u>133,416</u>
		<u>840,555</u>	<u>762,220</u>
<b>Net current liabilities</b>		<u>(821,791)</u>	<u>(752,506)</u>
<b>Total assets less current liabilities</b>		<u>(787,040)</u>	<u>(716,666)</u>
<b>Non-current liabilities</b>			
Deferred taxation		<u>1,430</u>	<u>1,637</u>
<b>NET LIABILITIES</b>		<u><u>(788,470)</u></u>	<u><u>(718,303)</u></u>
<b>Capital and reserves</b>			
Share capital		2,176	54,394
Reserves		<u>(791,152)</u>	<u>(772,911)</u>
Equity attributable to equity holders of the Company		<u>(788,976)</u>	<u>(718,517)</u>
Minority interests		<u>506</u>	<u>214</u>
<b>TOTAL EQUITY</b>		<u><u>(788,470)</u></u>	<u><u>(718,303)</u></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 Unit G, 12/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing and distribution of pharmaceutical products as well as the provision of gene-testing services.

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

In the current year, the Group has adopted 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 its accounting year beginning on 1 July 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. 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 and prior years.

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.

## 3. TURNOVER

The Group's turnover is as follows:

	2008 HK\$'000	2007 HK\$'000
Manufacturing and distribution of pharmaceutical products	310,515	83,111
Provision of gene-testing services	<u>6,526</u>	<u>—</u>
	<u><b>317,041</b></u>	<u><b>83,111</b></u>

## 4. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Interest income	1	18
Sundry income	<u>70</u>	<u>88</u>
	<u><b>71</b></u>	<u><b>106</b></u>

In its 2007 interim report, the Group recognised an other income of approximately HK\$14,105,000 mainly arising from the forfeitures of certain trade payables, other payables and long-term liabilities. The Directors reasonably expected that such accounting treatment was proper in the condensed consolidated financial statements for the six months ended 31 December 2007. However, due to the change of estimate, the Directors concluded that such income should not be included in the consolidated financial statements for the year ended 30 June 2008.

## 5. SEGMENT INFORMATION

### Primary reporting format – business segments

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

	Manufacturing and distribution		Provision of gene-testing services		Corporate and others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Years ended 30 June 2008 and 2007								
Turnover	<u>310,515</u>	<u>83,111</u>	<u>6,526</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>317,041</u>	<u>83,111</u>
Segment results	<u>(5,869)</u>	<u>(3,208)</u>	<u>949</u>	<u>–</u>	<u>(3,750)</u>	<u>(572)</u>	<u>(8,670)</u>	<u>(3,780)</u>
Other income							<u>71</u>	<u>106</u>
Loss from operations							<u>(8,599)</u>	<u>(3,674)</u>
Finance cost							<u>(59,947)</u>	<u>(60,457)</u>
Loss before tax							<u>(68,546)</u>	<u>(64,131)</u>
At 30 June 2008 and 2007								
Segment assets	<u>46,902</u>	<u>45,465</u>	<u>6,526</u>	<u>–</u>	<u>87</u>	<u>89</u>	<u>53,515</u>	<u>45,554</u>
Segment liabilities	<u>60,954</u>	<u>52,484</u>	<u>5,577</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>66,531</u>	<u>52,484</u>
Unallocated liabilities							<u>775,454</u>	<u>711,373</u>
Total liabilities							<u>841,985</u>	<u>763,857</u>
Other segment information:								
Capital expenditure	<u>39</u>	<u>1,231</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>39</u>	<u>1,231</u>
Depreciation	<u>2,837</u>	<u>2,711</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,837</u>	<u>2,711</u>
Amortisation	<u>241</u>	<u>218</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>241</u>	<u>218</u>
Deficit/(surplus) on revaluation of buildings recognised directly in equity	<u>(1,135)</u>	<u>375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,135)</u>	<u>375</u>

## Secondary reporting format – geographical segments

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

### 6. FINANCE COST

	2008 HK\$'000	2007 HK\$'000
Interest on bank loans	<u>59,947</u>	<u>60,457</u>

### 7. INCOME TAX EXPENSE

	2008 HK\$'000	2007 HK\$'000
Current tax – Overseas Provision for the year	<u>33</u>	<u>10</u>

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2008 (2007: 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.

### 8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2008 HK\$'000	2007 HK\$'000
Depreciation	2,837	2,711
Directors' emoluments	180	257
Operating lease charges of land and buildings	552	218
Auditor's remuneration ( <i>Note a</i> )	780	–
Cost of inventories sold	303,504	79,151
Loss on written-off of property, plant and equipment	277	–
Staff costs including directors' emoluments Salaries, bonus and allowances	<u>3,002</u>	<u>1,495</u>

- a) Auditor's remuneration for the year ended 30 June 2007 is borne by Best Champion Holdings Limited.

## 9. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss 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\$68,621,000 (2007: approximately HK\$64,150,000) and the weighted average number of ordinary shares of 217,574,240 (2007: 217,574,240 as adjusted to reflect the share consolidation) in issue during the year.

### Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 30 June 2008.

## 10. 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:

	2008 HK\$'000	2007 HK\$'000
30 days or less	5,962	1,157
31 days to 60 days	3,499	1,258
61 days to 180 days	1,124	1,077
Over 180 days	243	164
	<u>10,828</u>	<u>3,656</u>

As at 30 June 2008, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$9,046,000 (2007: approximately HK\$9,046,000).

## 11. TRADE PAYABLES

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

	2008 HK\$'000	2007 HK\$'000
30 days or less	7,496	1,388
31 days to 60 days	2,413	1,082
61 days to 180 days	2,707	2,950
Over 180 days	11,983	10,513
	<u>24,599</u>	<u>15,933</u>

## **12. CONTINGENT LIABILITIES**

As at 30 June 2008, the Group had contingent liabilities of about HK\$113 million in respect of unpaid service fees. It was expected that all indebtedness of the Company incurred on or before 27 June 2008 would be compromised and discharged in full through a creditors' scheme of arrangement in accordance with Section 166 of the Companies Ordinance (the "Scheme") which became effective on 18 July 2008.

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

## **13. EVENTS AFTER THE BALANCE SHEET DATE**

### **a) Completion of Group Restructuring and the Resumption of Trading of Shares of the Company**

During the year, the Company has endeavoured to complete the restructuring which were conditionally allowed to proceed by the Stock Exchange in order to resume the trading of the Company's shares. Details of the suspension of trading of the Company's shares, the appointment of the provisional liquidators and the resumption proposal have been disclosed in the 2007 annual report of the Company and the circular dated 28 May 2008. Set out below are the details of the restructuring being conducted after the balance sheet date.

On 9 July 2008, the Company issued and allotted a sum of 5,864,679,791 new shares to Best Champion Holdings Limited, its concert parties and other public investors for a consideration of HK\$149,941,703. On the same date, all the conditions imposed by Listing Division were fully complied with.

Following the issue of the new shares of the Company, both the winding up petition against the Company was dismissed and the provisional liquidators of the Company were discharged on 11 July 2008 pursuant to a court order dated 8 July 2008.

The Scheme became effective on 18 July 2008. Pursuant to the Scheme, three subsidiaries of the Group, namely First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited were transferred to the nominee of the scheme administrators on 11 July 2008. The three subsidiaries being transferred were dormant during the year ended 30 June 2008. The Group recognised a gain of approximately HK\$121,827,000 arising from the release of debts upon transferring the three subsidiaries.

In addition, a sum of HK\$25,000,000 was paid to the scheme administrators, together with any other proceeds from the disposal of the Scheme assets to settle and discharge all the liabilities of the Company incurred on or before 27 June 2008.

Immediately after the completion of the restructuring, the net assets value of the Group was approximately HK\$106,547,000. Trading in shares of the Company on the Stock Exchange was resumed on 18 July 2008.

**b) Establishment of a new Wholly-owned Subsidiary and an Exclusive Distribution Agreement**

On 24 July 2008, the Company established a wholly-owned subsidiary namely as Bestdone Limited (“Bestdone”). Bestdone is principally engaged in the provision of gene-testing services. On 20 August 2008, Bestdone entered into an exclusive distribution agreement with China United Gene Health Industry Limited (“China United”) to act as the sole agent for the provision of gene-testing services in the Asia Pacific region (excluding the PRC, Hong Kong and Taiwan). Pursuant to the terms of the agreement, the subsidiary was required to pay a non-interest bearing deposit of HK\$30,000,000 to China United and the said deposit was paid by the Group on 3 September 2008.

**c) Suspension of operation of 上海德勝科技集團(安慶)制藥有限公司**

In order to focus on the Group’s efforts in the restructuring of the operation of 上海德勝科技集團(安慶)制藥有限公司 (Shanghai Deshing Technology Group (Anqing) Pharmaceutical Company Limited), “Desheng Anqing”, the Group has suspended the business operation of Desheng Anqing since 1 August 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Turnover of the Group for the year ended 30 June 2008 amounted to approximately HK\$317 million, representing a 281% increase from the year ended 30 June 2007 (approximately HK\$83 million). The increase was mainly contributed by the co-operative joint venture (the “CJV”) established in April 2007 in the PRC for distributing pharmaceutical and healthcare products, which had a turnover of approximately HK\$283 million for the year ended 30 June 2008. The new gene testing services which commenced business in May 2008 also contributed about HK\$7 million to the Group’s turnover.

### **Restructuring and General Offer**

On 15 September 2004, Standard Chartered Bank (Hong Kong) Limited, acting as a bank creditor, presented a winding-up petition against the Company. Upon its application, Messrs. Lai Kar Yan Derek and Darach E. Haughey, both of Deloitte Touche Tohmatsu, were appointed by the Honourable Madam Justice Kwan as joint and several provisional liquidators of the Company (the “Provisional Liquidators”) on 22 September 2004 so as to preserve the assets of the Company and to consider and review all restructuring proposals to maximize the recovery for the creditors and shareholders of the Company.

The Company was placed into the third stage of the delisting procedures on 17 October 2005. Best Champion Holdings Limited (“Best Champion”) subsequently decided to pursue a restructuring of the Company.

After various discussions involving representatives of the Provisional Liquidators, Best Champion and their respective advisors, the terms of a restructuring proposal were formulated. The restructuring proposal involved, inter alia, (i) capital restructuring; (ii) debt restructuring; (iii) subscription of new shares of the Company (the “Shares”); and (iv) group reorganization.



A proposal for the resumption of trading in the Shares was submitted to the Stock Exchange in March 2006 (the “Resumption Proposal”).

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 Stock Exchange subsequently extended the deadline of fulfilment to 31 July 2008.

On 28 December 2007, a restructuring agreement was entered into among the Company, the Provisional Liquidators and Best Champion for the implementation of the Resumption Proposal (the “Restructuring Agreement”). Pursuant to the Restructuring Agreement, the Scheme was contemplated. According to the Scheme, all liabilities of the Company, incurred on or before the date on which an office copy of the order of the Hong Kong High Court sanctioning the Scheme is delivered to the Registrar of Companies in Hong Kong for registration (the “Registration Date”), shall be compromised and discharged and a sum of HK\$25 million out of the proceeds from the issue and allotment of the Shares shall be made available to the scheme administrators. The Scheme would take binding effect on the Company and the creditors of the Company upon completion of all the other arrangements under the Resumption Proposal.

On 28 December 2007, a subscription agreement was entered into between the Company and Best Champion pursuant to which Best Champion has agreed to subscribe for and the Company has agreed to issue and allot 4,133,910,560 Shares (the “Subscription Shares”) at a subscription price of HK\$0.0145 per Subscription Share for a total consideration of HK\$59,941,703.12.

On 24 January 2008, a placing agreement was entered into between the Company and Partners Capital Securities Limited pursuant to which Partners Capital Securities Limited has agreed to procure places on a fully underwritten basis 576,923,077 new Shares (the “Placing Shares”) and the Company has agreed to issue and allot the Placing Shares at a placing price of HK\$0.052 per Placing Share, raising subscription monies in the amount of HK\$30 million.

On 22 February 2008, the Scheme was duly approved at the scheme meeting of the Company. On 8 April 2008, it was sanctioned by the Hong Kong High Court and an office copy of the court’s order was delivered to the Registrar of Companies in Hong Kong for registration on 27 June 2008, being the Registration Date.

On 14 March 2008, a restructuring supplemental agreement was entered into among the Company, the Provisional Liquidators and Best Champion in connection with the change of Asia Debt Management Hong Kong Limited to ADM Galleus Fund Limited (“ADM”) as the subscriber of 1,153,846,154 new Shares (the “ADM Subscription Shares”).

On 9 April 2008, a subscription agreement was entered into between the Company and ADM, pursuant to which ADM conditionally agreed to subscribe for and the Company agreed to issue and allot the ADM Subscription Shares at a subscription price of HK\$0.052 per ADM Subscription Share for a total consideration of HK\$60 million. A side letter dated 25 April 2008 was subsequently entered by the same parties to ensure consistency between this agreement and the option deed dated 25 April 2008.

On 28 May 2008, a circular in relation to the restructuring of the Company involving, inter alia, the Scheme, a proposed reduction of the nominal value of each share from HK\$0.025 to HK\$0.001 (the “Capital Reduction”), the proposed cancellation of the unissued share capital of the Company (the “Capital Cancellation”), the proposed consolidation of every 10 issued shares of the Company of HK\$0.001 each immediately upon the Capital Reduction becoming effective into one new share of HK\$0.01 (the “Share Consolidation”), the proposed increase of the authorized share capital of the Company from HK\$2,175,742.20 immediately upon the Capital Cancellation and the Capital Consolidation to HK\$100,000,000 at par value of HK\$0.01, and the proposed cancellation of share options of the Company with exercise prices ranging from HK\$0.163 to HK\$0.1924 (the “Share Option”), the Restructuring Agreement, the subscription of Subscription Shares and ADM Subscription Shares, the placing of Placing Shares and whitewash waiver, was jointly issued by the Company and Best Champion.

On 20 June 2008, an extraordinary general meeting of the Company (the “EGM”) was duly held and all the resolutions regarding the implementation of the restructuring were duly passed by the shareholders of the Company (“Shareholders”) attending and eligible to vote at the meeting.

Thanks to the effort of the Provisional Liquidators, Best Champion and their respective advisors, the conditions imposed by the Listing Division were successfully fulfilled on 9 July 2008. The appointments of Ms. Choi Suk Ching as an executive director of the Company (the “Executive Director”) and Dr. Leung Wai Cheung as an independent non-executive director of the Company (the “Independent Non-Executive Director”), became effective from the same date. Ms. Choi Suk Ching is entitled to a fixed sum of HK\$30,000 for each month and Dr. Leung Wai Cheung is entitled to a fixed sum of \$15,000 for each month, as ordinary remuneration in respect of their capacity as members of the Board. The winding up petition against the Company was dismissed and the Provisional Liquidators of the Company were discharged on 11 July 2008 pursuant to a court order dated 8 July 2008.

After the completion of the restructuring of the Company, trading of the Shares on the Stock Exchange was resumed on 18 July 2008.

After resumption of trading in the Shares and the exercise of put option by ADM, Best Champion held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue. Best Champion was held 100% by Merit Faith International Limited (“Merit Faith”), which was in turn 100% held by Start Grand Holdings Limited (“Start Grand”), and Start Grand was held 100% by Mr. Han Xianfu.

On 16 September 2008, pursuant to a deed of settlement entered into by Richlong Group Limited (“Richlong”), Merit Faith and Start Grand (the “Deed of Settlement”), Merit Faith transferred the entire share capital of Best Champion to Richlong in full and final settlement of an indebtedness in the amount of HK\$133,550,684.93. Richlong is owned as to approximately 33.33% by Access Lead Limited

(“Access Lead”) and as to approximately 66.67% by Glorious King Limited (“Glorious King”). Access Lead is beneficially owned as to 55% by Mr. Tai Kai Hing, an Executive Director of the Company, as to 25% by Mr. Tai Kai Sun, and 20% by Ms. Tai Shun Hing, both siblings of Mr. Tai Kai Hing. Glorious King is wholly and beneficially owned by Dr. Mao Yumin.

In accordance with Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Richlong, which now holds 4,561,516,714 Shares, representing approximately 75% of the Shares in issue through Best Champion, is required to make an unconditional cash offer to acquire all the issued Shares (other than those already owned by it, its ultimate beneficial owners and parties acting in concert with any of them) (the “Offer”). The price for each Share under the Offer is HK\$0.03. A circular in relation to the terms of the Offer was issued by the Company and Richlong on 17 October 2008. The Offer has commenced on the same date and will be closed on 7 November 2008.

## **Future Prospects**

Upon the completion of the restructuring of the Company, the financial position of the Group has been substantially improved as approximately HK\$150 million (of which HK\$25 million was transferred to the scheme administrators of the Scheme) has been raised through the subscription of the Subscription Shares and ADM Subscription Shares and the placing of the Placing Shares, and all the liabilities of the Company incurred on or before 27 June 2008, have been discharged through the Scheme.

It is the intention of Richlong, a substantial shareholder, that the Group will continue with its existing principal activities, which include the manufacturing and distribution of pharmaceutical products, health supplements in the PRC, as well as provision of gene testing services. Richlong believes that the experience of its controlling shareholders will contribute to the long term prosperity of the Group.

## *Co-operative Joint Venture*

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 business.

## *Laolaishou*

Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) (“Laolaishou”) is mainly engaged in the research, manufacturing, and distribution of 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.

In order to further improve and enhance the business of the Group, the CJV entered into an exclusive distribution agreement with Laolaishou on 20 August 2007. Under the agreement, after the successful resumption of trading in the Shares, the CJV has become the sole agent having the exclusive right for distributing the products of Laolaishou in the PRC. In addition, the CJV has also become the sole licensee for operating licensed shops namely “Laolaishou Health Clubs” in the PRC.

Since 18 July 2008 (i.e. the date of resumption of trading in the Shares), the directors of the CJV have commenced discussions with various sub-licensees of Laolaishou Health Clubs in the PRC with regard to the mechanism of assimilating the existing licensed Laolaishou Health Clubs into the CJV. Each of the sub-licensees was requested to execute a sub-licensing agreement with the CJV directly. Discussions were also held by the Company with both sub-licensees and Laolaishou in relation to the operational, accounting and reporting systems of “Laolaishou Health Clubs”.

Furthermore, the CJV is considering to set up its own Laolaishou Health Clubs and dedicated shops 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.

#### *Desheng Anqing*

The Directors of the Company are considering restructuring the operation of Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited (“Desheng Anqing”) by several means, including but not limited to the closure of the existing factory, the proposed construction of a new factory in other location of Anqing and the restructuring of existing indebtedness with the banks and other creditors of Desheng Anqing.

Since 1 August 2008, Desheng Anqing has ceased its business operation but focused its effort in discussing with the relevant government authorities, bank creditors and suppliers in relation to the proposed relocation of the business operation into a new factory and restructuring of its debts due to bank creditors and suppliers.

#### *Main Wealth Limited and Bestdone Limited*

The Company has sought to diversify its business to high end health related services. Main Wealth Limited and Bestdone, both subsidiaries of the Company, have entered into an exclusive distribution agreement with China United in May 2008 and August 2008 respectively. Under the terms of the agreements, Main Wealth Limited and Bestdone were granted exclusive rights to the provision of gene testing services in Hong Kong and Asia Pacific Region respectively.

The management believes that the new gene testing services will help the Group to capture new market, increase its profitability and diversify its business risk.

## FINANCIAL REVIEW

### Capital Structure, Liquidity, Financial Resources

#### *Capital Structure*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Authorized ( <i>Note b</i> ):		
10,000,000,000 ordinary shares of HK\$0.01 each		
(2007: 4,000,000,000 ordinary shares of HK\$0.025 each)	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
217,574,240 ordinary shares of HK\$0.01 each		
(2007: 2,175,742,400 ordinary shares of HK\$0.025 each)	<u>2,176</u>	<u>54,394</u>

The following is a summary of the above movements in the issued share capital:

	Number of shares issued	Share capital <i>HK\$'000</i>
Share capital as at 1 July 2007	2,175,742,400	54,394
Reduction of par value from HK\$0.025 to HK\$0.001 ( <i>Note a</i> )	<u>—</u>	<u>(52,218)</u>
	2,175,742,400	2,176
Share consolidation of every 10 shares into 1 new share ( <i>Note a</i> )	<u>(1,958,168,160)</u>	<u>—</u>
Share capital as at 30 June 2008	<u>217,574,240</u>	<u>2,176</u>

- a) By virtue of a special resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated 20 June 2008, the share capital was reduced from an authorised share capital of HK\$100,000,000 and issued share capital of HK\$54,393,560 divided into 4,000,000,000 and 2,175,742,400 shares respectively of HK\$0.025 each to an authorised and issued share capital of HK\$2,175,742 divided into 217,574,240 shares of HK\$0.01 each by ways of the following:
- (i) by reducing the par value of all issued and un-issued shares in the Company from HK\$0.025 to HK\$0.001 each;
  - (ii) by cancelling the entire existing un-issued share capital of the Company of 1,824,257,600 ordinary shares; and
  - (iii) by consolidating every 10 shares of the Company into 1 new share.

The above capital restructuring became effective on 27 June 2008 upon the filing of the court order with the Registrar of Companies of the Cayman Islands.

- b) By way of a special resolution in the extraordinary general meeting held on 20 June 2008, the Company's authorised share capital was increased from HK\$2,175,742 to HK\$100,000,000 by creation of 9,782,425,760 new shares of HK\$0.01 each, immediately upon the capital reduction, the capital cancellation and share consolidation becoming effective.

#### *Liquidity and financial resources*

As at 30 June 2008, the Group remained heavily insolvent (with a gearing ratio of -1.07, which is measured on the basis of the Group's total debts over the total equity) due to the significant amount of syndicated bank loan borrowed (approximately HK\$646.5 million as at 30 June 2008) by the Company in May 2004. However, all the liabilities of the Company incurred on or before the Registration Date, i.e. 27 June 2008, were compromised and discharged through the Scheme which became effective from 18 July 2008.

#### *Significant investment*

As at 30 June 2008, the Company did not have any significant investments.

#### *Charges on the Group's assets*

As at 30 June 2008, bank loans of approximately HK\$27.6 million were secured by charges over the Group's certain fixed assets and prepaid land lease payments totaling HK\$26.1 million.

### *Lease Commitments*

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	<b>312</b>	273
– in the second to fifth year inclusive	<u>–</u>	<u>262</u>
	<b><u>312</u></b>	<b><u>535</u></b>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

### *Other Commitments*

On 2 May 2008, a subsidiary of the Group entered into an exclusive distribution agreement with China United to act as the sole agent for the provision of gene-testing services in Hong Kong. Pursuant to the terms of the agreement, the subsidiary was required to pay a non-interest bearing deposit of HK\$40,000,000 to China United and the said deposit was paid by the Group on 12 August 2008.

### *Foreign Exchange Exposure*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollar functional currency Group entities. 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 arise.

### **Number and Remuneration of Employees**

As at 30 June 2008, the Group had approximately 171 (2007: approximately 160) full-time employees, most of which were working in the subsidiaries in the PRC.

It is the Group's policy that remuneration of the employees is in line with market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.



Total staff cost for the financial year amounted to approximately HK\$3.0 million (2007: approximately HK\$1.5 million)

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## **DIRECTORS' INTERESTS IN SHARES**

As at 30 June 2008, save as disclosed below, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

<b>Name of the Director</b>	<b>Long/Short position</b>	<b>Capacity</b>	<b>Number of underlying Shares held</b>	<b>Percentage of the issued share capital of the Company</b>	<b>Percentage on a fully diluted basis</b>
Tai Kai Hing	Long	Interest of a controlled corporation	5,287,756,714 (Note 1)	2430.32%	86.94% (Note 2)

### *Notes:*

1. All these underlying Shares were deemed interest of Mr. Tai Kai Hing held by Access Lead, which was owned as to 55% by him. Pursuant to a loan arrangement between Access Lead and Merit Faith entered on 20 May 2008, Access Lead provided a loan of HK\$130,000,000 to Merit Faith to finance Best Champion to complete the restructuring of the Company. To secure the payment obligations, respective share mortgages on the entire issued share capital of Merit Faith and Best Champion were made.

In accordance with the agreements between the Company, Best Champion and ADM, a total number of 5,287,756,714 Shares would be issued to Best Champion and ADM upon the completion of the restructuring of the Company and the resumption of trading in the Shares.

As at the date of 30 June 2008, the total number of the Shares in issue was 217,574,240.

2. Taking into the effect of the issue and allotment of a total of 5,864,679,791 Shares according to the subscription agreements between the Company, Best Champion and ADM and the placing agreement between the Company and Partners Capital Securities Limited, the total number of the Shares in issue is 6,082,254,031 as of the date of this announcement.

Pursuant to a placing down agreement entered on 12 July 2008, Best Champion reduced its long position from 5,287,756,714 Shares to 4,561,516,714 Shares on 17 July 2008. Subsequently, pursuant to the Deed of Settlement dated 16 September 2008, Richlong, in which Access Lead has approximately 33.33% interest, indirectly owned all these Shares through Best Champion. The remaining approximately 66.67% interest of Richlong belongs to Glorious King, with whom Access Lead has a put and call option such that, amongst others, Access Lead is entitled to sell all its shares in Richlong to Glorious King.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the Securities and Futures Ordinance (the “SFO”) showed that, the following entities had an interest or deemed interest of 5% or more in the share capital of the Company:

Name of shareholder	Long/Short position	Capacity	Number of shares/underlying shares held	Note	Percentage of the issued share capital of the Company (Note 4)	Percentage on a fully diluted basis (Note 5)
Access Lead	Long	Other	5,287,756,714	(1)	2430.32%	86.94%
Mr. Tai Kai Hing	Long	Interest of a controlled corporation	5,287,756,714	(1)	2430.32%	86.94%
Best Champion	Long	Beneficial owner	5,287,756,714	(2)	2430.32%	86.94%
	Short	Beneficial owner	5,287,756,714	(2)	2430.32%	86.94%
Han Xianfu	Long	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
	Short	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
Merit Faith	Long	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
	Short	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
Start Grand	Long	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
	Short	Interest of a controlled corporation	5,287,756,714	(2)	2430.32%	86.94%
ADM	Long	Beneficial owner	1,153,846,154	(2)	530.32%	18.97%
	Short	Beneficial owner	1,153,846,154	(2)	530.32%	18.97%
Cai Chong Zhen	Long	Beneficiary of a trust	88,340,000	(3)	40.60%	1.45%
Zhang Xiuqiong	Long	Interest of spouse	88,340,000	(3)	40.60%	1.45%
Chen Ching Ken	Long	Founder of a discretionary trust	88,340,000	(3)	40.60%	1.45%
Chen Lin Mei Mei	Long	Interest of spouse	88,340,000	(3)	40.60%	1.45%
Great Wall Investment Group Limited	Long	Trustee	88,340,000	(3)	40.60%	1.45%
Trident Corporate Services (B.V.I.) Limited (formerly known as Ansbacher (BVI) Limited)	Long	Trustee	88,340,000	(3)	40.60%	1.45%
Celestial Securities	Long	Trustee	88,340,000	(3)	40.60%	1.45%

*Notes:*

1. As disclosed in note 1 in the Directors' Interests in Shares on page 16 in this announcement, Access Lead is owned as to 55% by Mr. Tai Kai Hing, an Executive Director of the Company.
2. As disclosed in note 1 in the Directors' Interests in Shares on page 16 and in this announcement and is also the section headed "Restructuring and General Offer" on pages 8 to 11 in this announcement, Best Champion agreed to subscribe for the Subscription Shares, which amounted to 4,133,910,560 Shares, and ADM agreed to subscribe for the ADM Subscription Shares, which amounted to 1,153,846,154 Shares, upon the completion of the restructuring of the Company. Pursuant to an option deed entered into between Best Champion and ADM on 9 April 2008, all the 1,153,846,154 ADM Subscription Shares were subject to a call option granted by ADM to Best Champion and a put option granted by Best Champion to ADM.

Mr. Han Xianfu was the ultimate beneficial owner of Best Champion, through his 100% interest in Start Grand, Start Grand's 100% interest in Merit Faith and Merit Faith's 100% interest in Best Champion.

In accordance with the loan arrangement between Merit Faith and Access Lead dated 20 May 2008, respective share mortgages on the entire issued share capital of Merit Faith and Best Champion were made to Access Lead to secure the payment obligations.

3. 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.

Ms. Zhang Xiuqiong was deemed to be interested in the 88,340,000 Shares through interests of her spouse, Mr. Cai Chong Zhen.

Ms. Chen Lin Mei Mei was deemed to be interested in the 88,340,000 Shares through interests of her spouse, Mr. Chen Ching Ken.

4. The above stated number of shares or underlying shares held is the amount after the Share Consolidation which became effective from 27 June 2008. As at 30 June 2008, the total number of the Shares in issue was 217,574,240.

As at 30 June 2008, there is no outstanding share options of the Company. All of the previously issued Share Options were cancelled pursuant to an ordinary resolution passed at the EGM on 20 June 2008.

5. As disclosed in note 2 in the Directors' Interest in Shares on page 16 in this announcement, on a fully diluted basis, Great Wall Investment Group Limited and Celestial Securities Limited and their respective associates are no longer substantial Shareholders.

As at the date of this announcement, Best Champion, which owns 4,561,516,714 Shares, representing approximately 75% of issued share capital of the Company, is a substantial Shareholder. Richlong has the same long position through its 100% holdings in Best Champion. Richlong is owned as to approximately 33.33% by Access Lead and as to approximately 66.67% by Glorious King. Access Lead is beneficially owned as to 55% by Mr. Tai Kai Hing, an Executive Director of the Company, as to 25% by Mr. Tai Kai Sun, and 20% by Ms. Tai Shun Hing, both siblings of Mr. Tai Kai Hing. Glorious King is wholly and beneficially owned by Dr. Mao Yumin.

Pursuant to an option deed (as supplemented by a supplemental option deed) entered into by Access Lead and Glorious King dated 16 September 2008, Access Lead's approximately 33.33% interest in Richlong is subject to a call option granted by Access Lead to Glorious King and a put option granted by Glorious King to Access Lead. So Access Lead has a short position of 4,561,516,714 Shares, representing approximately 75% of the issued share capital of the Company under the above said arrangement.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the share capital of the Company as at 30 June 2008.

## **DIVIDEND**

The Directors do not recommend the payment of a dividend.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to establish and maintain good corporate governance practice at all times. The Board believes that good corporate governance can enhance performance of the Group and improve the accountability and transparency to all shareholders.

For the period from 22 September 2004 to 18 July 2008, the Company was under the legal stewardship of the Provisional Liquidators. The Company had practical difficulties to fully comply with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), especially because of resource and legal constraints. As such, there were only two Independent Non-Executive Directors on the Board, no company secretary or audit committee appointed or established, no separation of the roles of the Chairman and the chief executive officer of the Company (the "Chief Executive Officer"), and only two Board meetings held during that particular financial year.

As the Shares have resumed trading on the Stock Exchange from 18 July 2008, and with the appointment of the compliance advisor, the Company and the Directors will strive to follow the internal control manuals and put in place sufficient resources to comply with the Code. As at the date of this announcement, save for the separation of the roles of the Chairman and the Chief Executive Officer, the Company has rectified all the deviations from the Code by appointing Ms. Choi Suk Ching as an Executive Director, Dr. Leung Wai Cheung as an Independent Non-Executive Director, Mr. Chan Sek Kwan, Rays as the company secretary, and established the audit committee, all in compliance with the Code.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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 as the code of conduct regarding directors' securities transactions. All the Directors of the Company have confirmed that they have fully complied with the Model Code throughout the financial year ended 30 June 2008.

## **BOARD OF DIRECTORS**

The Board comprised only one Executive Director and two Independent Non-Executive Directors during the year ended 30 June 2008, which is a breach of rule 3.10 of the Listing Rules which requires every board to include three independent non-executive directors. The main reason for the non-compliance was that the Company was under the legal stewardship of the Provisional Liquidators during the financial year and lacked the resources to maintain two executive directors and three independent non-executive directors at that time. On 9 July 2008, before the resumption of trading in Shares, the Company appointed its third Independent Non-Executive Director in order to comply with the requirement.

The Board believes that the balance between Executive Directors and Independent Non-Executive Directors is adequate to safeguard Shareholders' value. Independent Non-Executive Directors can also provide the Group with diversified expertise and invaluable experience. Their independent advice can bring independent judgment to decision making and add varieties in strategy formulation.

The Directors oversee financial performance and formulate business strategies of the Group, as well as discuss on any significant matters relating to the Group at Board meetings. Daily operational matters are delegated to the management.

In light of the abovementioned situation, the Board held only two Board meetings during the year ended 30 June 2008, which deviates from the code provision A.1.1 of the Code which requires that Board meetings should be held at least four times a year. Upon the resumption of trading in the shares of the Company on 18 July 2008 and up to the date of the announcement, one Board meeting has been held with the attendance of all directors. The Board expects that regular Board meetings will be held throughout the coming years and the requirement of the Code will be met in the ensuing financial year.

The attendance record of the Board meetings held in the year ended 30 June 2008 and up to the date of this announcement is set out below:

<b>Director</b>	<b>Meetings attended/Total</b>
<i>Executive Directors</i>	
Tai Kai Hing	3/3
Choi Suk Ching (appointed on 9 July 2008)	1/1
<i>Independent Non-Executive Directors</i>	
Chiu Koon Shou, Victor	1/3
Chung Wai Man	3/3
Leung Wai Cheung (appointed on 9 July 2008)	1/1

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Tai Kai Hing. The Company is aware of the deviation from the code provision A.2.1 of the Code which requires that the roles of the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The Company currently cannot comply with this code provision and is looking for a suitable person to act as the Chairman with a hope to comply with the requirement in the near future.

## **NON-EXECUTIVE DIRECTORS**

Code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The Independent Non-Executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision. Each Independent Non-Executive Director is remunerated HK\$15,000 per month.

## **REMUNERATION OF DIRECTORS**

The Company formulated written terms of reference for the remuneration committee of the Company (the "Remuneration Committee") in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of one Executive Director, namely Mr. Tai Kai Hing, and two Independent Non-Executive Directors, namely Mr. Chung Wai Man and Mr. Chiu Koon Shou, Victor. Mr. Tai Kai Hing is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee are as follows:

- (a) to advise shareholders on whether the terms of service contracts that require shareholder's approval are fair and reasonable;
- (b) to make recommendation on the Group's remuneration policy and structure;
- (c) to establish guidelines for recruitment of senior management;
- (d) to determine the remuneration of members of the senior management; and
- (e) to formulate remuneration policy and make recommendations on annual remuneration review.

The remuneration of the Directors is reviewed and fixed by the Remuneration Committee, with reference to competition and industry norms, and expertise, performance and experience possessed by the individual Director.

The Remuneration Committee was set up on 30 June 2008. No meeting has been held during the year ended 30 June 2008 and up to the date of the announcement.

## **NOMINATION OF DIRECTORS**

The Company has not established a nomination committee of the Company. To maintain the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become directors when necessary. In evaluating whether a candidate is suitable to act as a Director, the Board would normally take into consideration of the candidate's past experience, qualifications and other factors that are relevant to the Company's business. On 9 July 2008, the Board appointed Ms. Choi Suk Ching as an Executive Director and Dr. Leung Wai Cheung as an Independent Non-Executive Director based on the aforementioned nomination policy.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the financial statements of the Group are published timely.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern.

## **AUDITORS' REMUNERATION**

The Group's external auditors are ANDA Certified Public Accountants. For the year ended 30 June 2008, the auditors of the Company will charge the amount of HK\$780,000 for audit service.

## **AUDIT COMMITTEE**

The Company formulated written terms of reference for the audit committee of the Company (the “Audit Committee”) in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung. Mr. Chung Wai Man is the chairman of the Audit Committee. The Audit Committee was set up prior to the resumption of trading in the Shares. No meeting was held during the year ended 30 June 2008. Up to the date of the announcement, one meeting was held with the attendance of all the members of the Audit Committee.

The primary functions of the Audit Committee are as follows:

- (a) to serve as a focal point for communication between the Directors, external auditors and internal auditors;
- (b) to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Group’s internal controls and the adequacy of the external and internal audits;
- (c) to review the appointment of external auditors on an annual basis as well as to ensure continuing auditors independence; and
- (d) to develop and monitor the applications of the policies on the engagement if the external auditors to perform non-audit services (other than tax-related services).

The Group’s audited financial statements for the year ended 30 June 2008 have been reviewed by the Audit Committee.

## **INTERNAL CONTROL**

The Board has overall responsibility for maintaining sound and effective internal control system to safeguard shareholders’ value, and to review the effectiveness of this system. The Board conducts regular reviews of the Group’s internal control system. The system includes defined management structure with limits of authority set at various levels, which is designed to safeguard assets, ensure the maintenance of proper records, provide reliable financial information ready for internal use or publication, and ensure compliance with regulations.

During the financial year, the Board reviewed internal control procedures of the Group and findings and opinion of the internal auditor on the Group’s internal control system and considered that the internal control system is effective and adequate.



## **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.

## **REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITOR**

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2008 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 ended 30 June 2008. 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 the year ended 30 June 2008 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**  
**Tai Kai Hing**  
*Chairman*

Hong Kong, 29 October 2008

*As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Tai Kai Hing and Ms. Choi Suk Ching, three Independent Non-Executive Directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung.*