
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”), you should at once hand this circular together with the enclosed forms of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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BEST CHAMPION HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**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)

**RESTRUCTURING OF FAR EAST PHARMACEUTICAL TECHNOLOGY
COMPANY LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING,
CREDITORS’ SCHEME OF ARRANGEMENT IN ACCORDANCE
WITH SECTION 166 OF THE COMPANIES ORDINANCE,
SUBSCRIPTION OF SUBSCRIPTION SHARES AND
ADM SUBSCRIPTION SHARES,
PLACING OF PLACING SHARES,
WHITEWASH WAIVER
AND
GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**

Financial Advisor to the Company



Independent financial advisor

to the Independent Board Committee and the Independent Shareholders



A letter from the Board and the Provisional Liquidators is set out on page 14 to 42 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 43 to 44 of this circular. A letter from Somerley Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 70 of this circular.

Notices convening annual general meetings and an extraordinary general meeting of the Company to be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong, at 9:15 a.m., 9:25 a.m., 9:35 a.m., 9:45 a.m. and 10:00 a.m. respectively on Friday, 20 June 2008 are set out on pages 147 to 160 and pages 161 to 167 respectively of this circular. Whether or not you are able to attend the annual general meetings or the extraordinary general meeting, you are requested to complete the accompanying forms of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meetings and the extraordinary general meeting or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the annual general meetings and the extraordinary general meeting or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise.

“ADM”	ADM Galleus Fund Limited, a limited liability company established under the laws of the Cayman Islands, which has entered into an investment advisory agreement with ADM Capital
“ADM Capital”	Asia Debt Management Hong Kong Limited, a corporation licensed and regulated by the SFC (AEN 683) to conduct type 9 (asset management) regulated activities as defined under the SFO
“ADM Subscription”	the subscription for the ADM Subscription Shares by ADM at a cash consideration of HK\$60 million pursuant to the ADM Subscription Agreement
“ADM Subscription Agreement”	the agreement entered into between the Company and ADM on 9 April 2008, pursuant to which ADM has conditionally agreed to subscribe for and the Company has agreed to issue and allot the ADM Subscription Shares at the Subscription Price, for a total consideration of HK\$60 million subject to the terms and conditions thereof, as supplemented by a side letter entered to ensure consistency between the ADM Subscription Agreement and the Option Deed on 25 April 2008
“ADM Subscription Price”	the subscription price of HK\$0.052 per ADM Subscription Share
“ADM Subscription Shares”	1,153,846,154 New Shares at a price of HK\$0.052 per share, representing approximately 18.97% of the share capital of the Company as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares, to be allotted and issued to ADM and raising subscription monies in the amount of HK\$60 million pursuant to the ADM Subscription Agreement
“AGM”	the annual general meetings of the Company for the financial years ended 30 June 2004, 2005, 2006 and 2007 to be convened at 9:15 a.m., 9:25 a.m., 9:35 a.m. and 9:45 a.m. respectively on Friday, 20 June 2008 at Room 704, 3 Lockhart Road, Wanchai, Hong Kong, the notices of which are set out on pages 147 to 160 of this circular
“Articles of Association”	the articles of association from time to time adopted by the Company
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the financial advisor to the Company

DEFINITIONS

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Authorised Share Capital Increase”	the increase of the authorised share capital of the Company from HK\$2,175,742.40 to HK\$100,000,000 by the creation of an additional 9,782,425,760 New Shares at par value of HK\$0.01 each
“Board”	the board of Directors
“business day”	means a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Hong Kong
“Call Option”	the call option right granted by ADM to the Investor pursuant to the Option Deed as more particularly described therein
“Capital Cancellation”	the proposed cancellation of the unissued share capital of the Company in its entirety upon the Capital Reduction becoming effective, resulting in the authorized and issued share capital of the Company becoming HK\$2,175,742.40
“Capital Reduction”	the proposed reduction of the nominal value of each Share from HK\$0.025 to HK\$0.001
“Capital Restructuring”	the proposed restructuring of the capital of the Company comprising the Capital Reduction, the Capital Cancellation, the Share Consolidation, the Authorised Share Capital Increase and the cancellation of the Share Options
“Cayman Islands Court”	the Grand Court of the Cayman Islands
“Company”	Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement, the Whitewash Waiver and the transactions contemplated thereunder
“Concert Party(ies)”	having the meaning ascribed thereto under the Takeovers Code
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Creditors”	collectively, the ordinary creditors and the preferential creditors (whose claims are preferential in accordance with law and will be settled in full under the Scheme) of the Company as at the Effective Date of the Scheme
“Decision Letter”	the letter dated 10 October 2007 issued by the Listing Appeals Committee to Asian Capital in relation to the decision to conditionally allow the Company to proceed with the Resumption Proposal
“Desheng Anqing”	上海德勝科技集團(安慶)製藥有限公司 (Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited), a company incorporated in the PRC with limited liability, which is 90% owned by the Company
“Directors”	the directors of the Company
“Effective Date”	the date on which the Scheme becomes effective by virtue of the delivery of an office copy of the order of the Hong Kong Court sanctioning the Scheme to the Registrar of Companies in Hong Kong for registration
“EGM”	<p>the extraordinary general meeting of the Company to be held at 10:00 a.m. or immediately after the AGM for the year 2007, on Friday, 20 June 2008, at Room 704, 3 Lockhart Road, Wanchai, Hong Kong for the Shareholders to consider and, if thought fit, to approve, among other things, all the resolutions of the Company necessary or appropriate in relation to the Restructuring Proposal including:</p> <ul style="list-style-type: none">(i) the special resolution for the Capital Restructuring;(ii) the Restructuring Agreement, Restructuring Supplemental Agreement and the transactions contemplated thereunder;(iii) the Subscription Agreement and the allotment and the issue of the Subscription Shares;(iv) the ADM Subscription Agreement (as supplemented by the side letter) and the allotment and the issue of the ADM Subscription Shares;(v) the Whitewash Waiver;

DEFINITIONS

	(vi) the Placing Agreement and allotment and the issue of the Placing Shares;
	(vii) the cancellation of the Shares Options; and
	(viii) the change in board lot from 4,000 Shares to 20,000 New Shares
“Escrow Amount”	the sum of HK\$67 million which was deposited by the Investor in the escrow account held by The Hongkong and Shanghai Banking Corporation Limited (as an escrow agent) pursuant to the Escrow Agreement
“Escrow Agreement”	an escrow agreement entered into among the Investor, ADM and The Hongkong and Shanghai Banking Corporation Limited (as an escrow agent) on 8 April 2008 pursuant to which the Investor has deposited the sum of HK\$67,000,000 into the escrow account
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Joint Announcement”	the announcement jointly issued by the Investor and the Company in relation to the restructuring of the Company dated 19 March 2008
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Independent Board Committee”	an independent board committee of the Board comprising of all the independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor and Mr. Chung Wai Man, established to advise the Independent Shareholders in relation to the terms and conditions of the Restructuring Proposal and the Whitewash Waiver
“Independent Financial Advisor”	Somerley Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Restructuring Proposal and the Whitewash Waiver

DEFINITIONS

“Independent Professional Accounting Firm”	Li, Tang, Chen & Co., Certified Public Accountants in Hong Kong, being appointed by the Company to act as the independent professional accounting firm to produce a written confirmation that all of the conditions set out in the Decision Letter have been complied with
“Independent Shareholder(s)”	Shareholder(s) who are not interested in or involved in the negotiations of the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the ADM Subscription Agreement and the Placing Agreement
“Independent Third Party(ies)”	a third party independent of the Company and its connected persons as defined under the Listing Rules
“Investor”	Best Champion Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is beneficially and wholly-owned by Mr. Han
“LaoLaiShou”	濟南老來壽生物技術有限公司 (LaoLaiShou Bio-Technology Co., Ltd.), a company incorporated in the PRC with limited liability, which is mainly engaged in the research, manufacturing, and distribution of the pharmaceutical products and health food products
“Last Trading Day”	17 June 2004, the date on which the trading in the Shares on the Stock Exchange was suspended
“Latest Practicable Date”	mean 27 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Appeals Committee”	the Listing Appeals Committee of the Stock Exchange
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	a loan agreement dated 10 May 2004 entered into between the Company, as borrower, and a group of 13 banks and financial institutions for a credit loan facility of up to US\$80 million
“Mr. Cai”	Mr. Cai Chong Zhen, the existing controlling shareholder of the Company

DEFINITIONS

“Mr. Han”	Mr. Han Xianfu, the sole legal and beneficial owner of the Investor
“New Share(s)”	new shares following the Capital Reduction and Share Consolidation with a par value of HK\$0.01 per share, to be issued and allotted by the Company under specific mandates for the purposes of issue and allotment of the Subscription Shares, the ADM Subscription Shares, the Placing Shares
“Option Deed”	the option deed entered into between the Investor and ADM on 9 April 2008
“Option Commencement Date”	the date of completion of the ADM Subscription pursuant to the terms of the ADM Subscription Agreement, or such other date as the Investor and ADM may mutually agree in writing
“Option Expiry Date”	the date falling two hundred and ten (210) calendar days after (and excluding) the Option Commencement Date
“Option Money”	means: <ul style="list-style-type: none">(a) HK\$66,000,000 if the Put Option or the Call Option (as the case may be) is exercised on or before the date falling one hundred and eighty (180) days after (and excluding) the Option Commencement Date; or(b) HK\$67,000,000 if the Put Option or the Call Option (as the case may be) is exercised at any time after the date falling one hundred and eighty (180) days after (and excluding) the Option Commencement Date and on or prior to the Option Expiry Date
“Option Period”	the period commencing from (and including) the Option Commencement Date and ending on (and including) the Option Expiry Date
“Placees”	any individual, institutional or other professional investors who are (i) independent of and not connected persons of the Company (as defined in the Listing Rules) and (ii) independent of and not acting in concert with the Investor, ADM or their respective ultimate beneficial owners, procured by the Placing Agent to subscribe for any of the Placing Shares
“Placing”	the private placing of the Placing Shares at the Placing Price procured by the Placing Agent pursuant to the Placing Agreement

DEFINITIONS

“Placing Agreement”	the placing agreement entered into between the Company and Partners Capital Securities Limited dated 24 January 2008 pursuant to which Partners Capital agreed to procure Placees for, and failing which, to subscribe for by itself as principal on a fully underwritten basis the Placing Shares and the Company agreed to issue and allot the Placing Shares at the Placing Price, raising subscription monies in the amount of approximately HK\$30 million
“Placing Price”	the placing price of HK\$0.052 per Placing Share
“Placing Shares”	576,923,077 New Shares at a price of HK\$0.052 per share to be issued by the Company to not less than six Placees via Placing Agent, representing approximately 9.49% of the share capital of the Company as enlarged by the Subscription Shares, the ADM Subscription Shares and the issue of such Placing Shares and raising subscription monies in the amount of HK\$30 million
“Partners Capital” or “Placing Agent”	Partners Capital Securities Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) of the regulated activities as defined under the SFO
“Public Float”	have the same meaning ascribed to it under the Rule 8.08 of the Listing Rules
“Put Option”	the put option right granted by the Investor to ADM pursuant to the Option Deed as more particularly described therein
“PRC”	the People’s Republic of China
“Provisional Liquidators”	Messrs. Lai Kar Yan Derek and Darach E. Haughey, the joint and several provisional liquidators of the Company, both of Messrs. Deloitte Touche Tohmatsu at 35th Floor, One Pacific Place, 88 Queensway, Hong Kong
“Relevant Period”	the period commencing on 19 September, 2007 (being the date falling six months immediately prior to the date of the First Joint Announcement) and ending on the Latest Practicable Date
“Repurchase Mandate”	a general mandate to the Directors to purchase Share up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the EGM

DEFINITIONS

“Restructured Companies” or “Restructured Group”	<p>the Company and the following subsidiaries of the Company:</p> <ol style="list-style-type: none">1. Lucky Full Holdings Limited2. Hong Kin Holdings Limited3. Clear Rich International Limited4. First Jumbo Trading Limited5. Desheng Anqing6. Telier7. Main Wealth Limited
“Restructuring”	the restructuring of the Group pursuant to the Restructuring Proposal
“Restructuring Agreement”	the restructuring agreement entered into among the Company, the Provisional Liquidators and the Investor on 28 December 2007 in relation to implementation of the Resumption Proposal
“Restructuring Proposal”	the restructuring proposal of the Group involving, inter alia, the Capital Restructuring, the Subscription, the ADM Subscription, the Placing and the Scheme
“Resumption Proposal”	the resumption proposal submitted by Asian Capital on behalf of the Company on 29 March 2006, together with subsequent various supplemental submissions, to the Stock Exchange for the resumption of trading of the shares of the Company
“Restructuring Supplemental Agreement”	the supplemental agreement to the Restructuring Agreement entered into among the Company, the Provisional Liquidators and the Investor on 14 March 2008 in connection with the change of ADM Capital to ADM as the subscriber of the ADM Subscription Shares
“Scheme”	the proposed scheme of arrangement between the Company and its Creditors pursuant to section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Scheme Administrators”	Messrs. Lai Kar Yan Derek and Darach E. Haughey, who are the Provisional Liquidators and approved by the Hong Kong Court as scheme administrators pursuant to the terms of the Scheme with power to act jointly and severally and are entitled to exercise such rights and powers as are necessary or desirable to give effect to the provisions of the Scheme
“Scheme Assets”	represents all those other companies in which the Company has an interest other than Lucky Full Holdings Ltd., Hong Kin Holdings Ltd., Clear Rich International Ltd., First Jumbo Trading Ltd., Desheng Anqing, Telier, Main Wealth Limited and other assets of the Company as at the Effective Date of the Scheme
“Scheme Companies”	<p>the following subsidiaries of the Company:</p> <ol style="list-style-type: none">1. Far East Global Group Limited2. First Sight Technology Group Limited3. Boomtown Ventures Limited4. Global Profit Far East Limited5. 福建德勝藥業有限公司(Fujian Desheng Pharmaceutical Company Limited)6. 上海邁迪生物技術研究有限公司(Shanghai Maidu Biotech Research Company Limited)7. 廈門泰倫生物工程有限公同(Xiamen Talent Biotech Company Limited)8. 德勝生物科技(深圳)有限公司(Desheng Biotech (Shenzhen) Company Limited)9. 德勝藥業(上海)有限公司(Desheng Pharmaceutical (Shanghai) Company Limited)10. 德勝藥業(宿州)有限公司(Desheng Pharmaceutical (Suzhou) Company Limited)11. 福建延年藥業有限公司(Fujian Yannian Pharmaceutical Company Limited)12. Quality Far East Limited

DEFINITIONS

	13. Far East Biological Pharmaceutical Technology (Macao) Commercial Offshore Company Limited (遠東生物制藥科技(澳門)離岸商業服務有限公司)
“Scheme Meeting”	the meeting of the Creditors held on 22 February 2008 approving the Scheme proposed by the Company acting through the Provisional Liquidators
“Second Joint Announcement”	the announcement dated 25 April 2008 jointly issued by the Investor and the Company in relation to the ADM Subscription Agreement and the Escrow Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the 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 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Issue Mandate”	a general mandate to the Directors to allot, issue or otherwise deal with Shares with an aggregate nominal value of up to 20% of the aggregate of nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the EGM.
“Share Options”	share options of the Company with exercise prices ranging from HK\$0.163 to HK\$0.1924
“Share(s)”	Ordinary share(s) of HK\$0.025 per share of the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Investor for a cash consideration of HK\$59,941,703.12
“Subscription Agreement”	the subscription agreement entered into between the Company and the Investor on 28 December 2007 pursuant to which the Investor has agreed to subscribe for and the Company has agreed to issue and allot the Subscription Shares at the Subscription Price, for a total consideration of HK\$59,941,703.12

DEFINITIONS

“Subscription Price”	the subscription price of HK\$0.0145 per Subscription Share
“Subscription Shares”	4,133,910,560 New Shares, representing approximately 67.97% of the share capital of the Company as enlarged by the Subscription Shares, the ADM Subscription Shares and the Placing Shares, to be newly allotted and issued by the Company to the Investor at a subscription price of HK\$0.0145 per share and raising subscription monies in the amount of HK\$59,941,703.12 under the Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Telier”	山東特利爾醫藥有限公司 (Shandong Telier Pharmaceutical Co., Ltd.), which is incorporated in the PRC with limited liability in April 2007 and is owned indirectly as to 80% by the Company and as to 20% by 山東特利爾營銷策劃有限公司 (Telier Marketing and Planning Company Limited), a strategic partner of the Company, and is established for the marketing and distribution of medicines
“Whitewash Waiver”	a waiver of the obligation of the Investor and its Concert Parties (including ADM) to make a mandatory general offer for all the shares not already owned or agreed to be acquired by them as a result of the Subscription and ADM Subscription pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code by the Executive
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular, unless otherwise specified, conversions of US\$ to HK\$ are based on the approximate exchange rate of US\$1.00 to HK\$7.80 and the conversions of RMB to HK\$ are based on the approximately exchange rate of RMB1.00 to HK\$1.10. These exchange rates are for illustrative purpose only and do not constitute a representation that any amount has been, could have been, or may be exchanged at this or at any other rate at all.

EXPECTED TIMETABLE

2008

Latest time to lodge the form of proxy for attending the AGM for the year 2004 <i>(Note 1)</i>	9:15 a.m. on Wednesday, 18 June
Latest time to lodge the form of proxy for attending the AGM for the year 2005 <i>(Note 1)</i>	9:25 a.m. on Wednesday, 18 June
Latest time to lodge the form of proxy for attending the AGM for the year 2006 <i>(Note 1)</i>	9:35 a.m. on Wednesday, 18 June
Latest time to lodge the form of proxy for attending the AGM for the year 2007 <i>(Note 1)</i>	9:45 a.m. on Wednesday, 18 June
Latest time to lodge the form of proxy for attending the EGM <i>(Note 1)</i>	10:00 a.m. on Wednesday, 18 June
AGM for the year 2004.	9:15 a.m. on Friday, 20 June
AGM for the year 2005.	9:25 a.m. on Friday, 20 June
AGM for the year 2006.	9:35 a.m. on Friday, 20 June
AGM for the year 2007.	9:45 a.m. on Friday, 20 June
EGM.	10:00 a.m. on Friday, 20 June or immediately after the AGM for the year 2007
Announcement of results of the EGM	Friday, 20 June
Cayman Islands Court hearing for the Capital Reduction	Friday, 20 June (Cayman Islands time)
All monies in relation to the Subscription, the ADM Subscription and the Placing deposited into the escrow account	Friday, 20 June
Application made to the Hong Kong Court for the discharge of the Provisional Liquidators <i>(Note 2)</i>	Friday, 20 June
Announcement of results of Cayman Islands Court hearing for the Capital Reduction.	Monday, 23 June
Court order sanctioning the Capital Reduction received and the necessary filing and registration made in the Cayman Islands	on or before Friday, 27 June
Filing of the court order sanctioning the Scheme	on or before Friday, 27 June
Independent Professional Accounting Firm to confirm in writing to the Stock Exchange full compliance of the conditions set out in the Decision Letter <i>(Note 3)</i>	on or before Monday, 30 June
Completion of all the conditions set out in the Decision Letter <i>(Note 3)</i>	on or before Monday, 30 June
Expected time and date of the resumption of trading in the shares of the Company) <i>(Note 3)</i>	9:30 a.m. Tuesday, 8 July

EXPECTED TIMETABLE

Note:

- (1) Notices convening the AGMs and EGM to be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong at 9:15 a.m., 9:25 a.m., 9:35 a.m., 9:45 a.m. and 10:00 a.m. respectively, on 20 June 2008 are set out on pages 147 to 160 and pages 161 to 167 respectively of this circular. Forms of proxy for use at the AGMs and EGM are enclosed. Regardless of whether you intend to attend the AGMs and EGM, you are requested to complete and return the enclosed respective forms of proxy in accordance with the instructions printed thereon to the office of the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the AGMs and EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGMs and EGM or any adjourned meeting should you so desire.

- (2) The Provisional Liquidators will only be able to submit the application to the Hong Kong Court for their discharge as provisional liquidators of the Company after the fulfillment and completion of all the conditions set out in the Decision Letter and the Restructuring Agreement. However, the hearing of such an application is solely dependent on the schedule of the Hong Kong Court which is not predictable at the time of issue of this circular. A separate announcement covering the expected timetable and events will be made in relation to the sanctioning of the discharge of the Provisional Liquidators.

- (3) By the Decision Letter, the Listing Appeals Committee decided to conditionally allow the Company to proceed with the Resumption Proposal, subject to prior compliance with certain conditions to the satisfaction of the Listing Division. As such, the timetable is tentative only. Further announcement(s) on the compliance with those conditions and the timetable for the resumption of trading in the shares of the Company will be made by the Company as and when appropriate. After the satisfaction of all the conditions precedent, including but not limited to, the obtaining of the confirmation of the Capital Reduction by the Cayman Islands Court, the Stock Exchange's granting the listing of, and permission to deal in, the New Shares following the Capital Restructuring becoming effective, the Company will arrange the exchange of the existing share certificates for new share certificates at the expense of the Company. In addition, in order to alleviate the difficulties arising from the existence of odd lots of the New Shares as a result of the Capital Restructuring and change in board lot size, the Company has agreed to procure Phillip Securities (HK) Limited to stand in the market to provide matching services for the odd lots of the New Shares on a best effort basis. Separate announcement(s) will be made in this regard, including trading arrangements, prior to the resumption of trading in the shares of the Company.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS



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)

Joint and Several Liquidators:

Mr. Lai Kar Yan Derek
Mr. Darach E. Haughey

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY 1-1111
Cayman Islands

Executive Director:

Mr. Tai Kai Hing

Principal Place of Business in Hong Kong:

35/F One Pacific Place
88 Queensway
Hong Kong

Independent non-executive Directors:

Mr. Chiu Koon Shou, Victor
Mr. Chung Wai Man

28 May 2008

To the Shareholders:

Dear Sir/Madam,

**RESTRUCTURING OF FAR EAST PHARMACEUTICAL TECHNOLOGY
COMPANY LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING,
CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE
WITH SECTION 166 OF THE COMPANIES ORDINANCE,
SUBSCRIPTION OF SUBSCRIPTION SHARES AND
ADM SUBSCRIPTION SHARES,
PLACING OF PLACING SHARES,
WHITEWASH WAIVER
AND
GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**

INTRODUCTION

Reference is made to the First Joint Announcement and the Second Joint Announcement in which the Provisional Liquidators and the Investor jointly announced that the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the Placing Agreement, the ADM Subscription Agreement were entered into on 28 December 2007, 14 March 2008, 28 December 2007,

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

24 January 2008 and 25 April 2008 respectively. Reference is also made to the announcements dated 9 April 2008 and 16 May 2008 jointly issued by the Investor and the Company and the announcement dated 14 April 2008 issued by the Company respectively in relation to the delay in dispatch of the circular and the application for time extension for the full compliance with the conditions set out in the Decision Letter.

Pursuant to the Restructuring Agreement, the Company, the Provisional Liquidators and the Investor agreed to implement the Scheme. Under the Restructuring Agreement and the Restructuring Supplemental Agreement, the Investor agreed to, in addition to subscribing for the Subscription Shares, procure ADM to subscribe for, and the Placing Agent to place and the Company agreed to issue and allot the ADM Subscription Shares and the Placing Shares respectively.

Pursuant to the terms of the Subscription Agreement and the ADM Subscription Agreement, the Investor and ADM will respectively subscribe for and the Company has agreed to issue and allot the 4,133,910,560 and 1,153,846,154 New Shares at a subscription price of HK\$0.0145 per Subscription Share and HK\$0.052 per ADM Subscription Share, for total considerations of HK\$59,941,703.12 and HK\$60,000,000 respectively.

As ADM is a Concert Party of the Investor under the Takeovers Code, the Investor and its Concert Parties (including ADM) will be interested in a total of 5,287,756,714 New Shares, representing approximately 96.05% of the issued share capital of the Company as enlarged by the Subscription Shares and the ADM Subscription Shares. Accordingly, ADM, the Investor and its Concert Parties (including ADM) will make an application to the Executive under the Takeovers Code for a Whitewash Waiver waiving their obligations to make a mandatory general offer for all the shares other than those already owned or agreed to be acquired by the Investor and its Concert Parties (including ADM).

Pursuant to the Placing Agreement, the Company has agreed to allot and issue and Partners Capital has agreed to procure Places for, and failing which, to subscribe by itself as principal on a fully underwritten basis, 576,923,077 New Shares at a placing price of HK\$0.052 per share, raising subscription monies in the amount of HK\$30 million.

The Provisional Liquidators also propose that the Company undergoes the Capital Restructuring which will involve, *inter alia*, the Capital Reduction, the Capital Cancellation, the Share Consolidation and the Authorised Share Capital Increase. The Provisional Liquidators will also propose at the EGM to approve the cancellation of the Share Options and a change of the board lot from 4,000 Shares to 20,000 New Shares.

The purpose of this circular is to provide the Shareholders with details of (i) the proposed Capital Restructuring; (ii) the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the ADM Subscription Agreement the Whitewash Waiver, the Placing Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Board Committee to the Independent Shareholders, and (iv) a letter of advice from Somerley Limited to the Independent Board Committee and to the Independent Shareholders in relation to the Capital Restructuring, the Restructuring Agreement, the Supplemental Restructuring Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Whitewash Waiver and the Placing Agreement, (v) a notice of the EGM as set out on pages 161 to 167 of this circular. Also, as annual general meetings of the Company have not been held since 2004, notices of the AGMs are set out on pages 147 to 160 of this circular to convene the AGMs.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

THE PROPOSED CAPITAL RESTRUCTURING

As at the Latest Practicable Date, the existing authorised share capital of the Company is HK\$100,000,000 divided into 4,000,000,000 Shares of HK\$0.025 each, of which 2,175,742,400 Shares were issued and credited as fully paid up. According to the information available to the Provisional Liquidators, there were 68,000,000 Share Options granted to Mr. Cai and Mr. Cai Cong Yi with exercise prices ranging from HK\$0.163 to HK\$0.1924 each, as at the Latest Practicable Date which were not exercised and lapsed.

The Provisional Liquidators will put forward to the Shareholders for their approval at the EGM of the Capital Restructuring comprising, inter alia, the Capital Reduction, the Share Consolidation, the Capital Cancellation, the Authorised Share Capital Increase, and the cancellation of the Share Options with details as follows:

Capital Reduction

The par value of every Share will be reduced from HK\$0.025 to HK\$0.001 and the credit generated from the Capital Reduction of the issued share capital of approximately HK\$52.2 million will be applied in a manner as permitted by the laws of the Cayman Islands, including but not limited to the setting off of part of the unaudited accumulated losses of the Company of approximately HK\$1,185.2 million as at 31 December 2007.

Capital Cancellation

The existing un-issued share capital of the Company of HK\$45,606,440 will, after the Capital Reduction, be cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to HK\$2,175,742.40.

Share Consolidation

Immediately upon the Capital Reduction and the Capital Cancellation becoming effective, every ten (10) Shares of HK\$0.001 each will be consolidated into one (1) New Share. As a result, 2,175,742,400 issued shares of the Company of HK\$0.001 each will be consolidated into 217,574,240 issued New Shares of HK\$0.01 each.

Authorised Share Capital Increase

Immediately upon the Capital Reduction, the Capital Cancellation and Share Consolidation becoming effective, the Company's authorised share capital will be increased from HK\$2,175,742.40 to HK\$100,000,000 by the creation of 9,782,425,760 New Shares of HK\$0.01 each.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

Cancellation of the Share Options

As at the Latest Practicable Date, the Share Options having exercise prices ranging from HK\$0.163 to HK\$0.1924 were not exercised and lapsed. As part of the Capital Restructuring, it will be proposed at the EGM to approve that the total 68,000,000 Share Options be formally cancelled.

Change in board lot

The Shares were traded in board lots of 4,000 shares and the market value per board lot of the Shares would be HK\$272 (based on the closing price of HK\$0.068 per share as quoted on the Stock Exchange on the Last Trading Day). The New Shares will be traded in board lots of 20,000 shares and the estimated market value per board lot of New Shares will be HK\$13,600 (based on the theoretical closing price of HK\$0.068 per Share adjusted for the effects of the Capital Restructuring).

Status of the New Shares

The New Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the New Shares, including the rights to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the New Shares.

Conditions of the Capital Restructuring

The proposed Capital Restructuring is conditional upon:

- (a) the passing of the necessary resolutions for: (i) the Capital Reduction; (ii) the Capital Cancellation; (iii) the Share Consolidation; (iv) the Authorised Share Capital Increase; and (v) the cancellation of the Share Options by the Shareholders at the EGM;
- (b) the compliance with any conditions as may be imposed by the Cayman Islands Court;
- (c) the confirmation of the Capital Reduction by the Cayman Islands Court;
- (d) the filing with and registration with the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Islands Court confirming the Capital Reduction and a copy of the minutes approved by the Cayman Islands Court confirming the Capital Reduction; and
- (e) the Stock Exchange having granted the listing of, and permission to deal in, the New Shares to be issued following the Capital Restructuring becoming effective.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

Effect of the Capital Restructuring

The following table sets out the effect of the Capital Restructuring on the share capital of the Company, that is, before and after the completion of the Capital Restructuring:

	Before the Capital Restructuring	Immediately after the Capital Restructuring
Nominal value	HK\$0.025	HK\$0.01
Authorised share capital	HK\$100,000,000 divided into 4,000,000,000 Shares	HK\$100,000,000 divided into 10,000,000,000 New Shares
Issued and paid-up share capital	HK\$54,393,560 divided into 2,175,742,400 Shares	HK\$2,175,742.40 divided into 217,574,240 New Shares

Reason for the Capital Restructuring

The Provisional Liquidators and the Directors are of the view that the credit of approximately HK\$52.2 million arising from Capital Reduction to be applied to reduce a portion of the audited accumulated losses of the Company of approximately HK\$1,163 million as at 30 June 2007 will enhance the Company's capability to declare dividends in the future. In addition, the Capital Restructuring is necessary for the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares to enable the Group to use the proceeds to discharge its indebtedness under the Scheme and to revitalise its existing operation and develop new businesses.

Free exchange of the share certificates and board lot matching services

After the satisfaction of all the conditions precedent, including but not limited to, the obtaining of the confirmation of the Capital Reduction by the Cayman Islands Court and the Stock Exchange's granting the listing of, and permission to deal in, the New Shares following the Capital Restructuring becoming effective, the Company will arrange the exchange of the existing share certificates for new share certificates at the expense of the Company. In addition, in order to alleviate the difficulties arising from the existence of odd lots of the New Shares as a result of the Capital Restructuring and change in board lot size, once the approval of resumption of trading in the Shares is granted by the Stock Exchange, the Company has agreed to procure Phillip Securities (HK) Limited to stand in the market to provide matching services for the odd lots of the New Shares on a best effort basis. Separate announcement(s) will be made by the Company in this regard, including trading arrangements, prior to the resumption of trading in the shares of the Company

THE RESTRUCTURING AGREEMENT AND RESTRUCTURING SUPPLEMENTAL AGREEMENT

On 28 December 2007 and 14 March 2008 respectively, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Agreement and the Restructuring Supplemental Agreement which contemplate the implementation of, among others, the Scheme, the Subscription, the ADM Subscription and the Placing.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

The Scheme

Pursuant to the Restructuring Agreement, on Completion, all the liabilities of the Company shall be compromised and discharged by the arrangements contemplated under the Scheme. Any liability of the Restructured Group (except for the liability of the Company) will remain uncompromised. The Scheme contemplates transferring the Scheme Companies to a nominee of the Scheme Administrators with the Restructured Companies remaining in the Group, and a sum of HK\$25 million out of the proceeds of the issue and allotment by the Company of the Subscription Shares, the ADM Subscription Shares and the Placing Shares to be made available 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 and the relevant costs involved.

As the Scheme Companies are either dormant or have ceased operations, the Scheme Administrators consider the realization of the Scheme Assets is uncertain and is likely to be minimal, and the removal of the Scheme Companies from the Group will not have any material impact on the continuing operations of the Group after Completion. For details of the organization structure of the Group after the Restructuring, please refer to the below section headed "ORGANIZATION STRUCTURE OF THE GROUP".

The Scheme was duly approved at the Scheme Meeting held on 22 February 2008 by the Creditors and was sanctioned by the Hong Kong Court on 8 April 2008. On Completion, the Scheme will take binding effect on the Company and the Creditors and will discharge in full all the indebtedness of the Company.

The Subscription, the ADM Subscription and the Placing

Under the Restructuring Agreement and the Restructuring Supplemental Agreement, the Investor has agreed to, in addition to subscribing for the Subscription Shares, procure ADM to subscribe for the ADM Subscription Shares and the Placing Agent to place the Placing Shares and the Company has agreed to issue and allot such the ADM Subscription Shares and the Placing Shares at the considerations of HK\$60 million and HK\$30 million respectively.

Conditions

Completion of the Restructuring Agreement is conditional upon:

- (a) all approvals, sanctions and filing of documents necessary for the purpose of making the Scheme effective having been obtained and done as the case may be;
- (b) all of the necessary resolutions to effect the transactions contemplated therein having been passed by the Shareholders (and where required by the Independent Shareholders) by way of poll by the required votes at the duly convened EGM and not having been revoked or vitiated;
- (c) if required, the consent or approval of all other relevant government or regulatory authorities in relation to the Scheme, the Subscription, the ADM Subscription and the Placing having been obtained and not having been revoked;

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

- (d) the granting of the Whitewash Waiver by the SFC conditional only on the approval by Independent Shareholders approving the same by way of poll at the EGM and such Whitewash Waiver not having been revoked;
- (e) the approval by the Stock Exchange for the listing of and the permission to deal in the shares of the Company, the Subscription Shares, the ADM Subscription Shares, the Placing Shares and the New Shares which may be required for the restoration of the Public Float having been obtained; and
- (f) the removal and discharge of the appointment of the Provisional Liquidators by the Hong Kong Court.

THE SUBSCRIPTION AGREEMENT

Date

28 December 2007

Parties

- (a) Issuer: the Company
- (b) Subscriber: the Investor

The Investor represents, warrants and undertakes to the Company that neither the Investor, its ultimate beneficial owner, nor parties acting in concert with any of them are parties connected with or acting in concert with any substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules.

The number of New Shares subscribed

The total of 4,133,910,560 New Shares subscribed will represent:

- (a) approximately 190.00% of the existing share capital of the Company;
- (b) approximately 1900.00% of the share capital of the Company after the Capital Restructuring;
- (c) approximately 95.00% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares;
- (d) approximately 75.09% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and
- (e) approximately 67.97% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

The Subscription Price

The Subscription Price of HK\$0.0145 per share represents:

- (a) a premium of approximately 45% to the par value of the New Share of HK\$0.01;
- (b) a discount of approximately 97.87% to the theoretical closing price of HK\$0.68 per share based on the closing price of HK\$0.068 per share as quoted on the Stock Exchange on the Last Trading Day as adjusted for the effect of the Capital Restructuring;
- (c) a discount of approximately 99.81% to the average theoretical closing price of HK\$7.46 per share based on the closing price of HK\$0.746 per share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring;
- (d) a discount of approximately 99.83% to the average theoretical closing price of HK\$8.39 per share based on the closing price of HK\$0.839 per share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring; and
- (e) a premium compared to the net deficit value of the Group of approximately HK\$0.121 per share based on the Group's unaudited net liabilities of approximately HK\$740.1 million as at 31 December 2007.

The Subscription Price was arrived at after arm's length negotiations between the Provisional Liquidators and the Investor having regard to the fact that the Company was in provisional liquidation and the Company was in the third stage of the delisting procedures, yet having prospects in the distribution network and production facilities owned by Telier and Desheng Anqing, both being subsidiaries of the Company. The Provisional Liquidators consider the terms of the Subscription, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Conditions Precedent of the Subscription

Completion of the Subscription Agreement is conditional upon the fulfillment of each of the conditions imposed by the Stock Exchange as set out in the Decision Letter, and the conditions set out in the Restructuring Agreement (as supplemented by the Restructuring Supplemental Agreement) and the Stock Exchange granting the listing of and the permission to deal in the Subscription Shares.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

ADM SUBSCRIPTION AGREEMENT

Date

9 April 2008

Parties

- (a) Issuer: the Company
- (b) Subscriber: ADM

Neither ADM, its ultimate beneficial owners, nor parties acting in concert with any of them are parties connected with or acting in concert with any substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules.

The number of New Shares subscribed

The total of 1,153,846,154 New Shares subscribed will represent:

- (a) approximately 53.03% of the existing share capital of the Company;
- (b) approximately 530.32% of the share capital of the Company after the Capital Restructuring;
- (c) approximately 26.52% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares;
- (d) approximately 20.96% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and
- (e) approximately 18.97% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

The ADM Subscription Price

The ADM Subscription Price of HK\$0.052 per share represents:

- (a) a premium of approximately 420.00% to the par value of the New Share of HK\$0.01;
- (b) a discount of approximately 92.35% to the theoretical closing price of HK\$0.68 per share based on the closing price of HK\$0.068 per share as quoted on the Stock Exchange on the Last Trading Day as adjusted for the effect of the Capital Restructuring;

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- (c) a discount of approximately 99.30% to the average theoretical closing price of HK\$7.46 per share based on the closing price of HK\$0.746 per share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring;
- (d) a discount of approximately 99.38% to the average theoretical closing price of HK\$8.39 per share based on the closing price of HK\$0.839 per share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring; and
- (e) a premium compared to the net deficit value of the Group of approximately HK\$0.121 per share based on the Group's unaudited net liabilities of approximately HK\$740.1 million as at 31 December 2007;

The ADM Subscription Price was arrived at after arm's length negotiations between the Provisional Liquidators and ADM having regard to the risk to ADM of entering into such illiquid and high risk investment and the market price of other comparable investments. The Provisional Liquidators and the Directors consider the terms of the ADM Subscription, including the ADM Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Conditions Precedent of the ADM Subscription

Completion of the ADM Subscription Agreement is conditional upon, inter alia:

- (A) ADM's absolute and sole satisfaction in respect of each of the following:
 - (i) all necessary legal, regulatory, foreign exchange approvals, consents and licenses having been granted, including the Stock Exchange's unconditional granting listing of and permission to deal in the ADM Subscription Shares;
 - (ii) ADM's absolute and satisfaction as to compliance with all applicable laws and regulations (including without limitation the Listing Rules);
 - (iii) ADM having received an opinion of its counsel to its satisfaction as to ADM's compliance with all applicable laws and regulations (including without limitation the Listing Rules);
 - (iv) the Company having entered into subscription agreements in respect of subscription to the Subscription Shares and the Placing Shares on such terms as shall be satisfactory to ADM;
 - (v) the simultaneous release of subscription monies placed in escrow in respect of the Subscription Shares and the Placing Shares including without limitation, the full completion of the subscription and sale of the Subscription Shares and the Placing Shares simultaneous with, or on the same day and immediately prior to, ADM's subscription to the Subscription Shares;

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- (vi) the fulfilment of each of the conditions imposed by the Stock Exchange in the Decision Letter;
- (vii) the fulfilment of each of the conditions as set out in the Restructuring Agreement (as supplemented by the Restructuring Supplemental Agreement);
- (viii) the Company having established an internal audit department and audit committee satisfactory to Deloitte Touche Tohmatsu in Hong Kong;
- (ix) the Company having appointed a suitably qualified and competent financial controller satisfactory to Deloitte Touche Tohmatsu in Hong Kong;
- (x) entry by the Investor into an option deed containing provisions satisfactory to ADM in respect of, inter alia, pre-emptive rights in favour of ADM on the sale of New Shares by the Investor (including a right of first refusal, drag-along and tag-along), and also the following options:
 - (a) a call option pursuant to which the Investor will be entitled to require ADM to transfer to the Investor all (but not part only) of the ADM Subscription Shares at any time from the Option Commencement Date and up to the date falling two hundred and ten (210) calendar days from the Option Commencement Date at a price equal to not less than ADM's agreed-upon minimum internal rate of return of 20% per annum as calculated by ADM from the completion date of the ADM Subscription Agreement up to the date of transfer; and
 - (b) a put option pursuant to which ADM will be entitled to require the Investor to purchase from ADM all (but not part only) of the ADM Subscription Shares at any time from the Option Commencement Date and up to the date falling two hundred and ten (210) calendar days from the Option Commencement Date at a price equal to not less than ADM's agreed-upon minimum internal rate of return of 20% per annum as calculated by ADM from the completion date of the ADM Subscription Agreement up to the date of transfer;
- (xi) entry by the Investor into the Escrow Agreement with The Hongkong and Shanghai Banking Corporation Limited containing provisions satisfactory to ADM and deposit of HK\$67,000,000 into the escrow account pursuant to the Escrow Agreement;
- (xii) the Investor having delivered to ADM an irrevocable declaration and undertaking not to enter into any written or unwritten arrangement to act in concert (as defined in the Takeovers Code) with any third person other than ADM in connection with the New Shares other than in conjunction with an arrangement to act in concert with ADM or otherwise with ADM's prior written consent; and
- (xiii) there being no adverse change in legal or regulatory environment of the Company or ADM.

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- (B) The Company shall use its best endeavours to procure the fulfilment of the conditions under the ADM Subscription Agreement above to the satisfaction of ADM, and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by each other or the Stock Exchange in connection with the fulfilment of such conditions.
- (C) If any of those conditions is not fulfilled on or prior to 30 June 2008 or such later date as may be agreed by the Company and ADM in writing, the ADM Subscription Agreement shall terminate, upon which neither the Company nor ADM shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any breach of warranties contained in the ADM Subscription Agreement). Following such termination of the ADM Subscription Agreement under this clause (C), the parties shall be released from their further obligations under the ADM Subscription Agreement except that termination shall not prejudice any accrued rights and obligations of the Company or ADM as at the date of termination.

The Escrow Agreement and the Option Deed

On 8 April 2008, the Investor, ADM and The Hongkong and Shanghai Banking Corporation Limited (as an escrow agent) entered into the Escrow Agreement pursuant to which the Investor has deposited the Escrow Amount into the escrow account. Subsequently, on 9 April 2008, the Investor and ADM entered into the Option Deed which contains, *inter alia*, a put and call option settled by way of release of funds from the escrow account and certain pre-emptive rights including a right of first refusal, drag-along and tag-along right in respect of the sale of the shares of the Company by the Investor as follows:

- (a) *Put Option:* the Investor irrevocably and unconditionally grants to ADM a Put Option which is exercisable at any time during the Option Period and gives ADM the option to require the Investor to purchase all (but not part only) of the ADM Subscription Shares from ADM against release to ADM of the Option Money deposited in the escrow account under the Escrow Agreement and subject to the terms and conditions of the Option Deed.
- (b) *Call Option:* ADM irrevocably and unconditionally grants to the Investor a Call Option which is exercisable at any time during the Option Period and gives the Investor the option to require ADM to sell all (but not part only) of the ADM Subscription Shares to the Investor against release to ADM of the Option Money deposited in the escrow account under the Escrow Agreement and subject to the terms and conditions of the Option Deed.
- (c) *Pre-emptive rights:* During the term of the Option Deed, ADM has a right of first refusal exercisable within 21 days of notice from the Investor of a proposed sale of any Subscription Shares. In addition, following the 21 days right of first refusal period, ADM shall be entitled to exercise a tag-along in respect of any transfer of Subscription Shares by the Investor, failing exercise of such tag-along right, the Investor shall be entitled to drag along a pro rata amount of ADM Subscription Shares together with such transfer of Subscription Shares.

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The Option Money represents the amount necessary to secure return of ADM's principal investment in the ADM Subscription Shares and a minimum yield agreed between ADM and the Provisional Liquidators during arms' length negotiations having regard to the risk to ADM of entering into such illiquid and high risk investment.

According to the Option Deed, upon completion of the full exercise of either the Put Option or the Call Option, the total sum of the Escrow Amount will be released to ADM. Out of the total sum of the Escrow Amount, ADM shall be entitled to a sum equivalent to the amount of Option Money and the balance thereof (if any) shall be transferred by ADM to the Investor.

The Option Deed is expressed to terminate on the earlier of (i) the completion of the Call Option or the Put Option, (ii) the date on which ADM ceases to hold any ADM Subscription Shares, or (iii) such date as shall be mutually agreed in writing by ADM and the Investor.

ADM's entry into the Option Deed and the Escrow Agreement are in satisfaction of the conditions precedent set forth in paragraphs (A)(x) and (A)(xi) of the conditions precedent to the ADM Subscription Agreement enumerated above.

THE PLACING AGREEMENT

Date

24 January 2008

Parties

- (a) Issuer: the Company
- (b) Placing Agent: Partners Capital

Partners Capital is an Independent Third Party and is not a Concert Party of the Company, any of the Directors, the substantial Shareholders, the Investor, ADM and their respective Concert Parties. Partners Capital does not hold any shares or other securities of the Company as at the date of this circular.

The number of New Shares placed

The total of 576,923,077 New Shares placed will represent:

- (a) approximately 26.52% of the existing share capital of the Company;
- (b) approximately 265.16% of the share capital of the Company after the Capital Restructuring;

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- (c) approximately 13.26% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares;
- (d) approximately 10.48% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and
- (e) approximately 9.49% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

The Placing Price

The Placing Price of HK\$0.052 per Placing Share represents:

- (a) a premium of approximately 420.00% to the par value of the New Share of HK\$0.01;
- (b) a discount of approximately 92.35% to the theoretical closing price of HK\$0.68 per share based on the closing price of HK\$0.068 per share as quoted on the Stock Exchange on the Last Trading Day as adjusted for the effect of the Capital Restructuring;
- (c) a discount of approximately 99.30% to the average theoretical closing price of HK\$7.46 per share based on the closing price of HK\$0.746 per share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring;
- (d) a discount of approximately 99.38% to the average theoretical closing price of HK\$8.39 per share based on the closing price of HK\$0.839 per share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day as adjusted for the effect of the Capital Restructuring; and
- (e) a premium compared to the net deficit value of the Group of approximately HK\$0.121 per share based on the Group's unaudited net liabilities of approximately HK\$740.1 million as at 31 December 2007.

The terms of Placing were arrived at after arm's length negotiations among the Provisional Liquidators, the Investor and Partners Capital with reference to the prospect of the cooperation between LaoLaiShou and the Company. The Investor is agreeable to these terms and the associated dilution effects on it. The Provisional Liquidators consider the terms of the Placing, having been accepted by the Investor, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

The Placees

The Placing Shares shall be offered by Partners Capital to not less than six Placees in board lots where possible. The choice of placees for the Placing Shares shall be determined solely by Partners Capital, subject to the requirements of the Listing Rules. The Placing Agent shall use all reasonable endeavours to ensure that the Placees shall be third parties who are (i) independent from the Company and their respective associates, and from the directors, chief executive or substantial shareholders of the Company or their subsidiaries or any of their respective associates and (ii) independent of and not acting in concert with the Investor, ADM or their respective ultimate beneficial owners.

Conditions Precedent of the Placing Agreement

Completion of the Placing Agreement is conditional upon the fulfillment of each of the conditions imposed by the Stock Exchange as set out in the Decision Letter, and the conditions set out in the Restructuring Agreement, and the Stock Exchange granting the listing of and the permission to deal in the Placing Shares.

WHITEWASH WAIVER

Immediately upon the completion of the Subscription and ADM Subscription, the Investor and its Concert Parties (including ADM) will be interested in 5,287,756,714 New Shares, which represent:

- (a) approximately 96.05% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and
- (b) approximately 86.94% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

Pursuant to Rule 26 of the Takeovers Code, the Investor and its Concert Parties (including ADM) would trigger an obligation to make a mandatory general offer. Accordingly, the Investor and its Concert Parties (including ADM) has made an application to the Executive under the Takeovers Code for a Whitewash Waiver to relieve them from their obligations to make a mandatory general offer for all the shares of the Company other than those already owned or agreed to be acquired by the Investor and its Concert Parties (including ADM). The Executive has indicated he will grant the Whitewash Waiver and such grant will be subject to the approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll. If this condition precedent is not satisfied, the Subscription Agreement and the ADM Subscription Agreement will lapse and the Restructuring will not be implemented.

Save for the Subscription Shares and ADM Subscription Shares, the Investor and its Concert Parties (including ADM) confirm that they have not dealt in the securities of the Company during the Relevant Period. The Investor and its Concert Parties (including ADM) did not hold any shares, outstanding options, derivatives, warrants or other securities convertible into shares of the Company as at the Latest Practicable Date, and they have also undertaken not to deal in the securities of the Company before the completion of the Subscription.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

Those Shareholders who are interested in and/or involved in the Subscription and the ADM Subscription will abstain from voting on the resolutions approving the Subscription, the ADM Subscription and the Whitewash Waiver.

As the shareholding of the Investor will exceed 50% of the voting rights of the Company, the Investor and its Concert Parties may increase their holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability on 24 May 2000, the shares of which were listed on the main board of the Stock Exchange on 23 August 2000. The Company, through its subsidiaries, is primarily engaged in the manufacturing and distribution of pharmaceutical products and health supplements in the PRC.

On 10 May 2004, the Company entered into the Loan Agreement with a group of 13 banks and financial institutions for a credit loan facility of up to US\$80 million. Trading in the Shares has been suspended with effect from 17 June 2004 as the authorised representatives of the Company could not be contacted for clarification of the unusual movement of price and trading volume of the Shares. As a result of the suspension of trading in the Shares, an event of default occurred under the Loan Agreement.

On 15 September 2004, Standard Chartered Bank (Hong Kong) Limited, acting as a bank creditor of the Company under the Loan Agreement, presented a winding-up petition in relation to the Company. Upon the application by Standard Chartered Bank (Hong Kong) Limited on 22 September 2004, Mr. Lai Kar Yan Derek and Mr. Darach E. Haughey were appointed Provisional Liquidators of the Company by the Hong Kong Court.

On 17 October 2005, the Stock Exchange placed the Company into the third stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules. If the Company did not put forward a valid resumption proposal by 16 April 2006, the Stock Exchange intended to cancel the listing of the Company.

After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Listing Appeals Committee issued the Decision Letter on 10 October 2007 allowing the Company to proceed with the Resumption Proposal subject to the compliance with all the conditions imposed by the Listing Appeals Committee. Please refer to the section below headed "THE DECISION LETTER AND CONTINUED SUSPENSION OF TRADING IN SHARES".

Details of the Group's operation are set out in Appendix I headed "Financial Information of the Group" to this circular.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

BACKGROUND OF THE INVESTOR

The Investor, Best Champion Holdings Limited, is a company incorporated under the laws of the British Virgin Islands with limited liability and is beneficially and wholly-owned by Mr. Han. The principal business of the Investor is investment holding.

Mr. Han, aged 49, has worked in construction industry for more than 20 years and currently is the vice director of 北京新航建材有限公司 (Beijing Xinhang Building Material Company Limited) which is mainly engaged in manufacturing and trading of high quality concrete. Mr. Han graduated from 北方工業大學 (North China University of Technology) with major in civil engineering project management. In 1995, Mr. Han participated in the 貫標學習班 (tender training class) which specialized in ISO9002 system studies related to quality assurance and management in production, installation and servicing. From 2000 to 2001, he went to 清華大學 (Tsinghua University) to continue his studies in business administration. He is now participating in the program of “New Leaders for Enterprises in China” jointly organized by Enterprises Research Department of the State Council and Stanford University.

BACKGROUND OF ADM

ADM is a fund established under the laws of the Cayman Islands and which has been investing mainly in special situations investments (including distressed, undervalued or event-driven opportunities and recovery situations) primarily in Asia since inception in May 1999. ADM currently has approximately US\$1 billion in assets. ADM is an open-ended fund with a minimum subscription amount of US\$5 million administered by Bank of Bermuda (Cayman) Limited (through its agent HSBC Institutional Trust Services (Asia) Limited) and which has engaged ADM Capital to provide certain limited discretionary asset management services. ADM Capital is established under Hong Kong law and regulated by the SFC (AEN683). ADM’s shareholders comprise approximately one hundred international institutional investors, international funds of funds, international pension funds, and international private banks/family offices.

Neither the Investor nor its ultimate beneficial owner holds any interest in ADM. ADM did not hold any shares or other securities issued by the Company as at the Latest Practicable Date. Under the Takeovers Code, ADM is a Concert Party of the Investor and its ultimate beneficial owner. Neither ADM, nor the ultimate beneficial owners of ADM nor each of their respective associates are connected persons of the Investor as defined in the Listing Rules, and neither ADM, nor the ultimate beneficial owners of ADM, nor each of their respective associates are connected persons of any substantial shareholder, chief executive and/or director of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company after taking into account of the proposed Capital Restructuring, the Subscription, the ADM Subscription, the Placing and assuming the completion of the full exercise of the Put Option or Call Option.

Name of Shareholders	Existing shareholding structure		After the Capital Restructuring		After the Capital Restructuring and the Subscription		After the Capital Restructuring, the Subscription and the ADM Subscription		After the Capital Restructuring, the Subscription, the ADM Subscription and the Placing		After the Capital Restructuring, the Subscription, the ADM Subscription, the Placing and the Placing Down (Note 2)		After the Capital Restructuring, the Subscription, the ADM Subscription, the Placing, the Placing Down and assuming the completion of full exercise of the Call Option and Put Option (Note 3)	
	No. of Shares (approx.)	%	No. of Shares (approx.)	%	No. of Shares (approx.)	%	No. of Shares (approx.)	%	No. of Shares (approx.)	%	No. of Shares (approx.)	%	No. of Shares (approx.)	%
The Investor and its Concert Parties:														
The Investor	-	-	-	-	4,133,910,560	95.00	4,133,910,560	75.09	4,133,910,560	67.97	3,407,689,429	56.03	4,561,535,583	75.00
ADM	-	-	-	-	-	-	1,153,846,154	20.96	1,153,846,154	18.97	1,153,846,154	18.97	-	-
Subtotal:	-	-	-	-	4,133,910,560	95.00	5,287,756,714	96.05	5,287,756,714	86.94	4,561,535,583	75.00	4,561,535,583	75.00
The public:														
Mr. Cai and Mr. Chen Ching Ken (Note 1)	883,400,000	40.60	88,340,000	40.60	88,340,000	2.03	88,340,000	1.60	88,340,000	1.45	88,340,000	1.45	88,340,000	1.45
Public Placees	-	-	-	-	-	-	-	-	576,923,077	9.49	1,303,144,208	21.43	1,303,144,208	21.43
Others existing public Shareholders	1,292,342,400	59.40	129,234,240	59.40	129,234,240	2.97	129,234,240	2.35	129,234,240	2.12	129,234,240	2.12	129,234,240	2.12
Total:	2,175,742,400	100.00	217,574,240	100.00	4,351,484,000	100.00	5,505,330,954	100.00	6,082,254,031	100.00	6,082,254,031	100.00	6,082,254,031	100.00

Note:

- 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 (BVI) Limited (formerly known as Ansbacher (BVI) Limited) in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include Mr. Cai and his spouse and the family member of Mr. Chen Ching Ken, the then Director. Accordingly, Mr. Chen Ching Ken, as founder of The C&C Trust, and Mr. Cai, as one of the discretionary objects of The C&C Trust, are 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.
- As public Shareholders will hold 794,497,317 New Shares, representing approximately 13.06% of the share capital of the Company after the Capital restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares, the Investor will arrange for private placement (the “Placing Down”) to be effected immediately after Completion to ensure that there will be a sufficient Public Float of the New Shares in accordance with the Listing Rules.

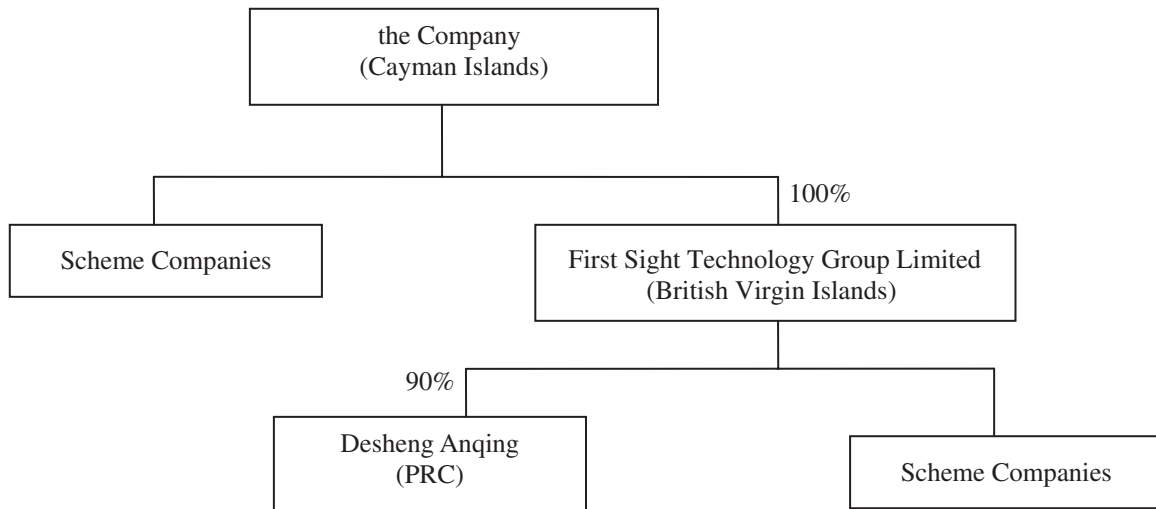
LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

3. Pursuant to the Option Deed, assuming the Put Option or Call Option is fully exercised by the Investor or ADM respectively, the Investor will hold 4,561,535,583 New Shares, representing 75% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares, the Placing Shares and the Placing Down. As the shareholding of the Investor will exceed 50% of the voting rights of the Company, the Investor and its Concert Parties may increase their holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

ORGANIZATION STRUCTURE OF THE GROUP

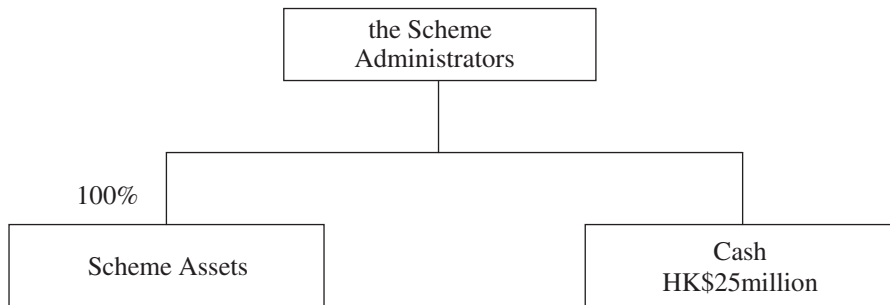
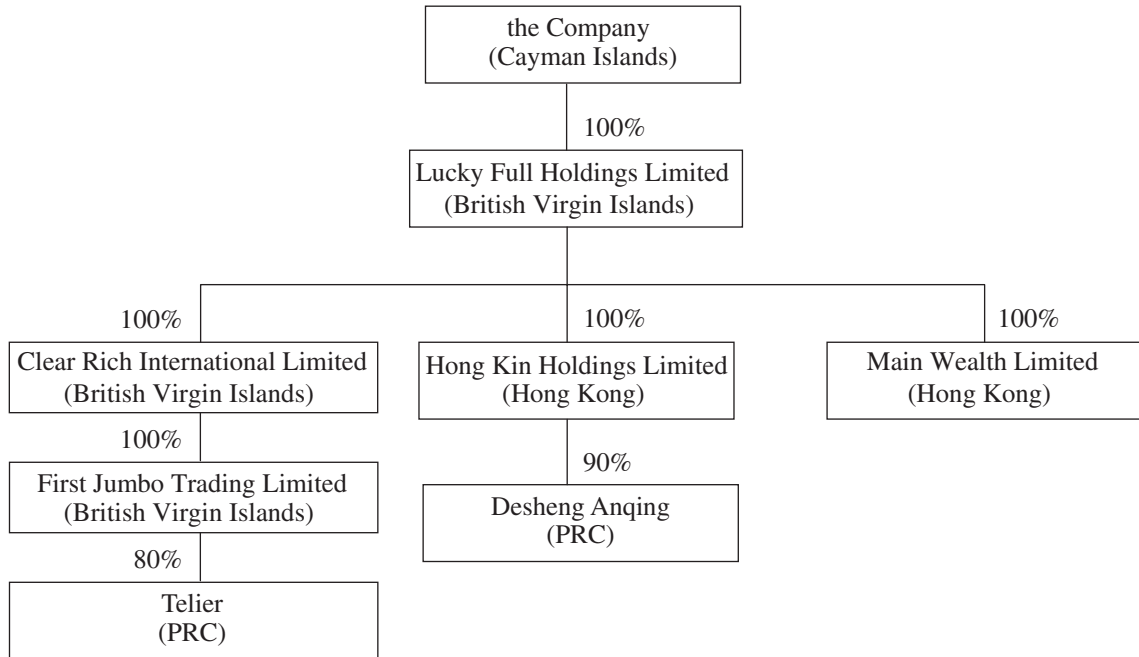
The following diagrams show the Group structure before and after the completion of the Capital Restructuring, the Subscription, the ADM Subscription, the Whitewash Waiver, the Placing and the Scheme.

Before the Restructuring (extracted group chart):



LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

After the Restructuring:



LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

STATUS OF THE SUBSCRIPTION SHARES, THE ADM SUBSCRIPTION SHARES AND THE PLACING SHARES

The Subscription Shares, the ADM Subscription Shares and the Placing Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the shares of the Company in issue (after Capital Restructuring) as at the date of allotment and issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

The approval of, by the Independent Shareholders at the EGM by the way of poll, the Restructuring Agreement (including the issue of the ADM Subscription Shares and the Placing Shares), the issue of the Subscription Shares and the Whitewash Waiver are all inter-conditional. The Capital Restructuring is a condition precedent to the issue of New Shares. The conditions in relation to the Whitewash Waiver cannot be waived.

REASONS FOR THE SUBSCRIPTION, THE ADM SUBSCRIPTION AND THE PLACING

Given the financial situation of the Group, the willingness of the Investor to restructure the pharmaceutical business of the Group and the indebtedness due by the Company, the Provisional Liquidators and the Directors consider that it is in the best interests of the Company and its Shareholders as a whole to raise funds by means of the issue of the new shares of the Company to the Investor, ADM and the public investors. The Subscription, the ADM Subscription and the Placing will enable the Group to bring in new investors, to strengthen the financial position of the Group, and to discharge the indebtedness of the Company. It will also provide the Group with new funds, products and distribution network to enhance its existing business operations and flexibility to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

USE OF PROCEEDS FROM THE SUBSCRIPTION, THE ADM SUBSCRIPTION AND THE PLACING

The total proceeds of approximately HK\$150 million (respectively approximately HK\$60 million each from the Subscription and the ADM Subscription and HK\$30 million from the Placing) will be applied as to HK\$25 million to be provided to the Scheme Administrators for the Scheme to settle the Creditors, with the remaining balance of approximately HK\$125 million to be applied towards supporting the existing and future business activities of the Group and for general working capital of the Group.

FUTURE INTENTION OF THE INVESTOR

The Group is primarily engaged in the manufacturing and distribution of pharmaceutical products and health supplements in the PRC. In May 2008, the Group was appointed as the sales agent for some healthcare products and gene testing services and such businesses will enhance the business prospect of the Group. A new company namely Main Wealth Limited, which is indirectly wholly-owned by the Company, was formed to carry out the aforesaid new businesses. Following the Completion, the Investor intends to continue the existing principal businesses of the Group, which will consist of the Restructured Companies.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

As disclosed in the Company's 2007 annual report, in August 2007, the Group entered into an exclusive distribution agreement with LaoLaiShou, which agreed that, upon the resumption of the trading of shares of the Company, Telier will be responsible for the exclusive distribution of all over-the-counter pharmaceutical and healthcare products of LaoLaiShou. In addition, Telier will also become the sole licensee for operating "LaoLaiShou Health Clubs" in the PRC.

The Investor intends to utilize the sales network of Telier and LaoLaiShou to enhance the sales and distribution of the Company's products. The Group also intends to acquire a production plant, revitalize the production lines of Desheng Anqing and set up new health clubs for business expansion purpose after the successful resumption of the trading of shares of the Company. Apart from the above, the Investor has no intention to acquire or dispose of any existing assets of the Company as at the Latest Practicable Date. Once resumption of the trading of the shares of Company has been approved, the Company will recruit a high caliber top management team to ensure the success of the ongoing businesses of the Group.

PROPOSED RE-ELECTION OF DIRECTORS

The Board currently 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.

Pursuant to Article 86 of the Articles of Association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. As Mr. Tai Kai Hing and Mr. Chung Wai Man have been appointed as an addition to the Board on 27 March 2007, they shall hold office until the AGM and being eligible, they will offer themselves for re-election as Directors at the AGM.

In accordance with Article No. 87 of the Articles of Association, Mr. Chiu Koon Shou, Victor, being the longest in office since his last re-election or appointment will retire by rotation at the AGM and, being eligible, has offered himself for re-election.

The biographical details of Mr. Chiu Koon Shou, Victor, Mr. Tai Kai Hing and Mr. Chung Wai Man are set out in Appendix VI to this circular.

PROPOSED CHANGE OF BOARD COMPOSITION AND MANAGEMENT

At the EGM, a resolution will be proposed to the Shareholders to approve the appointment of new Directors. The Board recommends to appoint Ms. Choi Suk Ching as an executive Director and Dr. Leung Wai Cheung as an independent non-executive Director and ordinary resolutions for the appointment of Ms. Choi Suk Ching and Dr. Leung Wai Cheung will be put forward for Shareholder's approval at the EGM.

Particulars of each of the Directors who are proposed to be appointed at the EGM are set out in the section headed "Letter from the Investor" in this circular.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

With the coming into effect of the SFO on 1 April 2003, the Securities and Futures (Clearing Houses) Ordinance (Cap 420 of the Laws of Hong Kong) (the “repealed Ordinance”) was repealed. As the Articles of Association have made reference to the repealed Ordinance, the Directors propose to amend the Articles of Association so as to bring them in line with the changes brought about by the enactment of the SFO.

On 31 March 2004, the proposed amendments to the Listing Rules relating to corporate governance issues have also come into effect. These corporate governance issues include, among other things, voting of members at general meeting, notice to be given when persons proposed for election as Directors at general meetings.

To bring the Articles of Association in line with the changes brought about by the SFO and the Listing Rules, the Directors therefore propose to amend the Articles of Association at the AGM.

Your attention is drawn to the “Notice of AGMs” and additional information set out in this circular.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 18 December 2003, the Directors were granted a general mandate to allot, issue and deal with Shares and a general mandate to purchase Shares on the Stock Exchange. These mandates will expire at the conclusion of the EGM. At the EGM, among other businesses, resolutions will be proposed to grant the Share Issue Mandate and the Repurchase Mandate to the Directors. The maximum number of shares to be issued is 1,216,450,807 (i.e. 20% of the total to be issued New Shares.)

Each of the Share Issue Mandate and the Repurchase Mandate will continue to be in force until the conclusion of the next annual general meeting of the Company following the EGM or any earlier date as referred to in the relevant resolution set out in the notice of EGM.

Under the Listing Rules, the Company is required to give to the Shareholders an explanatory statement containing all information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution to grant to the Directors of the Repurchase Mandate. The explanatory statement required by the Listing Rules is set out in the Appendix V to this circular.

Your attention is drawn to the “Notice of EGM” and additional information set out in this circular.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

THE DECISION LETTER AND CONTINUED SUSPENSION OF TRADING IN SHARES

Decision Letter

Trading in the Shares on the Stock Exchange was suspended on 17 June 2004 at the direction of the Stock Exchange. On 17 October 2005, the Stock Exchange placed the Company into the third stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules, under which, if the Company did not put forward a valid resumption proposal by 16 April 2006, the Company would be delisted.

After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Listing Appeals Committee issued the Decision Letter on 10 October 2007 to Asian Capital. The Decision Letter sets out the conditions upon which the Listing Appeals Committee has decided to allow the Company to proceed with the Resumption Proposal, which shall have to be complied with to the satisfaction of the Listing Division within six months from the date of the Decision Letter, i.e., 9 April 2008. The conditions are:

1. a. ANDA Certified Public Accountants, the Company's auditors, to re-perform the audit of the Company's consolidated financial statements for the year ended 30 June 2007 with the full co-operation of the Group's management; and
- b. confirmation by ANDA Certified Public Accountants that they have (where applicable) verified all balances on the 30 June 2007 Group balance sheet with the counterparties and that they have performed reasonable tests of plausibility on the fixed asset and inventory figures. In their letter of 13 September 2007 they advised that they had been unable to do this, inter alia, due to "the time constraint in carrying out the audit" and "the slow responses of debtors, creditors and bankers to our direct confirmations and enquires";
2. a. completion of: (i) the subscription of 4,133,910,560 shares at HK\$0.0145 each by Best Champion Holdings Limited; (ii) the subscription of 1,153,846,154 shares at HK\$0.052 each by ADM Capital and (iii) the placing of 576,923,077 shares at HK\$0.052 each to independent third parties by Partners Capital;
- b. save and except the arrangement described in the letter from ADM Capital to the Investor dated 22 August 2007, the Subscription, the subscription by ADM Capital and the Placing should not be subject to any conditions, such as buyback provisions, that will compromise the subscription of genuine equity risk capital; and
- c. the proceeds from the issue of the Subscription Shares, the shares of the Company under the subscription by ADM Capital and the Placing Shares so raised in the sum of HK\$150 million are to be held by a bank in Hong Kong in escrow in favour of the Company. The said proceeds to be disbursed to the Company when the Stock Exchange approves the Company's resumption of trading and only to be returned to the subscribers if the Stock Exchange denies resumption of trading or fails to give a decision within seven days of the confirmation referred to in condition 8 below;

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

3. obtaining approval for the schemes of arrangement for restructuring the Group's indebtedness from its shareholders, creditors and the Courts of Hong Kong, British Virgin Islands and the Cayman Islands (as the case may be);
4. following completion of the schemes of arrangement and the Capital Restructuring, the Group's liabilities should be reduced to no more than HK\$50 million;
5. after completion of the Capital Restructuring, the Subscription, the subscription by ADM Capital and the Placing, no less than 2.1 percent of the share capital of the Company to remain in the hands of the existing public shareholders of the Company. This figure shall exclude the 1.5 percent shareholding held by Mr. Cai, Mr. Chen Ching Ken and their related parties;
6. appointment of a compliance adviser (as defined in the Listing Rules) for the period commencing on a date prior to resumption of trading and ending on the date on which the Company complies with Rule 13.46 in respect of its financial results for the second full financial year commencing after the resumption;
7. full payment of all and any outstanding listing fees; and
8. an independent professional accounting firm or a SFC licensed sponsor to produce a written confirmation that all of the above conditions have been complied with. The accounting firm or the sponsor must be pre-approved by the Listing Division, failing which the matter shall be referred to the Listing Appeals Committee for determination.

Status of the fulfillment of the conditions set out in the Decision Letter

1. The re-performed audit of the Company's consolidated financial statements for the year ended 30 June 2007 had been duly completed and the consolidated financial statements were published on 8 April 2008.
2. The letter from ADM Capital to the Investor dated 22 August 2007 contains, inter alia: (a) certain pre-emptive rights in respect of the sale of shares of the Company by the Investor, including, among others, a right of first refusal, drag-along and tag-along rights; (b) a call option pursuant to which the Investor will be entitled to require ADM Capital to transfer to the Investor the shares of the Company to be acquired by ADM Capital; and (c) a put option pursuant to which ADM Capital will be entitled to require the Investor to purchase from ADM the shares of the Company to be acquired by ADM Capital. The abovementioned pre-emptive rights, put option and call option have been documented in the Option Deed. Prior to execution of the Option Deed, changes to the terms contained in the letter from ADM Capital to the Investor dated 22 August 2007 (including changes to the terms of the abovementioned pre-emptive rights, put option and call option) have been agreed between ADM Capital and the Investor and such changes have been reflected in the Option Deed.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

In respect of conditions 2 and 5 set out in the Decision Letter, it has been subsequently clarified that the parties to the Restructuring Agreement and ADM Capital had agreed that ADM Capital being an SFC licensed asset manager would use ADM Capital's flagship fund, ADM, to take up the subscription to the ADM Subscription Shares and the Restructuring Supplemental Agreement was entered into by the parties to the Restructuring Agreement in connection with this change. The parties to the Restructuring Agreement have agreed that this change has no effect on the Resumption Proposal.

The Restructuring Agreement, the Restructuring Supplement Agreement, the Subscription Agreement, the ADM Subscription Agreement and the Placing Agreement were entered into by relevant parties. Details of these agreements are set out in the sections headed "THE RESTRUCTURING AGREEMENT AND RESTRUCTURING SUPPLEMENTAL AGREEMENT", "THE SUBSCRIPTION AGREEMENT", "THE ADM SUBSCRIPTION AGREEMENT" and "THE PLACING AGREEMENT".

The Provisional Liquidators will arrange the proceeds of approximately HK\$150 million from the Subscription, the ADM Subscription and the Placing to be held by a bank in Hong Kong in escrow in favour of the Company before Completion.

3. The Scheme was duly approved at the Scheme Meeting held on 22 February 2008 by the Scheme creditors of the Company and was sanctioned by the Hong Kong Court on 8 April 2008. On Completion, the Scheme will take binding effect on the Company and the Creditors and will discharge in full all the indebtedness of the Company.

The parties have agreed that schemes of arrangement in other jurisdiction are no longer required. The Company has made an application to the Cayman Islands Court in respect of the proposed reduction of share capital in accordance with the Companies Law (2007 Revision) of the Cayman Islands. The hearing date of this petition will be 20 June 2008.

4. Upon completion of the Scheme, the Group's liabilities are expected to be reduced to no more than HK\$50 million. Details of the indebtedness are set out in the Appendix III, "Unaudited Pro Forma Statement of Assets and Liabilities of the Restructured Group" to this circular.
5. As disclosed in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the "Letter from the Board and the Provisional Liquidators" set out in this circular, the percentage shareholdings of Mr. Cai, Mr. Chen Ching Ken and their related parties as well as public shareholdings of the Company are expected to comply with the condition.
6. The Company will appoint a compliance advisor (as defined in the Listing Rules) in due course as required by the Listing Appeals Committee.
7. The outstanding listing fees will be paid off by the Company on or before Completion.
8. The Company has appointed Li, Tang, Chen & Co., Certified Public Accountants in Hong Kong, to act as the Independent Professional Accounting Firm to produce a written confirmation that all of the conditions set out in the Decision Letter have been complied with. The Stock Exchange has no objection to such appointment.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

As stated in the First Joint Announcement, the deadline for the Company to satisfy the conditions set out in the Decision Letter may be extended by the Listing Division on good cause being shown by the Company. As various negotiations and court processes had taken a fair amount of time, the Company made applications to the Stock Exchange for the extension of time for the full compliance with the conditions set out in the Decision Letter from 9 April 2008 to 31 July 2008. As announced in the announcement dated 14 April 2008, the Stock Exchange has exercised its discretion to extend the deadline to close of business on 31 July 2008.

Separate announcement(s) will be made by the Company to update the latest progress of the status of the fulfillment of the conditions set out in the Decision Letter.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An independent board committee of the Board comprising the independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor and Mr. Chung Wai Man, has been formed on 9 March 2008 to advise the Independent Shareholders as to whether to the terms of the Restructuring Proposal and the Whitewash Waiver are reasonable as far as the Independent Shareholders are concerned, and whether the aforesaid agreements (including the transactions contemplated thereunder) are in the best interests of the Company and the Shareholders as a whole. Somerley Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in the same regard. The appointment of Somerley Limited as the Independent Financial Advisor has been approved by the Independent Board Committee.

GENERAL

As announced in the Second Joint Announcement and the announcement dated 9 April 2008, the parties have only entered into the ADM Subscription Agreement on 9 April 2008, as such the Company requires more time to compose this circular. The Company and the Investor have applied to the Executive to seek a consent and the Executive has given its consent to an extension of time for the publication and dispatch of the circular to the Shareholders to 16 May 2008. As further announced on 16 May 2008 since there are many professional parties, input and various consents are needed from those parties in the process of drafting this circular, the parties have generally underestimated the time for preparing the circular. The Company and the Investor have applied to the Executive to seek its consent to a further extension of time for the publication and despatch of the circular to the Shareholders to 28 May 2008. The Executive has given its consent to extend the latest time for the publication and despatch of this circular to 28 May 2008.

The Investor and its Concert Parties (including ADM) have made an application to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval of Independent Shareholders by way of poll at the EGM.

No Shareholders have material interests in the contemplated transactions and nobody is required to abstain from voting on the resolutions approving the Capital Restructuring, the issue of the Subscription Shares, the issue of the ADM Subscription Shares, the Whitewash Waiver, and the issue of the Placing Shares at the EGM.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

THE AGM

Set out on pages 147 and 160 of this circular are the notices convening the AGMs to be held at 9:15 a.m., 9:25 a.m., 9:35 a.m., 9:45 a.m. respectively on 20 June 2008 at Room 704, 3 Lockhart Road, Wanchai, Hong Kong, at which, among other matters, an ordinary resolution will be proposed to re-elect the retiring director and other directors and a special resolution will also be proposed to amend the Articles of Association.

The forms of proxy for use at the AGMs are enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon to the office of the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGMs or any adjourned meeting. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGMs or any adjourned meeting should you so desire.

THE EGM

Set out on pages 161 and 167 of this circular is a notice convening the EGM to be held at 10:00 a.m. or immediately after the AGM for the year 2007 on Friday, 20 June 2008 at Room 704, 3 Lockhart Road, Wanchai, Hong Kong, at which resolutions will be proposed to consider and approve, inter alia, the Capital Restructuring, the issue of the Subscription Shares, the issue of the ADM Subscription Shares, the Whitewash Waiver, and the issue of the Placing Shares by the Independent Shareholders, the appointment of the proposed new Directors by the Shareholders and to grant the Share Issue Mandate and the Repurchase Mandate.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, the office of the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Center, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire.

RECOMMENDATION

The Board and the Provisional Liquidators (including the Independent Board Committee), having taken into account the advice and recommendations of Somerley Limited, consider that the terms of the Restructuring Proposal and the Whitewash Waiver are fair and reasonable and the entering into of the Restructuring Agreement, the Restructuring Supplemental Agreement, Capital Restructuring, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement and the respective transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole and recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD AND THE PROVISIONAL LIQUIDATORS

Shareholders are strongly advised to consider the “Letter from the Independent Board Committee” and “Letter from Somerley Limited” before deciding to vote in favour of or against the resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the sections headed “Letter from the Independent Board Committee”, “Letter from Somerley Limited”, notice of EGM and additional information set out in the appendices to this circular.

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

For and on behalf of
**Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)**
Lai Kar Yan Derek/ Darach E. Haughey
Joint and Several Provisional Liquidators

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 May 2008

To the Independent Shareholders

Dear Sir or Madam,

**RESTRUCTURING OF FAR EAST PHARMACEUTICAL TECHNOLOGY
COMPANY LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING,
CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE
WITH SECTION 166 OF THE COMPANIES ORDINANCE,
SUBSCRIPTION OF SUBSCRIPTION SHARES AND
ADM SUBSCRIPTION SHARES,
PLACING OF PLACING SHARES
AND WHITEWASH WAIVER**

Reference is made to the circular issued by the Company dated 28 May 2008 (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context requires otherwise.

We have been appointed as members of the Independent Board Committee to advise you in connection with the Restructuring Proposal and the Whitewash Waiver (the “Transactions”) and to advise the Independent Shareholders as to the fairness and reasonableness of the Transactions and to recommend how the Independent Shareholders should vote at the EGM. Somerley Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We wish to draw your attention to the “Letter from the Directors and the Provisional Liquidators”, as set out on pages 14 to 42 of this circular, the “Letter from the Investor”, as set out on pages 45 to 50 of this circular, and the “Letter from Somerley Limited” to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Transactions as set out on pages 51 to 70 of this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of Somerley Limited as set out on pages 51 to 70 of this circular, we are of the opinion that the implementation of the Restructuring Proposal is in the best interests of the Company and the Independent Shareholders as a whole and the terms of the Restructuring Proposal and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Restructuring Proposal and the Whitewash Waiver.

Yours faithfully,

Independent Board Committee

Mr. Chiu Koon Shou, Victor/Mr. Chung Wai Man
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)
Independent non-executive Directors

LETTER FROM THE INVESTOR

BEST CHAMPION HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Executive Directors:

Mr. Han XianFu
Ms. Wang Chau Fan
Ms. Wong Nga Fan
Ms. Wong Qiaolian (alternate to Mr. Han)

Registered Office:

P.O. Box 957
Offshore Incorporations Center,
Road Town, Tortola,
British Virgin Islands

28 May 2008

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND ADM SUBSCRIPTION SHARES AND WHITEWASH WAIVER

INTRODUCTION

It was announced that on 28 December 2007 and 14 March 2008 that the Company, the Provisional Liquidators and the Investor entered into the Restructuring Agreement and the Restructuring Supplemental Agreement in relation to the Restructuring of the Company. It was also announced that on 28 December 2007 and 9 April 2008 the Company entered into the Subscription Agreement and the ADM Subscription Agreement with the Investor and ADM respectively in relation to the Subscription Shares and the ADM Subscription Shares. Details of the terms of the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement and the ADM Subscription Agreement are set out in the "Letter from the Board and the Provisional Liquidators" contained in this circular. The purpose of this letter is to provide you with, among other things, information on the Investor and the future intentions of the Investor after Completion, as well as the Whitewash Waiver.

INFORMATION ON THE INVESTOR

The Investor, Best Champion Holdings Limited, is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and is beneficially and wholly-owned by Mr. Han. Except for the agreements entered into with the Company and the Provisional Liquidators in relation to the Restructuring of the Company, as at the Latest Practicable Date the Investor has not engaged in any other business since its incorporation.

Directors of Best Champion Holdings Limited are Mr. Han, Ms. Wong Chau Fan and Ms. Wong Nga Fan, Ms. Wang Qiaolian (alternate director to Mr. Han Xianfu). The background of the ultimate beneficial owner, Mr. Han is set out below.

LETTER FROM THE INVESTOR

Mr. Han, aged 49, has worked in the construction industry for more than 20 years and is the vice director of 北京新航建材有限公司 (Beijing Xinhang Building Material Company Limited) which is mainly engaged in manufacturing and trading of high quality concrete. Mr. Han graduated from 北方工業大學 (North China University of Technology) with major in civil engineering project management. In 1995, Mr. Han participated in the 貫標學習班 (tender training class) which specialized in ISO9002 system studies relating to quality assurance and management in production, installation and servicing. From 2000 to 2001, he went to 清華大學 (Tsinghua University) to continue his studies in business administration. He is now participating in the program of “New Leaders for Enterprises in China” jointly organized by Enterprises Research Department of the State Council and Stanford University.

The Investor and its ultimate beneficial owner are not connected persons (as defined in the Listing Rules) of the Company and are not connected with any of the directors, chief executive and substantial shareholders of the Company or any of the subsidiaries of the Company or their respective associates.

The diagram below illustrates the shareholding structure of Best Champion Holdings Limited:



Pursuant to a loan agreement dated 20 May 2008 and entered into between Access Lead Limited (“Access Lead”) as the lender and Merit Faith International Limited (“Merit Faith”), the immediate holding company of the Investor, as the borrower, Access Lead agreed to lend to Merit Faith a loan for the amount of HK\$130 million (the “Loan”). Access Lead is owned as to 55% by Mr. Tai Kai Hing (“Mr. Tai”), an executive Director, as to 25% by the brother of Mr. Tai and as to 20% by the sister of Mr. Tai. The Loan is repayable on demand and bears interest at the rate of 12% per annum. The Loan is secured by a charge over the entire issued share capital of Merit Faith and the Investor.

LETTER FROM THE INVESTOR

FUTURE INTENTION OF THE INVESTOR

Business of the Group

The Group is primarily engaged in the manufacturing and distribution of pharmaceutical products and health supplements in the PRC. In order to enable the Group to have sufficient funds in revitalizing its existing business and developing the aforesaid new businesses, the Investor entered into the Subscription Agreement with the Company and procured the subscription of ADM Subscription Shares by ADM. The Investor and ADM consider the Subscription and the ADM Subscription respectively as one of their investments giving rise to opportunities to explore the pharmaceutical and health care industry.

As disclosed in the Company's 2007 annual report, in August 2007, the Group entered into an exclusive distribution agreement with LaoLaiShou, under which the parties agreed that, upon the resumption of the trading of shares of the Company, Telier will be responsible for the exclusive distribution of all over-the-counter pharmaceutical and healthcare products of LaoLaiShou. In addition, Telier will also become the sole licensee for operating "LaoLaiShou Health Clubs" in the PRC.

The Investor intends to utilize the sales network of Telier and LaoLaiShou to enhance the sales and distribution of the Company's products. The Group also intends to acquire a production plant, revitalize the production lines of Desheng Anqing and set up new health clubs for business expansion purposes after the successful resumption of the trading of shares of the Company. It is the intention of the Investor to continue the employment of the employees of the Group.

The Investor will also cause the Company to explore business opportunities in the pharmaceutical, health care and health products sectors. In May 2008, the Group was appointed as the sales agent for some healthcare products and gene testing services and such businesses will enhance the business prospect of the Group. A new company namely Main Wealth Limited was formed to carry out the aforesaid business.

Save as disclosed above, the Investor has no intention to introduce any major change to the business of the Group.

Directors and senior management

The existing Board consists of one executive Director, namely Mr. Tai Kai Hing, and two independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor and Mr. Chung Wai Man. The Board intends to propose at the EGM to appoint one new executive Director and one new independent non-executive Director. The Board will also appoint a qualified accountant and a company secretary in accordance with the Listing Rules and recruit a high caliber top management team to manage the ongoing businesses for the Group, further announcement(s) of such appointment will be made by the Company.

Particulars of the proposed new Directors and senior management are set out below:

LETTER FROM THE INVESTOR

Executive Director

Choi Suk Ching, aged 35, has good experience in corporate operations and management, with skills specializing in the area of public relations and media management. Ms. Choi worked for over 10 years in public relationship and media management in several international corporations (such as Dentsu, Young & Rubicomb, Ogilvy & Mather, AC Nielsen, Turner International Asia Pacific Ltd.) during which Ms. Choi facilitated press conferences, public announcements, interviews with reporters, market researches and corporate image enhancement campaigns.

Ms. Choi has not held any directorship in any other listed companies in the last three years. It is proposed that Ms. Choi will be entitled to a fixed sum of HK\$30,000 for each month as ordinary remuneration in respect of her capacity as a member of the Board. Ms. Choi is the wife of Mr. Tai Kai Hing, another executive director of the Company. Apart from the directorship in the Company and being the spouse of Mr. Tai Kai Hing, she does not have any personal relationship with any other directors, senior management or any substantial or controlling shareholder of the Company.

As at the date of this circular, Ms. Choi is not interested in any share of the Company.

There is no other information relating to Ms. Choi that is required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules, and there are no other matters that need to be brought to the attention of holders of securities of the Company.

Independent non-executive Director

Dr. Leung Wai Cheung, aged 43, is currently the chief financial officer of FlexSystem Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and an independent non-executive director of Wing Hing International (Holdings) Limited, Mobicon Group Limited, Sino Prosper Holdings Ltd and China Metal Resources Holdings Limited which are companies listed on the main board of the Stock Exchange. Dr. Leung is a qualified accountant and a chartered secretary with over 20 years of experience in accounting, auditing and financial management. He graduated from Curtin University of Technology, in Perth of Australia with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration, Master of Professional Accounting from the Hong Kong Polytechnic University, Doctor of Philosophy degree in Management from the Empressial University of Costa Rica and Doctor of Education in education management from Bulacan State University of Philippines. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE) and Hong Kong University (SPACE). Dr. Leung is also a professor with the European University.

Dr. Leung has not held any directorship in any other listed companies in the last three years. It is proposed that Dr. Leung will be entitled to a fixed sum of HK\$15,000 for each month as ordinary remuneration in respect of his capacity as a member of the Board. Apart from the directorship in the Company, Dr. Leung does not have any personal relationship with any other directors, senior management or any substantial or controlling shareholder of the Company.

LETTER FROM THE INVESTOR

As at the date of this circular, Dr. Leung is not interested in any share of the Company.

There is no other information relating to Dr. Leung that is required to be disclosed pursuant to Rule 13.51 (2) of the Listing Rules, and there are no other matters that need to be brought to the attention of the holders of securities of the Company.

Senior Management

Dong Qi, aged 34, graduated from 山東中醫藥大學 (Shandong University of Traditional Chinese Medicine), and holds the qualification of a pharmacist. During 1999 to 2002, he studied computer science at 山東大學 (Shandong University). Currently, he is studying a Master of Business Administration (MBA) course at 山東大學管理學院 (Management School of Shandong University). Mr. Dong has approximately 10 years of working experience in the pharmaceutical industry. He has worked in senior management position of 濟南宏濟堂制藥有限公司 (Jinan Hongjitang Pharmaceutical Company Limited) and 山東潤華藥業有限公司 (Shandong Runhua Pharmaceutical Company Limited). Currently, he is working with 濟南奧斯生物技術有限公司 (Jinan Aosi Biotech Company Limited), in charge of its research and development department.

Dr. Dong Hui, aged 46. Dr. Dong holds a master degree in Pharmacy of The Henan University of Traditional Chinese Medicine and a doctor degree in philosophy of China Pharmaceutical University and Toyama Medical and Pharmaceutical University. Dr. Dong has over 18 years of experience in research and development, quality control, production management and market development in traditional Chinese medicines and natural product medicines.

Lau Chung Kei, aged 39. Mr. Lau is a Chartered Financial Analyst and has extensive experience in corporate operations and management. Mr. Lau worked with several international financial institutions and worked as a director or consultant for companies in various industries include manufacturing, pharmaceutical and retailing in Mainland China and Hong Kong.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is the intention of the Investor to maintain the listing status of the Company on the Stock Exchange upon Completion. Accordingly, the Investor will arrange for a private placement for no less than 726,221,131 New Shares to be effective immediately after Completion to ensure that the Public Float of the Company will be restored to no less than 25% upon Completion to meet the requirements under Rule 8.08 of the Listing Rules before the shares of the Company are resumed trading.

WHITEWASH WAIVER

Immediately upon the completion of the Subscription and ADM Subscription, the Investor and its Concert Parties (including ADM) will be interested in 5,287,756,714 New Shares, which represent:

- (a) approximately 96.05% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and

LETTER FROM THE INVESTOR

- (b) approximately 86.94% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

Pursuant to the Rule 26 of the Takeovers Code, the Investor and its Concert Parties (including ADM) would trigger an obligation to make a mandatory general offer. Accordingly, the Investor and its Concert Parties (including ADM) have made an application to the Executive for a Whitewash Waiver, and the Executive has indicated he will grant the Whitewash Waiver, subject to approval by the Independent Shareholders by way of poll at the EGM.

If this condition precedent is not satisfied, the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement and the ADM Subscription Agreement will lapse and will not be implemented. Upon Completion, the aggregate shareholding of the Investor and its Concert Parties will exceed 50% of the issued share capital of the Company as enlarged by the Subscription Shares and the ADM Subscription Shares to be issued to the Investor and ADM. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders by way of poll at the EGM, the Investor may acquire further voting rights in the Company without triggering a general offer obligation under Rule 26 of the Takeover Code.

The Investor and its Concert Parties confirm that they have not dealt in the securities of the Company during the Relevant Period. They have also undertaken not to deal in the securities of the Company before Completion.

Save for the Option Deed, there is no agreement, arrangement or understanding for the transfer, charge or pledge of the Subscription Shares and the ADM Subscription Shares.

GENERAL INFORMATION

Your attention is drawn to the sections headed “Letter from the Independent Board Committee” and “Letter from Somerley Limited” and the additional information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Best Champion Holdings Limited
Wong Chau Fan
Director

LETTER FROM SOMERLEY LIMITED

The following is the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

28 May 2008

To: the Independent Board Committee and
the Independent Shareholders of
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)

Dear Sirs,

**RESTRUCTURING OF FAR EAST PHARMACEUTICAL TECHNOLOGY
COMPANY LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
INVOLVING, INTER ALIA, PROPOSED CAPITAL RESTRUCTURING,
CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE
WITH SECTION 166 OF THE COMPANIES ORDINANCE,
SUBSCRIPTION OF SUBSCRIPTION SHARES AND
ADM SUBSCRIPTION SHARES,
PLACING OF PLACING SHARES
AND WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Proposal and the Whitewash Waiver. Details of the Restructuring Proposal and the Whitewash Waiver are set out in the Letter from the Board and the Provisional Liquidators contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 28 May 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Provisional Liquidators propose that the Company undergoes the Capital Restructuring which will involve, inter alia, the Capital Reduction, the Capital Cancellation, the Share Consolidation and the Authorised Share Capital Increase. Pursuant to the Capital Restructuring, the par value of the Shares will be reduced from HK\$0.025 to HK\$0.001 per Share which will then be consolidated as to 10 such Shares into 1 New Share with a par value of HK\$0.01 per New Share. The Provisional Liquidators also propose at the EGM to approve the cancellation of the Share Options and a change of the board lot from 4,000 Shares to 20,000 New Shares.

LETTER FROM SOMERLEY LIMITED

On 28 December 2007, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Agreement (as supplemented by the Restructuring Supplemental Agreement dated 14 March 2008) which involves, amongst others, the Subscription, the ADM Subscription, the Placing and the Scheme.

Under the Restructuring Agreement, the Investor has agreed to, in addition to subscribing for the Subscription Shares, procure ADM to subscribe for and the Placing Agent to place, and the Company has agreed to issue and allot, the ADM Subscription Shares and the Placing Shares at a total consideration of approximately HK\$60.0 million and approximately HK\$30.0 million respectively.

Pursuant to the Restructuring Agreement, the Company, the Provisional Liquidators and the Investor agreed to implement the Scheme. The Scheme contemplates transferring the Scheme Companies to a nominee of the Scheme Administrators, and a sum of HK\$25.0 million to be made available out of the proceeds of the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares to the Scheme Administrators, together with any other proceeds from the disposal of the Scheme Assets, to settle the relevant costs and for the distribution to the Creditors. The Scheme was duly approved at the Scheme Meeting held on 22 February 2008 by the Creditors and was sanctioned by the Hong Kong Court on 8 April 2008. On Completion, the Scheme will take binding effect on the Company and the Creditors and will discharge in full all the indebtedness of the Company owe to the Creditors. Any liability of the Restructured Group (except for the liability of the Company) will remain uncompromised.

Immediately upon the completion of the Subscription and the ADM Subscription, the Investor and its Concert Parties (including ADM) will be interested in 5,287,756,714 New Shares, representing approximately 96.05% of the issued share capital of the Company as enlarged by the Subscription Shares and the ADM Subscription Shares. Accordingly, the Investor and its Concert Parties (including ADM) have made an application to the Executive under the Takeovers Code for a Whitewash Waiver waiving their obligations to make a mandatory general offer for all the Shares other than those already owned or agreed to be acquired by the Investor and its Concert Parties (including ADM). As set out in the Letter from the Board and the Provisional Liquidators, the Executive has indicated he will grant the Whitewash Waiver, subject to the approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor and Mr. Chung Wai Man, has been established to advise the Independent Shareholders regarding the terms of the Restructuring Proposal and the Whitewash Waiver. We, Somerley Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As set out in the letter from the Board and the Provisional Liquidators, no Shareholders have material interests in the contemplated transactions and nobody is required to abstain from voting on the resolutions approving the Capital Restructuring, the issue of the Subscription Shares and the ADM Subscription Shares, the Whitewash Waiver, and the issue of the Placing Shares at the EGM.

LETTER FROM SOMERLEY LIMITED

Somerley Limited is not associated with the Company or the Investor, or their respective substantial Shareholders, or any party acting (including ADM), or presumed to be acting, in concert with any of them respectively and, accordingly, is considered eligible to give independent advice on the Restructuring Proposal and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Investor, or their substantial Shareholders or any party acting in concert (including ADM), or presumed to be acting in concert with any of them.

In formulating our opinion, we have reviewed, among other things, the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement, the scheme documents in relation to the Scheme dated 28 January 2008 (the “**Scheme Documents**”), the annual results announcements of the Company for each of the four years ended 30 June 2006, the annual report of the Company for the year ended 30 June 2007 (the “**2007 Annual Report**”), the interim report of the Company for the six months ended 31 December 2007 (the “**2008 Interim Report**”) and the unaudited proforma statement of assets and liabilities of the Restructured Group as set out in Appendix III of this Circular.

We have also relied on the information and facts supplied, and the opinions expressed, by the Provisional Liquidators and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the Provisional Liquidators that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. The Group’s background

The Group is principally engaged in manufacturing and distribution of pharmaceutical products and health supplements in the PRC.

Trading in the Shares has been suspended since 17 June 2004 at the direction of the Stock Exchange due to the abnormal price fluctuation and trading volume transacted during that day and the authorised representatives of the Company could not be contacted for clarification of unusual movement of price and trading volume of the Shares on 17 June 2004.

LETTER FROM SOMERLEY LIMITED

On 25 August 2004, the Company announced that an event of default has occurred in respect of a US\$80.0 million (representing approximately HK\$624 million) facilities arrangement provided by 13 banks to the Company pursuant to an agreement dated 10 May 2004 (the “**Syndicated Bank Loan**”) as trading in the Shares was suspended by the Stock Exchange and such suspension has been continued for more than 20 consecutive trading days.

On 9 September 2004, the lending banks of the Syndicated Bank Loan (the “**Lending Banks**”) demanded immediate repayment of the outstanding principal and unpaid interest in relation to the Syndicated Bank Loan, totalling approximately US\$57.8 million (representing approximately HK\$451 million) and the Company had not paid such sum to the Lending Banks.

On 15 September 2004, Standard Chartered Bank, being one of the Lending Banks, issued a petition to wind-up the Company (the “**Winding-up Petition**”) and a summons for an application to appoint provisional liquidators to the Company.

On 17 March 2005, the Company announced, amongst others, that (i) Messrs. Lai Kar Yan Derek and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company by the Hong Kong Court on 22 September 2004; and (ii) the hearing of the Winding-up Petition on 25 October 2004 was adjourned to 28 February 2005. The hearing of the Winding-up Petition was further adjourned in various occasions. On 23 May 2008, the Company announced that the hearing of the Winding-up Petition was further adjourned to 16 September 2008.

On 17 October 2005, the Stock Exchange issued an announcement that the Company was put into the third stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules.

On 28 December 2007 and 14 March 2008 respectively, the Company, the Provisional Liquidators and the Investor entered into the Restructuring Agreement and the Restructuring Supplemental Agreement which include the implementation of, amongst others, the Subscription, the ADM Subscription, the Placing and the Scheme.

On 19 March 2008, the Company announced that after considering the Resumption Proposal, the Listing Appeals Committee issued the Decision Letter on 10 October 2007. The Decision Letter sets out the conditions upon which the Listing Appeals Committee has decided to allow the Company to proceed with the Resumption Proposal, which shall have to be complied with to the satisfaction of the Listing Division within six months from the date of the Decision Letter, i.e. 9 April 2008, such deadline was then postponed to 31 July 2008 as announced in an announcement of the Company dated 9 April 2008.

On 8 April 2008, the Company published its final results for each of the four years ended 30 June 2004, 2005, 2006 and 2007 (together, the “**Final Results**”). The auditors of the Company disclaimed their opinion on the Final Results due to (i) the scope limitations in respect of various matters; and (ii) the fundamental uncertainty relating to appropriateness of the going concern basis.

LETTER FROM SOMERLEY LIMITED

Set out below are the audited financial information of the Group for the five years ended/as at 30 June 2003, 2004, 2005, 2006 and 2007 and unaudited financial information of the Group for the six months ended/as at 31 December 2007.

	30 June					31 December
	2003	2004	2005	2006	2007	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(restated)					
Turnover	992,961	29,092	29,061	32,028	83,111	162,663
Gross profit	371,553	2,557	3,443	4,207	3,960	3,173
Profit/(loss) before tax	235,509	(1,456,614)	(40,997)	(52,953)	(64,131)	(21,692)
Profit/(loss) attributable to equity holders	<u>175,040</u>	<u>(1,452,845)</u>	<u>(40,997)</u>	<u>(52,953)</u>	<u>(64,150)</u>	<u>(21,740)</u>
Total assets	1,295,429	192,642	48,377	47,843	45,554	45,251
Total liabilities	<u>(407,994)</u>	<u>(753,913)</u>	<u>(650,300)</u>	<u>(702,362)</u>	<u>(763,857)</u>	<u>(785,346)</u>
Total equity/(deficit)	<u>887,435</u>	<u>(561,271)</u>	<u>(601,923)</u>	<u>(654,519)</u>	<u>(718,303)</u>	<u>(740,095)</u>

For the year ended 30 June 2004, the turnover of the Group has been decreased from approximately HK\$993.0 million to approximately HK\$29.1 million, representing a decrease of approximately HK\$963.9 million or approximately 97.1%. Per discussion with the Provisional Liquidators, this significant decrease was mainly attributable to the deconsolidation of certain subsidiaries. The Directors considered that the control over certain subsidiaries has been lost since 1 July 2003 as Mr. Cai, who is the legal representative of those subsidiaries, was out of contact and the Provisional Liquidators are unable to obtain the approval from the PRC government to change the legal representative and gain control over those subsidiaries. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group since then. As a result, a huge loss attributable to equity holders of approximately HK\$1,452.8 million was recorded in the year ended 30 June 2004.

In addition to the deconsolidation of assets and liabilities of these subsidiaries from the financial statements of the Group, the increase of liabilities in the financial year ended 30 June 2004 was also due to the increase in bank loans of approximately HK\$342.1 million, including the Syndicated Bank Loan, which has been demanded immediate payment by the Lending Banks in September 2004.

For the three years ended 30 June 2004, 2005 and 2006, the turnovers and the gross profits were ranged from approximately HK\$29.1 million to approximately HK\$32.0 million and approximately HK\$2.5 million to approximately HK\$4.2 million respectively. The turnover and gross profit were mainly contributed by the manufacturing and sales of pharmaceutical products by Desheng Anqing.

LETTER FROM SOMERLEY LIMITED

For the year ended 30 June 2005, the drop in total assets was due to the decrease in cash balance of approximately HK\$142.3 million, which was mainly used for settling part of the bank loans of the Group.

For the year ended 30 June 2007, the turnover has been increased to approximately HK\$83.1 million, representing a 159.7% increase compared with that of last year. Approximately 63.8% of the total turnover of the Group for the year was attributable to Telier, a co-operative joint venture incorporated in the PRC in April 2007 to distribute pharmaceutical and health care products. The balance was mainly contributed by sales of pharmaceutical products by Desheng Anqing.

The Group has leveraged on the domestic sales and distribution network of Telier Marketing and Planning Company Limited (“**Telier Marketing and Planning**”), the co-operative joint venture partner of the Company, for distribution of the pharmaceutical and health care products procured by the Group. The Group’s turnover for the six months ended 31 December 2007 further increased to approximately HK\$162.7 million due to the contribution by Telier.

In view of the fact that (i) the third stage of the delisting procedures under Practice Note 17 of the Listing Rules imposed on the Company has expired on 16 April 2006; (ii) the Provisional Liquidators believe that it is unlikely that there would be another viable alternative restructuring proposal available to the Group; and (iii) the Group did not have and the Provisional Liquidators did not foresee the Group would have sufficient working capital to maintain its business and repay its indebtedness with its internal resources, if the Restructuring Proposal is not successfully implemented, it is highly likely that the Company would be wound up. Further, based on the continuous loss-making and net liabilities financial position of the Group, it is unlikely that the Group can achieve a recovery solely through its internal resources and existing business operations, nor there would be any net proceed from winding up the Company to be made available to the Shareholders for distribution.

LETTER FROM SOMERLEY LIMITED

As reported in the 2007 Annual Report, approximately 63.8% of the total turnover of the Group for the financial year ended 30 June 2007 was contributed by the trading business carried out by Telier (it has only commenced its business since April 2007), while approximately 36.2% contributed by the manufacturing and sales of pharmaceutical products of Desheng Anqing.

In August 2007, Telier and LaoLaiShou have entered into (i) an exclusive distribution agreement (the “**Exclusive Distribution Agreement**”) pursuant to which Telier will be the sole agent having the exclusive right in distributing all over-the-counter pharmaceutical and healthcare products of LaoLaiShou in the PRC, and (ii) a trademark license agreement (the “**Trademark Agreement**”), pursuant to which, Telier will become the sole licensee for operating “LaoLaiShou Health Club”. Both the Exclusive Distribution Agreement and the Trademark Agreement will last for 5 years from the date of resumption of trading in the Shares on the Stock Exchange and are, subject to negotiation, renewable for 5 years.

Under the terms of the Exclusive Distribution Agreement, (i) Telier will become the sole agent to distribute products of LaoLaiShou in the PRC; (ii) Telier will guarantee the annual sale volume of the products of LaoLaiShou of no less than RMB40.0 million (equivalent to approximately HK\$44.0 million) for the first fiscal year with 20.0% increment per year afterwards; and (iii) Telier is required to pay 35.0% of Telier’s turnover in relation to the sale of the products of LaoLaiShou by Telier as the sole distribution and license fee plus RMB0.2 million (equivalent to approximately HK\$0.2 million) per month as the local distribution fee. Pursuant to the Trademark Agreement, Telier is entitled to (i) use the trademark of “LaoLaiShou” for marketing purpose; (ii) open its own “LaoLaiShou Health Club”; and (iii) license any other parties to operate “LaoLaiShou Health Club”.

As set out in the Letter from the Board and the Provisional Liquidators, in May 2008, the Group was appointed as the sales agent for some healthcare products and gene testing services.

In addition to the existing business operations of the Company, as per discussion with the Provisional Liquidators, the Company will expand its business to cover the distribution of the products of LaoLaiShou upon the resumption of the trading in the Shares on the Stock Exchange which is beneficial to the Company given that (i) the products of LaoLaiShou are enjoying higher profit margin as those products are classified as “health foods” which are currently not subject to price control by the PRC Government; (ii) Telier will become the sole distributor of “LaoLaiShou” branded products, which are popular in the PRC health food market; (iii) LaoLaiShou has a full team of research and development team to develop new products which the Group has rights of first refusal to distribute on an exclusive basis; and (iv) the Group can utilise the current business network of LaoLaiShou, including distributing both “LaoLaiShou” branded products and other products through the expanded “LaoLaiShou Health Club” network.

As set out in the Letter from the Board and the Provisional Liquidators, following the Completion, the Investor intends to continue the existing principal businesses of the Group, which will consist of the Restructured Companies. The Investor intends to utilize the sales network of Telier and LaoLaiShou to enhance the sales and distribution of the Company’s products. The Group also intends to acquire a production plant, revitalize the production lines of Desheng Anqing and set up new health clubs for business expansion purposes after the successful resumption of trading in the Shares. Apart from the above, the Investor has no intention to dispose of any existing assets of the Company as at the Latest Practicable Date. As set out in the Letter from the Investor, the Investor will also cause the Company to explore business opportunities in the pharmaceutical, health care and health products sectors.

LETTER FROM SOMERLEY LIMITED

In addition, as set out in the Letter from the Investor, the Board intends to propose at the EGM to appoint one new executive Director and one new independent non-executive Director. The Board will also appoint a qualified accountant and company secretary in accordance with the Listing Rules and recruit a high caliber top management team to manage the ongoing businesses for the Group. Details of the proposed Directors and senior management are set out in the Letter from the Investor.

For further details of the information of the Investor and the future intention of the Investor, please refer to the “Letter from the Investor” in this Circular.

3. The Restructuring Proposal

The Restructuring Proposal comprises of, amongst others, the Capital Restructuring, the Subscription, the ADM Subscription, the Placing and the Scheme. As set out in the Scheme Documents, the Provisional Liquidators received a total of three written proposals from potential investors, but two of them were subsequently withdrawn, leaving the Restructuring Proposal provided by the Investor the only restructuring proposal available to the Company.

(i) the Capital Restructuring

The Capital Restructuring comprises, amongst others, the Capital Reduction, the Capital Cancellation, the Share Consolidation, the Authorised Share Capital Increase and the cancellation of the Share Options.

(a) Capital Reduction

The par value of every Share will be reduced from HK\$0.025 to HK\$0.001 and the credit generated from the Capital Reduction of the issued share capital of approximately HK\$52.2 million will be applied in a manner as permitted by the laws of the Cayman Islands, including but not limited to, the setting off part of the unaudited accumulated losses of the Company of approximately HK\$1,185.2 million as at 31 December 2007.

(b) Capital Cancellation

The existing un-issued share capital of the Company of HK\$45,606,440.0 will, after the Capital Reduction, be cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to HK\$2,175,742.4.

(c) Share Consolidation

Immediately upon the Capital Reduction and the Capital Cancellation becoming effective, every 10 Shares of HK\$0.001 each will be consolidated into one New Share of HK\$0.01 each.

LETTER FROM SOMERLEY LIMITED

(d) Authorised Share Capital Increase

Immediately upon the Capital Reduction, the Capital Cancellation and Share Consolidation becoming effective, the Company's authorised share capital will be increased from HK\$2,175,742.4 to HK\$100,000,000.0 by the creation of 9,782,425,760 New Shares of HK\$0.01 each.

(e) Cancellation of the Share Options

The total outstanding 68,000,000 Share Options, which are currently held by Mr. Cai and Mr. Cai Cong Yi, are proposed to be cancelled formally. As at the Latest Practicable Date, such Share Options were lapsed.

Set out below is the effect of the Capital Restructuring on the share capital of the Company:

	Immediately before the Capital Restructuring	Immediately after the Capital Restructuring
Par value	HK\$0.025	HK\$0.010
Authorised share capital	HK\$100,000,000.0 divided into 4,000,000,000 Shares	HK\$100,000,000.0 divided into 10,000,000,000 New Shares
Issued and paid-up share capital	HK\$54,393,560.0 divided into 2,175,742,400 Shares	HK\$2,175,742.4 divided into 217,574,240 New Shares

As set out in the Letter from the Board and the Provisional Liquidators, in order to alleviate the difficulties arising from the existence of odd lots of the New Shares as a result of the Capital Restructuring and change in board lot size, the Company has agreed to procure Phillip Securities (HK) Limited to stand in the market to provide matching services for the odd lots of the New Shares on a best effort basis.

We have discussed with the Provisional Liquidators and noted that the principal purpose of the Capital Reorganisation is to reorganise the capital base of the Company so as to facilitate the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares to enable the Group to use the proceeds to discharge its indebtedness under the Scheme and revitalise its existing operation and develop new business. The Capital Reorganisation will also provide the Company with greater flexibility in issuing New Shares in the future. Accordingly, we are of the view that the reasons for and the arrangements under the Capital Restructuring are fair and reasonable.

LETTER FROM SOMERLEY LIMITED

(ii) *the Subscription, the ADM Subscription and the Placing*

(a) the Subscription

The Investor has agreed to subscribe for and the Company has agreed to issue and allot 4,133,910,560 New Shares at a subscription price of HK\$0.0145 per New Share, raising approximately HK\$59.9 million. The total of 4,133,910,560 New Shares to be subscribed represents:

- approximately 190.00% of the existing share capital of the Company;
- approximately 95.00% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares; and
- approximately 67.97% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

The Subscription Price of HK\$0.0145 per New Share represents:

- a premium of approximately 45.00% over the par value of the New Share of HK\$0.01;
- a discount of approximately 97.87% to the theoretical closing price of HK\$0.68 per New Share based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day as adjusted for the effect of the Capital Restructuring; and
- a premium compared to the net deficit value of the Group per Share based on the Group's unaudited consolidated net liabilities of approximately HK\$740.1 million as at 31 December 2007.

It is noted that the Subscription Price is substantially lower than the subscription price for ADM (the "**ADM Subscription Price**") and the Placing Price, both of HK\$0.052. It is further noted that the Subscription Price represents a significant discount to the theoretical closing price of the New Shares.

As set out in the Letter from the Board and the Provisional Liquidators, the Subscription Price was arrived at after arm's length negotiations between the Provisional Liquidators and the Investor having regard to the fact that the Company has been appointed provisional liquidators and the Company was in the third stage of the delisting procedures, yet having considered prospects in the distribution network and production facilities owned by Telier and Desheng Anqing.

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We consider that the theoretical closing price of the New Shares should not be the primary factor in the evaluation of the reasonableness of the issue price of the Subscription Shares as trading in the Shares has been suspended since 17 June 2004 and there have been changes to the business operations and financial conditions of the Group since then.

Further, the Subscription Price of HK\$0.0145 per New Share represents a significant premium over the unaudited net liabilities of the Group of approximately HK\$740.1 million as at 31 December 2007.

It is also noted that since March 2006, the Investor has provided contacts of potential customers and potential suppliers to the Company to explore business opportunities. For the six-month ended 31 December 2007, approximately 91% of the turnover of the Group are derived from the customers referred by Telier Marketing and Planning to Telier introduced by the Investor. Further, the Investor has provided working capital to the Group, for the continuous operations of the Group since 29 March 2006 so that both Telier and Desheng Anqing can continue their respective business operation. As at 31 December 2007, such advance was amounted to approximately HK\$6 million. In other words, without the assistance of the Investor in providing business connections and working capital to the Group, the Group would not achieve a turnover of approximately HK\$162.7 million for the six months ended 31 December 2007, representing 4.6 times increase when compare with that for the year ended 30 June 2005 and would not have sufficient working capital to set up Telier, which is currently the major revenue generator of the Group. Accordingly, we are of the view that the Subscription Price, which is lower than that of the ADM Subscription Price and the Placing Price, is commercially acceptable.

On the basis that (i) the theoretical closing price of the New Shares should not be the primary factor in the evaluation of the reasonableness of the issue price of the Subscription Shares as trading in the Shares has been suspended since 17 June 2004 and there have been changes to the business operations and financial conditions of the Group since then; (ii) the Subscription Price represents a significant premium over unaudited net liabilities of the Group as at 31 December 2007; (iii) the Investor has been providing contacts of potential customers and potential suppliers to the Company to explore business opportunities; and (iv) the Investor has provided working capital to the Group, we consider the Subscription Price to be fair and reasonable.

(b) the ADM Subscription and the Placing

Pursuant to the ADM Subscription Agreement, ADM shall subscribe for and the Company shall issue and allot the ADM Subscription Shares at the ADM Subscription Price of HK\$0.052. The total ADM Subscription Shares represent approximately 53.03% of the existing share capital of the Company and approximately 18.97% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares. The total consideration payable for the ADM Subscription Shares shall be HK\$60.0 million. As one of the conditions precedent to the ADM Subscription Agreement, the Investor has entered into the Option Deed containing provisions satisfactory to ADM. Details of the Option Deed are set out in the sub-section headed "ADM Subscription Agreement – The Escrow Agreement and the Option Deed" in the Letter from the Board and the Provisional Liquidators.

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Pursuant to the Placing Agreement, the Placing Agent shall place the Placing Shares at the Placing Price of HK\$0.052 per New Share to investors who are not connected persons to the Company and who are independent of and not acting in concert with the Investor, ADM or their respective ultimate beneficial owners. The Placing Shares will represent approximately 9.49% of the share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares. The total consideration payable for the Placing Shares shall be approximately HK\$30.0 million.

The ADM Subscription Price and the Placing Price of HK\$0.052 per New Share represents:

- a premium of 4.2 times over the par value of the New Share of HK\$0.01;
- a discount of approximately 92.35% to the theoretical closing price of HK\$0.68 per New Share based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day as adjusted for the effect of the Capital Restructuring; and
- a premium compared to the net deficit value of the Group per Share based on the Group's unaudited consolidated net liabilities of approximately HK\$740.1 million as at 31 December 2007.

The Subscription Price, the ADM Subscription Price and the Placing Price represent significant discounts to the theoretical closing price of the New Shares on the Last Trading Day.

On the basis that (i) the theoretical closing price of the New Shares on the Last Trading Day should not be the primary factor in the evaluation of the issue price of the Subscription Shares as trading in the Shares has been suspended since 17 June 2004 and there have been changes to the business operations and financial conditions of the Restructured Group since then; and (ii) as set out in the unaudited proforma statement of assets and liabilities of the Restructured Group (details of which are set out in Appendix III of this circular), the net assets value of the Group would be approximately HK\$128.0 million, representing approximately HK\$0.0210 per New Share, which is 59.6% lower than each of the ADM Subscription Price and the Placing Price, we are of the view that each of the ADM Subscription Price and the Placing Price are fair and reasonable.

After reviewing the Option Deed and discussing with the Provisional Liquidators, we understand that (i) the entering into of the Option Deed is a private arrangement between the Investor and ADM; (ii) entering into of the Option Deed is one of the conditions precedent of the ADM Subscription Agreement which forms part of the Restructuring Agreement; and (iii) the terms of the Option Deed will not increase or decrease the number of the Shares/New Shares outstanding nor have any material impact on the business and financial position of the Group.

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The total proceeds of approximately HK\$150.0 million (respectively approximately HK\$60.0 million each from the Subscription and the ADM Subscription and approximately HK\$30.0 million from the Placing), HK\$25.0 million of which will be provided to the Scheme Administrators for the Scheme to settle the Creditors. The remaining balance of approximately HK\$125.0 million will be applied towards supporting the existing and future business activities of the Group, and for general working capital of the Group.

Given the continuous loss-making and net liabilities financial situation of the Group and the willingness of the Investor to restructure the pharmaceutical business of the Group, the Provisional Liquidators consider that it is in the best interests of the Company and its Shareholders as a whole to raise funds by means of the issue of the New Shares to the Investor, ADM and the public investors. The Subscription, the ADM Subscription and the Placing will enable the Group to bring in new investors, to strengthen the financial position of the Group and to discharge the indebtedness of the Group. It also will provide the Group with new funds, products and distribution network to enhance its business operations.

We have also discussed with the Provisional Liquidators with respect to alternative means of fund-raising exercise, however, we are of the opinion that any fund-raising exercise by means of debt instruments would not be feasible given the current net liabilities position of the Group. While rights issue or open offer is technically viable, they might not be well received by existing Shareholders given that the trading of the Shares is still in suspension. Having considered the above, we are of the view that the reasons for entering into and the terms of each of the Subscription Agreement, the ADM Subscription Agreement and the Placing Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

(iii) the Scheme

The Scheme contemplates transferring the Scheme Companies to a nominee of the Scheme Administrators with the Restructured Companies remaining in the Group, and a sum of HK\$25.0 million out of the proceeds from the issue and allotment by the Company of the Subscription Shares, the ADM Subscription Shares and the Placing Shares to be made available 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 owe to the Creditors.

The Scheme was duly approved at the Scheme Meeting held on 22 February 2008 by the Creditors and was sanctioned by the Hong Kong Court on 8 April 2008. On Completion, the Scheme will take binding effect on the Company and the Creditors and will discharge in full all the indebtedness of the Company owe to the Creditors. Any liability of the Restructured Group (except for the liability of the Company) will remain uncompromised.

As set out in the Letter from the Board and the Provisional Liquidators, as the Scheme Companies are either dormant or have ceased operations, the Scheme Administrators consider the realization of the Scheme Assets is uncertain and is likely to be minimal, and the removal of the Scheme Companies from the Group will not have any material impact on the continuing operations of the Group after Completion.

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As set out in the unaudited proforma statement of assets and liabilities of the Restructured Group (details of which is set out in Appendix III of this circular), based on the estimated total indebtedness of the Company owe to the Creditors of HK\$621.3 million and the use of part of the proceeds from the issue and allotment by the Company of the Subscription Shares, the ADM Subscription Shares and the Placing Shares of HK\$25.0 million to be made available to the Scheme Administrators, the Group would recognise a gain from the Scheme of approximately HK\$596.3 million.

On the basis that upon completion of the Scheme (i) all indebtedness of the Company owe to the Creditors will be discharged in full; (ii) Scheme Assets mainly comprise of companies which are either dormant or have ceased operations; and (iii) the Group would recognise a gain from the Scheme of approximately HK\$596.3 million according to the unaudited proforma statement of assets and liabilities of the Restructured Group, we are of the view that the terms of the Scheme are fair and reasonable and are in the interest of the Company and the Independent Shareholders as a whole.

4. Effects of the Restructuring Proposal

(i) *Net assets*

As set out in the 2008 Interim Report, the unaudited consolidated net liabilities of the Group as at 31 December 2007 amounted to approximately HK\$740.1 million. As set out in the unaudited proforma statement of assets and liabilities of the Restructured Group (details of which are set out in Appendix III of this circular), the net assets value of the Group would be approximately HK\$128.0 million, representing approximately HK\$0.021 per New Share. Such significant improvement in the net assets position of the Group, on a proforma basis, is beneficial to the Company and the Shareholders as a whole.

(ii) *Indebtedness*

As set out in the 2008 Interim Report, the unaudited total indebtedness of the Group was approximately HK\$785.3 million as at 31 December 2007. Upon Completion, all of the indebtedness of the Company owe to the Creditors will be compromised and discharged by the Creditors pursuant to the Scheme and the Scheme Assets will be removed from the Group. Accordingly, following Completion, total indebtedness of the Group will be reduced to HK\$42.2 million based on the unaudited proforma statement of assets and liabilities of the Restructured Group as set out in Appendix III of this circular. Interest burden of the Group will be significantly reduced, which will have a positive impact on the Group's operating results. Further, the decrease in the indebtedness will allow the Restructured Group to raise funds by way of bank or other borrowings in the future, if necessary. Based on the above, we are of the view that such significant decrease in indebtedness is beneficial to the Company and the Shareholders as a whole.

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(iii) Working capital

The aggregate net proceeds from the Subscription, the ADM Subscription and the Placing of approximately HK\$150.0 million will be applied as to HK\$25.0 million to be provided to the Scheme Administrators for the Scheme to settle the Creditors, with the remaining balance of approximately HK\$125.0 million to be applied towards supporting the existing and future business activities of the Group and for general working capital of the Group. The working capital of the Group is therefore expected to be improved after the Completion.

(iv) Dilution effect on the Independent Shareholders

Set out below is a table summarising the shareholding structure of the Company as at the Latest Practicable Date and upon Completion:

	Shareholding structure as at the Latest Practicable Date		After completion of the Capital Restructuring, the Subscription, the ADM Subscription and the Placing		After completion of the Capital Restructuring, the Subscription, the ADM Subscription, the Placing and the Placing Down (Note 2)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Investor and its Concert Parties:						
The Investor	-	-	4,133,910,560	67.97	3,407,689,429	56.03
ADM	-	-	1,153,846,154	18.97	1,153,846,154	18.97
Subtotal:	-	-	5,287,756,714	86.94	4,561,535,583	75.00
Other Shareholders:						
Mr. Cai and Mr. Chen Ching Ken (Note 1)	883,400,000	40.60	88,340,000	1.45	88,340,000	1.45
Public Placees	-	-	576,923,077	9.49	1,303,144,208	21.43
Other existing public Shareholders	1,292,342,400	59.40	129,234,240	2.12	129,234,240	2.12
Total:	<u>2,175,742,400</u>	<u>100.00</u>	<u>6,082,254,031</u>	<u>100.00</u>	<u>6,082,254,031</u>	<u>100.00</u>

Note:

- 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 (BVI) Limited (formerly known as Ansbacher (BVI) Limited) in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include Mr. Cai and his spouse and the family member of Mr. Chen Ching Ken, the then Director. Accordingly, Mr. Chen Ching Ken, as founder of The C&C Trust, and Mr. Cai, as one of the discretionary objects of The C&C Trust, are 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.

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2. As public Shareholders (including Mr. Cai and Mr. Chen Ching Ken, public placees and other existing public Shareholders) will hold 794,497,317 New Shares, representing approximately 13.06% of the share capital of the Company after the Capital restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares, the Investor will arrange for private placement (the “**Placing Down**”) to be effected immediately after Completion to ensure that there will be a sufficient Public Float of the New Shares.

We note that following Completion, the Independent Shareholders’ shareholding interest in the Company will be diluted significantly from 59.40% to 2.12%.

However, having considered that:

- (i) trading in the Shares has been suspended since 17 June 2004 and it is expected that the New Shares can be resumed in trading following Completion;
- (ii) the Group had an unaudited consolidated net liabilities of HK\$740.1 million as at 31 December 2007, under which, in the absence of the Restructuring Proposal, the Company will not have the ability to repay its liabilities with its internal resources and might eventually be wound up. In such case, the Shareholders will be unlikely to receive any return from their investments in the Company. The implementation of the Restructuring Proposal is crucial for the Company and the Shareholders as a whole as it provides an opportunity to turnaround the Company and to allow the Shareholders to recover their investment costs; and
- (iii) following Completion, based on the unaudited proforma statement of assets and liabilities of the Restructured Group (details of which are set out in Appendix III of this Circular), the Group would have a net assets per New Share of approximately HK\$0.021 compared with net deficit position as at 31 December 2007. In other words, the Independent Shareholders will enjoy a higher net assets value per New Share upon Completion, although their respective share of the equity interest in the Company will be decreased,

we consider that the significant dilution of the Independent Shareholders’ shareholding interest in the Company as a result of the Subscription, ADM Subscription and the Placing is inevitable but acceptable.

5. Conditions Precedent

The proposed Capital Restructuring is conditional upon:

- (i) the passing of the necessary resolutions for: (a) the Capital Reduction; (b) the Capital Cancellation; (c) the Share Consolidation; (d) the Authorised Share Capital Increase; and (e) the cancellation of the Share Options by the Shareholders at the EGM;
- (ii) the compliance with any conditions as may be imposed by the Cayman Islands Court;

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- (iii) the confirmation of the Capital Reduction by the Cayman Islands Court;
- (iv) the filing with and registration with the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Islands Court confirming the Capital Reduction and a copy of the minutes approved by the Cayman Islands Court confirming the Capital Reduction; and
- (v) the Stock Exchange having granted the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Restructuring becoming effective.

Completion of the Restructuring Agreement is conditional upon:

- (i) all approvals, sanctions and filing of documents necessary for the purpose of making the Scheme effective having been obtained and done as the case may be;
- (ii) all of the necessary resolutions to effect the transactions contemplated therein having been passed by the Shareholders (and where required by the independent Shareholders) by way of poll by the required votes at the duly convened EGM and not having been revoked or vitiated;
- (iii) if required, the consent or approval of all other relevant government or regulatory authorities in relation to the Scheme, the Subscription, the ADM Subscription and the Placing having been obtained and not having been revoked;
- (iv) the granting of the Whitewash Waiver by the SFC conditional only on the approval by the Independent Shareholders approving the same by way of poll at the EGM and such Whitewash Waiver not having been revoked;
- (v) the approval by the Stock Exchange for the listing of and the permission to deal in the Shares, the Subscription Shares, the ADM Subscription Shares, the Placing Shares and the New Shares which may be required for the restoration of the Public Float having been obtained; and
- (vi) the removal and discharge of the appointment of the Provisional Liquidators by the Hong Kong Court.

Further, the Decision Letter sets out the conditions upon which the Listing Appeals Committee has decided to allow the Company to proceed with the Resumption Proposal, which shall have to be complied with to the satisfaction of the Listing Division. Details of the Decision Letter and the conditions set out therein and the status of fulfilling such conditions are stated in the section headed "The Decision Letter and Continued Suspension of Trading in Shares" in the Letter from the Board and the Provisional Liquidators.

LETTER FROM SOMERLEY LIMITED

Shareholders should note that the resumption of trading in the Shares will be subject to certain conditions, including but not limited to, the fulfillment of the conditions as set out in the Decision Letter dated 10 October 2007. Shareholders should be warned that these proposed transactions contain non-completion risk which is beyond the scope of our recommendation. Shareholders should exercise caution when dealing in the Shares.

6. The Whitewash Waiver

Immediately upon the completion of the Subscription and ADM Subscription, the Investor and its Concert Parties (including ADM) will be interested in 5,287,756,714 New Shares, which represent:

- (i) approximately 96.05% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares and the ADM Subscription Shares; and
- (ii) approximately 86.94% of the issued share capital of the Company after the Capital Restructuring as enlarged by the issue of the Subscription Shares, the ADM Subscription Shares and the Placing Shares.

Pursuant to Rule 26 of the Takeovers Code, the Investor and its Concert Parties (including ADM) would trigger an obligation to make a mandatory general offer. Accordingly, the Investor and its Concert Parties (including ADM) have made an application to the Executive under the Takeovers Code for a Whitewash Waiver to relieve them from their obligations to make a mandatory general offer for all the Shares other than those already owned or agreed to be acquired by the Investor and its Concert Parties (including ADM). As set out in the Letter from the Board and the Provisional Liquidators, the Executive has indicated he will grant the Whitewash Waiver, subject to the approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll.

Completion of the Restructuring Agreement is conditional on, among other things, the granting of the Whitewash Waiver by the Executive conditional only on the approval by the Independent Shareholders approving the same by way of poll at the EGM and such Whitewash Waiver not having been revoked. Accordingly, the Restructuring Proposal will not proceed if the Whitewash Waiver is not granted by the Executive and approved by the Independent Shareholders.

The successful implementation of the Restructuring Agreement will (i) alleviate the financial stress currently encountered by the Group; (ii) improve the Group's overall financial position and operating condition; and (iii) enhance the value of the Company. On the contrary, in the absence of the Restructuring Proposal, the Creditors will proceed with the liquidation and winding up of the Company, in which case, it is likely that there would be far less favourable return to the Shareholders, if any, as compared to the return available under the Restructuring Proposal. Therefore, we consider that the grant of the Whitewash Waiver, being an essential element of the Restructuring Proposal and a common feature in similar rescue proposals for companies which are in grave financial difficulties and revived as a result of injection of funds by new investors, is fair and reasonable.

LETTER FROM SOMERLEY LIMITED

DISCUSSION AND ANALYSIS

With regard to the Restructuring Proposal, we have considered the principal factors and reasons as summarised below:

1. the funds from the Subscription, the ADM Subscription and the Placing is critical to the operations of the Group's future business;
2. following completion of the Scheme all indebtedness of the Company owe to the Creditors will be discharged in full and the Group would recognise a gain from the Scheme of approximately HK\$596.3 million;
3. the improvement in financial position and working capital from a net liabilities position to a net assets position upon Completion;
4. the likelihood of winding up the Company if it fails to implement the Restructuring Proposal;
5. Shareholders will be unlikely to receive any return in the event of a winding up of the Company; and
6. amongst others, potential benefits to be realised from the Exclusive Distribution Agreement and the Trademark Agreement, both of which are conditional upon the resumption of trading in Shares and will help further strengthening the business of the Group.

Having considered the above reasons and factors, we consider that the entering into of the Restructuring Proposal is in the interest of the Company and the Independent Shareholders as a whole. Further, the overall terms of the Restructuring Proposal and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned.

RECOMMENDATION

Based on the reasons and factors above, and that there is no certainty that a replacement proposal could be identified and finalised in a timely manner in order to meet the stringent timeline as imposed under the Decision Letter, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions regarding the Restructuring Proposal and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully
For and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Director – Corporate Finance

1. SHARE CAPITAL

The authorised and issued share capitals of the Company as at the Latest Practicable Date were, and following Completion will be, as follows:

		<i>HK\$</i>
<i>Authorised:</i>		
<u>4,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid as at the Latest Practicable Date:</i>		
<u>2,175,742,400</u>	Shares	<u>54,394,560</u>
<i>Issued and fully paid upon Completion and the Place Down:</i>		
217,574,240	Adjusted Shares	2,175,742.40
3,407,689,429	Subscription Shares	34,076,894.29
1,153,846,154	ADM Subscription Shares	11,538,461.54
<u>1,303,144,208</u>	Placing Shares and Place Down Shares	<u>13,031,442.08</u>
<u>6,082,254,031</u>		<u>60,822,540.31</u>

All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and capital. All Adjusted Shares to be in issue following Completion will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

As at the Latest Practicable Date, based on the information available to the Provisional Liquidators, 68,000,000 Share Options granted by the company, with the exercise prices ranging from HK\$0.163 to HK\$0.1924, has not been exercised and already lapsed. It is proposed at the EGM that all these Share Options be formally cancelled. Upon Completion, neither the Company nor any member of the Group has any outstanding options, warrants or other securities convertible or exchangeable into Shares, no other share or loan capital of the Company had been put under option or agreed conditionally or unconditionally to be put under option and no other conversion right affecting the Shares or other derivatives in respect of securities of the Company which are being offered for or which carry voting rights had been issued or granted or agreed conditionally or unconditionally to be issued or granted by the Company.

The Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There has been no alteration in the number of Shares issued since 30 June 2007, the day on which the latest audited financial statements of the Group were made up, up to the Latest Practicable Date.

2. THREE YEARS FINANCIAL SUMMARY

ANDA Certified Public Accountants carried out an audit and issued a disclaimer of opinion on the consolidated financial statements for each of the three years ended 30 June 2007. The following information has been extracted from the audited consolidated financial statements of the Group for each of the three years ended 30 June 2007 and latest unaudited condensed consolidated financial statements of the Group for the 6 months ended 31 December 2007.

For each of the three years ended 30 June 2007, there was no exceptional or extraordinary items and no dividend was declared or paid.

Consolidated income statement

	For the six months ended		For the years ended 30 June	
	31 December 2007 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)	2006 HK\$'000 (Audited)	2005 HK\$'000 (Audited)
Turnover	<u>162,663</u>	<u>83,111</u>	<u>32,028</u>	<u>29,061</u>
Loss before tax	(21,692)	(64,131)	(52,953)	(40,997)
Income tax expense	<u>(31)</u>	<u>(10)</u>	<u>—</u>	<u>—</u>
Loss for the period/year	<u>(21,723)</u>	<u>(64,141)</u>	<u>(52,953)</u>	<u>(40,997)</u>
Attributable to:				
Equity holders of the Company	(21,740)	(64,150)	(52,953)	(40,997)
Minority interests	<u>17</u>	<u>9</u>	<u>—</u>	<u>—</u>
	<u>(21,723)</u>	<u>(64,141)</u>	<u>(52,953)</u>	<u>(40,997)</u>
Loss per share				
– based (HK Cents per share)	<u>(1.0)</u>	<u>(2.95)</u>	<u>(2.43)</u>	<u>(1.88)</u>

Consolidated balance sheet

	As at		As at 30 June	
	31 December	2007	2006	2005
	2007	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Non-current assets	35,998	35,840	34,953	35,351
Current assets	9,253	9,714	12,890	13,026
Current liabilities	(783,582)	(762,220)	(700,935)	(649,029)
Non-current liabilities	<u>(1,764)</u>	<u>(1,637)</u>	<u>(1,427)</u>	<u>(1,271)</u>
Net liabilities	<u>(740,095)</u>	<u>(718,303)</u>	<u>(654,519)</u>	<u>(601,923)</u>
Attributable to:				
Equity holders of the Company	(740,326)	(718,517)	(654,519)	(601,923)
Minority interests	<u>231</u>	<u>214</u>	<u>—</u>	<u>—</u>
Total equity	<u>(740,095)</u>	<u>(718,303)</u>	<u>(654,519)</u>	<u>(601,923)</u>

3. AUDITOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2005

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 30 June 2005. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 30 June 2005.

**“TO THE SHAREHOLDERS OF
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)
*(Incorporated in the Cayman Islands with limited liability)***

We were engaged to audit the consolidated financial statements of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) set out on pages 13 to 41, which comprise the consolidated balance sheet as at 30 June 2005, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company (the “Directors”) are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Statements of Auditing Standards issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs and material uncertainty relating to the going concern basis paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion*1. Opening Balances and Corresponding Figures*

Our audit opinion on the financial statements of the Group for the year ended 30 June 2004 (the “2004 Financial Statements”), which form the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 8 April 2008. Accordingly, we were then unable to form an opinion as to whether the 2004 Financial Statements gave 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.

2. Inventories

We were appointed as auditor of the Company subsequent to the balance sheet date of 30 June 2005. In consequence, we were unable to attend the Group’s physical counts of inventories possessed by 上海德勝科技集團(安慶)制藥有限公司 (“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\$3,923,000 as at 30 June 2005. 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 2005.

3. Trade Receivables

No sufficient 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\$2,930,000 as at 30 June 2005.

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 of approximately HK\$12,721,000 as at 30 June 2005.

5. Trade Payables

No sufficient 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\$8,682,000 as at 30 June 2005.

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group’s results and cash flows for the two years ended 30 June 2004 and 2005 and the financial positions of the Group as at 30 June 2004 and 2005 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 2005 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.

**ANDA Certified Public Accountants
Hong Kong**

8 April 2008"

4. AUDITOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2006

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 30 June 2006. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 30 June 2006.

**“TO THE SHAREHOLDERS OF
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)**

We were engaged to audit the consolidated financial statements of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) set out on pages 12 to 38, which comprise the consolidated balance sheet as at 30 June 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company (the “Directors”) are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs and material uncertainty relating to the going concern basis paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion*1. Opening Balances and Corresponding Figures*

Our audit opinion on the financial statements of the Group for the year ended 30 June 2005 (the “2005 Financial Statements”), which form the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 8 April 2008. Accordingly, we were then unable to form an opinion as to whether the 2005 Financial Statements gave a true and fair view of the state of affairs of the Group as at 30 June 2005 and of the Group’s results and cash flows for the year then ended.

2. 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 上海德勝科技集團(安慶)制藥有限公司 (“安慶”) totaling approximately HK\$4,064,000 as at 30 June 2006.

3. Trade Payables

No sufficient 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\$14,258,000 as at 30 June 2006.

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group’s results and cash flows for the two years ended 30 June 2005 and 2006 and the financial positions of the Group as at 30 June 2005 and 2006 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 2006 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.

**ANDA Certified Public Accountants
Hong Kong**

8 April 2008”

5. AUDITOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2007

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 30 June 2007. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 30 June 2007.

**“TO THE SHAREHOLDERS OF
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)**

We were engaged to audit the consolidated financial statements of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) set out on pages 12 to 38, which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company (the “Directors”) are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs and material uncertainty relating to the going concern basis paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion*Opening Balances and Corresponding Figures*

Our audit opinion on the financial statements of the Group for the year ended 30 June 2006 (the “2006 Financial Statements”), which form the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 8 April 2008. Accordingly, we were then unable to form an opinion as to whether the 2006 Financial Statements gave a true and fair view of the state of affairs of the Group as at 30 June 2006 and of the Group’s results and cash flows for the year then ended.

Any adjustments to the figures as described above might have a significant consequential effect on the Group’s results and cash flows for the year ended 30 June 2006 and the financial positions of the Group as at 30 June 2006 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 2007 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.

Withdrawal of our previous auditor's report

As stated in note 1 to the financial statements, the Directors have withdrawn the audited consolidated financial statements of the Company for the year ended 30 June 2007 which were issued on 23 August 2007 and audited by us. As a result, we withdraw our auditor's report dated on 23 August 2007 on those financial statements.

**ANDA Certified Public Accountants
Hong Kong**

8 April 2008"

6. AUDITED FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statements of the Company for the years ended 30 June 2007 and 2006, the audited consolidated balance sheets of the Company as at 30 June 2007 and 2006, the audited consolidated statements of changes in equity of the Company for the years ended 30 June 2007 and 2006, and the audited consolidated cash flow statements for the years ended 30 June 2006 and 2007 together with the relevant notes to the financial statements as extracted from the audited consolidated financial statements of the Company for the year ended 30 June 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	<i>Notes</i>	2007 <i>HK\$'000</i> (Audited)	2006 <i>HK\$'000</i> (Audited)
Turnover	7	83,111	32,028
Cost of sales		<u>(79,151)</u>	<u>(27,821)</u>
Gross profit		3,960	4,207
Other income	8	106	9
Selling expenses		(3,674)	(4,269)
Administrative expenses		<u>(4,066)</u>	<u>(2,964)</u>
Loss from operations		(3,674)	(3,017)
Finance cost	10	<u>(60,457)</u>	<u>(49,936)</u>
Loss before tax		(64,131)	(52,953)
Income tax expense	11	<u>(10)</u>	<u>–</u>
Loss for the year	12	<u><u>(64,141)</u></u>	<u><u>(52,953)</u></u>
Attributable to:			
Equity holders of the Company	15	(64,150)	(52,953)
Minority interests		<u>9</u>	<u>–</u>
		<u><u>(64,141)</u></u>	<u><u>(52,953)</u></u>
Loss per share	16		
Basic (HK cents per share)		<u>(2.95)</u>	<u>(2.43)</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET*At 30 June 2007*

	<i>Notes</i>	2007 <i>HK\$'000</i> (Audited)	2006 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>17</i>	26,233	25,681
Prepaid lease payments	<i>18</i>	<u>9,607</u>	<u>9,272</u>
		<u>35,840</u>	<u>34,953</u>
Current assets			
Inventories	<i>19</i>	2,612	4,193
Prepayments, deposits and other receivables		2,221	1,277
Trade receivables	<i>20</i>	3,656	4,828
Prepaid lease payments	<i>18</i>	218	206
Bank and cash balances	<i>21</i>	<u>1,007</u>	<u>2,386</u>
		<u>9,714</u>	<u>12,890</u>
Current liabilities			
Bank loans	<i>22</i>	612,871	555,510
Trade payables	<i>23</i>	15,933	15,377
Accruals and other payables	<i>24</i>	<u>133,416</u>	<u>130,048</u>
		<u>762,220</u>	<u>700,935</u>
Net current liabilities		<u>(752,506)</u>	<u>(688,045)</u>
Total assets less current liabilities		<u>(716,666)</u>	<u>(653,092)</u>
Non-current liabilities			
Deferred taxation	<i>25</i>	<u>1,637</u>	<u>1,427</u>
NET LIABILITIES		<u><u>(718,303)</u></u>	<u><u>(654,519)</u></u>
Capital and reserves			
Share capital	<i>26</i>	54,394	54,394
Reserves	<i>27</i>	<u>(772,911)</u>	<u>(708,913)</u>
Equity attributable to equity holders of the Company		(718,517)	(654,519)
Minority interests		<u>214</u>	<u>-</u>
TOTAL EQUITY		<u><u>(718,303)</u></u>	<u><u>(654,519)</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2005	54,394	385,249	998	3,815	-	(1,046,379)	(601,923)	-	(601,923)	
Translation difference	-	-	-	-	2	-	2	-	2	
Revaluation surplus on buildings	-	-	-	355	-	-	355	-	355	
Net income recognised directly in equity	-	-	-	355	2	-	357	-	357	
Loss for the year	-	-	-	-	-	(52,953)	(52,953)	-	(52,953)	
Total recognised income and expense for the year	-	-	-	355	2	(52,953)	(52,596)	-	(52,596)	
At 30 June 2006	<u>54,394</u>	<u>385,249</u>	<u>998</u>	<u>4,170</u>	<u>2</u>	<u>(1,099,332)</u>	<u>(654,519)</u>	<u>-</u>	<u>(654,519)</u>	
At 1 July 2006	54,394	385,249	998	4,170	2	(1,099,332)	(654,519)	-	(654,519)	
Translation difference	-	-	-	-	(223)	-	(223)	-	(223)	
Revaluation surplus on buildings	-	-	-	375	-	-	375	-	375	
Net income recognised directly in equity	-	-	-	375	(223)	-	152	-	152	
Loss for the year	-	-	-	-	-	(64,150)	(64,150)	9	(64,141)	
Total recognised income and expense for the year	-	-	-	375	(223)	(64,150)	(63,998)	9	(63,989)	
Capital contribution by minority	-	-	-	-	-	-	-	205	205	
At 30 June 2007	<u>54,394</u>	<u>385,249</u>	<u>998</u>	<u>4,545</u>	<u>(221)</u>	<u>(1,163,482)</u>	<u>(718,517)</u>	<u>214</u>	<u>(718,303)</u>	

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 30 June 2007*

	2007 <i>HK\$'000</i> (Audited)	2006 <i>HK\$'000</i> (Audited)
Cash flows from operating activities		
Loss before tax	(64,131)	(52,953)
Adjustments for:		
Depreciation	2,711	2,699
Amortisation of prepaid lease payments	218	202
Interest income	(18)	(9)
Finance cost	60,457	49,936
	<u> </u>	<u> </u>
Operating loss before working capital changes	(763)	(125)
Change in inventories	1,581	(270)
Change in prepayments, deposits and other receivables	(944)	971
Change in trade receivables	1,172	(1,032)
Change in trade payables	556	4,301
Change in accruals and other payables	3,368	(456)
	<u> </u>	<u> </u>
Cash generated from operations	4,970	3,389
Tax paid	(10)	–
	<u> </u>	<u> </u>
Net cash generated from operating activities	<u>4,960</u>	<u>3,389</u>
Cash flows from investing activities		
Interest received	18	9
Purchase of property, plant and equipment	(1,231)	(992)
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(1,213)</u>	<u>(983)</u>
Cash flows from financing activities		
Interest paid	(934)	(1,607)
Repayments of borrowings	(3,803)	(1,087)
Capital contribution by minority	205	–
	<u> </u>	<u> </u>
Net cash used in financing activities	<u>(4,532)</u>	<u>(2,694)</u>
Net decrease in cash and cash equivalents	(785)	(288)
Effect of foreign exchange rate changes	(594)	(185)
Cash and cash equivalents at beginning of year	2,386	2,859
	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	<u>1,007</u>	<u>2,386</u>
Analysis of cash and cash equivalents		
Bank and cash balances	1,007	2,386
	<u> </u>	<u> </u>
	<u>1,007</u>	<u>2,386</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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.

On 23 August 2007, the Directors have approved and issued a set of audited consolidated financial statements of the Company for the year ended 30 June 2007. Such set of audited financial statements are now withdrawn and replaced by these financial statements.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the financial statements.

2. BASIS OF PREPARATION*Going concern*

The Group incurred a loss attributable to equity holders of the Company of approximately HK\$64,150,000 for the year ended 30 June 2007 (2006: approximately HK\$52,953,000) and as at 30 June 2007 the Group had net current liabilities of approximately HK\$752,506,000 (2006: approximately HK\$688,045,000) and net liabilities of approximately HK\$718,303,000 (2006: approximately HK\$654,519,000) 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.

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 (the "Resumption Proposal") 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.

On 10 October 2007, the Stock Exchange issued a letter to Asian Capital (Corporate Finance) Limited 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 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 2007 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.

Financial results of 山東特利爾醫藥有限公司

山東特利爾醫藥有限公司 (the "CJV") was incorporated on 5 April 2007 in the PRC under a Co-operative Joint Venture agreement in which the Company indirectly holds 80% of the ownership interest. The subsidiary is engaged in the trading of pharmaceutical products in the PRC.

In accordance with an agency agreement, the sales and purchase transactions of the CJV were carried out on the CJV's behalf by 山東特利爾營銷策劃有限公司, who holds 20% of the ownership interest in the CJV. The financial statements have been prepared on the basis that those sales and purchase transactions for the period from 5 April to 30 June 2007 have been included in the Group's current year results. In view of the various terms stipulated in the agency agreement, the Directors regard such business arrangement is legally valid and does not violate any PRC laws.

3. 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 accounting periods beginning on or after 1 July 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. 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. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Revaluation increases of buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the lease terms or 30 years, whichever is shorter
Plant and machinery	10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A party is related to the Group if:

- a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- b) the party is an associate;
- c) the party is a joint venture;
- d) the party is a member of the key management personnel of the Company or its parent;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES*Critical judgments in applying accounting policies*

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements.

b) Financial results of 山東特利爾醫藥有限公司

In accordance with an agency agreement, the sales and purchase transactions of the CJV were carried out on the CJV's behalf by 山東特利爾營銷策劃有限公司, who holds 20% of the ownership interest in the CJV. The financial statements have been prepared on the basis that those sales and purchase transactions for the period from 5 April to 30 June 2007 have been included in the Group's current year results. In view of the various terms stipulated in the agency agreement, the Directors regard such accounting treatments are appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

b) Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customers collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimate credit losses.

c) Allowance for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realizable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) *Foreign currency risk*

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 arise.

b) *Credit risk*

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

c) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

d) *Interest rate risk*

The bank borrowings of the Group's subsidiary 上海德勝科技集團(安慶)制藥有限公司 ("Anqing") bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The Group's other bank borrowings bear interests at variable rates varied with the then prevailing market condition.

e) *Fair values*

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Sales of pharmaceutical products		
– Manufacturing (Anqing's operation)	30,089	32,028
– Trading (CJV's operation)	53,022	–
	<u>83,111</u>	<u>32,028</u>

8. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest income	18	9
Sundry income	88	–
	<u>106</u>	<u>9</u>

9. 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	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Years ended 30 June 2007 and 2006						
Turnover	<u>83,111</u>	<u>32,028</u>	<u>-</u>	<u>-</u>	<u>83,111</u>	<u>32,028</u>
Segment results	<u>(3,208)</u>	<u>(2,655)</u>	<u>(572)</u>	<u>(371)</u>	<u>(3,780)</u>	<u>(3,026)</u>
Other income					<u>106</u>	<u>9</u>
Loss from operations					<u>(3,674)</u>	<u>(3,017)</u>
Finance cost					<u>(60,457)</u>	<u>(49,936)</u>
Loss before tax					<u>(64,131)</u>	<u>(52,953)</u>
At 30 June 2007 and 2006						
Segment assets	45,465	47,690	89	153	<u>45,554</u>	<u>47,843</u>
Segment liabilities	52,484	51,519	-	-	52,484	51,519
Unallocated liabilities					<u>711,373</u>	<u>650,843</u>
Total liabilities					<u>763,857</u>	<u>702,362</u>
Other segment information:						
Capital expenditure	1,231	992	-	-	1,231	992
Depreciation	2,711	2,699	-	-	2,711	2,699
Surplus on revaluation of building recognised directly in equity	<u>375</u>	<u>355</u>	<u>-</u>	<u>-</u>	<u>375</u>	<u>355</u>

Secondary reporting format – geographical segments

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

10. FINANCE COST

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans and syndicated borrowings	<u>60,457</u>	<u>49,936</u>

11. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – Overseas Provision for the year	<u>10</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2007 (2006: 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.

The reconciliation between the income tax expense and the loss before tax is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before tax	<u>(64,131)</u>	<u>(52,953)</u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	(11,223)	(9,267)
Tax effect of expenses that are not deductible	<u>11,233</u>	<u>9,267</u>
	<u>10</u>	<u>–</u>

12. LOSS FOR THE YEAR

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation	2,711	2,699
Directors' emoluments	257	360
Operating lease charges of land and buildings	218	202
Auditor's remuneration (<i>Note a</i>)	–	–
Cost of inventories sold	79,151	27,821
Staff costs including directors' emoluments Salaries, bonus and allowances	<u>1,495</u>	<u>1,208</u>

a) Auditor's remunerations for the two years ended 30 June 2006 and 2007 are borne by the Investor.

13. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

Name of Directors	Fee	Salaries and allowances	Discretionary bonus	Share- based payments	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lo Wah Wai, Lowell (<i>note a</i>)	77	-	-	-	-	77
Chiu Koon Shou, Victor	180	-	-	-	-	180
Tai Kai Hing (<i>note b</i>)	-	-	-	-	-	-
Chung Wai Man (<i>note b</i>)	-	-	-	-	-	-
Total for 2007	<u>257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257</u>
Lo Wah Wai, Lowell (<i>note a</i>)	180	-	-	-	-	180
Chiu Koon Shou, Victor	180	-	-	-	-	180
Total for 2006	<u>360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360</u>

a) Resigned on 4 December 2006

b) Appointed on 23 March 2007

The five highest paid individuals in the Group during the year included 2 (2006: 2) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2006: 3) individuals are set out below:

	2007 HK\$'000	2006 HK\$'000
Basic salaries and allowances	48	47
Discretionary bonus	-	-
Retirement benefit scheme contributions	-	-
	<u>48</u>	<u>47</u>

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil - HK\$1,000,000	<u>3</u>	<u>3</u>

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees’ basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company included a loss of approximately HK\$59,972,000 (2006: approximately HK\$48,688,000) which has been dealt with in the financial statements of the Company.

16. 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\$64,150,000 (2006: approximately HK\$52,953,000) and the weighted average number of ordinary shares of 2,175,742,000 (2006: 2,175,742,000) in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 30 June 2007.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 1 July 2005	13,777	20,255	621	–	34,653
Additions	–	992	–	–	992
Exchange differences	407	677	20	–	1,104
At 30 June 2006 and 1 July 2006	14,184	21,924	641	–	36,749
Additions	839	158	–	234	1,231
Exchange differences	846	1,307	39	–	2,192
At 30 June 2007	15,869	23,389	680	234	40,172
Accumulated depreciation					
At 1 July 2005	–	8,068	441	–	8,509
Charge for the year	473	2,121	105	–	2,699
Exchange differences	–	315	18	–	333
Written back on revaluation	(473)	–	–	–	(473)
At 30 June 2006 and 1 July 2006	–	10,504	564	–	11,068
Charge for the year	501	2,132	78	–	2,711
Exchange differences	–	628	33	–	661
Written back on revaluation	(501)	–	–	–	(501)
At 30 June 2007	–	13,264	675	–	13,939
Carrying amounts					
At 30 June 2007	<u>15,869</u>	<u>10,125</u>	<u>5</u>	<u>234</u>	<u>26,233</u>
At 30 June 2006	<u>14,184</u>	<u>11,420</u>	<u>77</u>	<u>–</u>	<u>25,681</u>

The analysis of the cost or valuation at 30 June 2007 of the above assets is as follows:

At cost	–	23,389	680	234	24,303
At valuation 2007	15,869	–	–	–	15,869
	<u>15,869</u>	<u>23,389</u>	<u>680</u>	<u>234</u>	<u>40,172</u>

The analysis of the cost or valuation at 30 June 2006 of the above assets is as follows:

At cost	–	21,924	641	–	22,565
At valuation 2006	14,184	–	–	–	14,184
	<u>14,184</u>	<u>21,924</u>	<u>641</u>	<u>–</u>	<u>36,749</u>

The Group's buildings were revalued at 30 June 2007 on the open market value basis by reference to market evidence of recent transactions and cost of replacement for similar properties by Greater China Appraisal Limited, an independent firm of chartered surveyors.

At 30 June 2007 the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK\$15,869,000 (2006: approximately HK\$14,184,000).

18. PREPAID LEASE PAYMENT

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Leasehold land in the PRC Medium-term lease	9,825	9,478
Analysed for reporting purpose as:		
Non-current asset	9,607	9,272
Current asset	218	206
	<u>9,825</u>	<u>9,478</u>

At 30 June 2007 the carrying amount of prepaid lease payments pledged as security for the Group's bank loans amounted to approximately HK\$9,825,000 (2006: approximately HK\$9,478,000).

19. INVENTORIES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Raw materials	355	1,384
Finished goods	2,257	2,809
	<u>2,612</u>	<u>4,193</u>

20. 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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
30 days or less	1,157	1,479
31 days to 60 days	1,258	995
61 days to 180 days	1,077	1,585
Over 180 days	164	769
	<u>3,656</u>	<u>4,828</u>

As at 30 June 2007, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$9,046,000 (2006: approximately HK\$9,046,000).

21. BANK AND CASH BALANCES

As at 30 June 2007, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$955,000 (2006: approximately HK\$2,232,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. BANK LOANS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank loans	<u>612,871</u>	<u>555,510</u>
The borrowings are repayable as follows:		
On demand or within one year	<u>612,871</u>	<u>555,510</u>
	612,871	555,510
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(612,871)</u>	<u>(555,510)</u>
Amount due for settlement after 12 months	<u>—</u>	<u>—</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	USD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
2007			
Bank loans	<u>587,501</u>	<u>25,370</u>	<u>612,871</u>
2006			
Bank loans	<u>527,978</u>	<u>27,532</u>	<u>555,510</u>

The average interest rates at 30 June were as follows:

	2007	2006
Bank loans	<u>11%</u>	<u>10%</u>

Bank loans of approximately HK\$25,370,000 (2006: approximately HK\$27,532,000) are arranged at fixed interest rates and exposed the Group to fair value interest rate risk. Other borrowings of HK\$587,501,000 (2006: approximately HK\$527,978,000) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

In July 2004, an event of default occurred in respect of a syndicated loan totaling approximately HK\$587,501,000 as at 30 June 2007 and such amount has become repayable on demand. On 15 September 2004, SCBHK filed a petition for the winding-up of the Company.

23. TRADE PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
30 days or less	1,388	1,666
31 days to 60 days	1,082	1,947
61 days to 180 days	2,950	3,502
Over 180 days	<u>10,513</u>	<u>8,262</u>
	<u>15,933</u>	<u>15,377</u>

24. ACCRUALS AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Accruals and other payables	9,803	8,285
Due to deconsolidated subsidiaries	115,827	115,827
Due to related companies	5,936	5,936
Due to directors of subsidiaries	1,056	–
Due to a minority shareholder	794	–
	<u>133,416</u>	<u>130,048</u>

The amounts due to related companies, directors of subsidiaries and minority shareholder are unsecured, non-interest bearing and have no fixed repayment terms.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised by the Group.

	Revaluation of buildings <i>HK\$'000</i>
At 1 July 2005	1,271
Charge to equity for the year	118
Exchange differences	<u>38</u>
At 30 June 2006 and 1 July 2006	1,427
Charge to equity for the year	126
Exchange differences	<u>84</u>
At 30 June 2007	<u><u>1,637</u></u>

26. SHARE CAPITAL

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Authorized:		
4,000,000,000 ordinary shares of HK\$0.025 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
2,175,742,400 ordinary shares of HK\$0.025 each	<u>54,394</u>	<u>54,394</u>

27. RESERVES

a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

b) Company

	Note	Share premium account HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2005		385,249	104,915	(1,032,810)	(542,646)
Loss for the year	15	—	—	(48,688)	(48,688)
At 30 June 2006		<u>385,249</u>	<u>104,915</u>	<u>(1,081,498)</u>	<u>(591,334)</u>
At 1 July 2006		385,249	104,915	(1,081,498)	(591,334)
Loss for the year	15	—	—	(59,972)	(59,972)
At 30 June 2007		<u>385,249</u>	<u>104,915</u>	<u>(1,141,470)</u>	<u>(651,306)</u>

c) Nature and purpose of reserves of the Group

(i) Share premium account

Under the Companies Law (2007 Revision) of the Cayman Islands, subject to the Company's memorandum and articles of association, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory surplus reserve

Subsidiaries of the Company established in the PRC and foreign investment enterprises ("FIE") are required to transfer 10% of their profit after tax (after offsetting prior years losses) calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(iii) Capital reserve

Capital reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and completed on 26 July 2002 (the "Reorganisation"), over the nominal value of the share capital of the Company issued in exchange therefore.

- (iv) Property revaluation reserve

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 4 to the financial statements.

- (v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

28. MAJOR NON-CASH TRANSACTION

During the year ended 30 June 2007, the bank borrowings was increased by approximately HK\$59,523,000 (2006: approximately HK\$48,329,000) in respect of overdue bank interest.

29. CONTINGENT LIABILITIES

As at 30 June 2007, the Group has contingent liabilities of about HK\$104 million in respect of unpaid service fees. The Directors consider these claims are not well substantiated. It is expected that the indebtedness of the Group will be compromised and discharged in full through the scheme of arrangement to be sanctioned by the Court.

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

30. LEASE COMMITMENTS

At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
– within one year	273	–
– in the second to fifth year inclusive	262	–
	<u>535</u>	<u>–</u>

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.

31. 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 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 Cayman Islands Court in respect of the proposed reduction of share capital in accordance with the Companies Law (2007 Revision) of the Cayman Islands. The hearing date of this petition is fixed on 20 June 2008.

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of Incorporation/ registration	Issued and paid-up capital	Percentage of voting ownership		Principal activities
			interest/power/ profit sharing Direct	Indirect	
Far East Global Group Limited	British Virgin Islands	1,001 ordinary shares of US\$1 each	100%	–	Investment holding
First Sight Technology Group Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
Boomtown Ventures Limited	British Virgin Islands	1 ordinary share of US\$1	100%	–	Investment holding
上海德勝科技集團(安慶)製藥有限公司	People's Republic of China	Registered capital of RMB10M	–	90%	Manufacturing and distribution of pharmaceutical products
First Jumbo Trading Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
Clear Rich International Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	–	100%	Investment holding
山東特利爾醫藥有限公司	People's Republic of China	Registered capital of RMB2.1M	–	80%	Distribution of pharmaceutical products

上海德勝科技集團(安慶)製藥有限公司 is a sino foreign equity joint venture established in the PRC. 山東特利爾醫藥有限公司 is a sino foreign cooperative joint venture established in the PRC.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2008.

7. UNAUDITED FINANCIAL INFORMATION

Set out below is a summary of the unaudited condensed consolidated income statements of the Company for the six months ended 31 December 2007 and 2006, the condensed consolidated balance sheets of the Company as at 31 December 2007 and 30 June 2007, the condensed consolidated statements of changes in equity of the Company for the six months ended 31 December 2007 and 2006, and the condensed consolidated cash flow statements of the Company for the six months ended 31 December 2007 and 2006 together with the relevant notes to the condensed consolidated financial statements as extracted from the 2007 Interim Report of the Company for the six months ended 31 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		31 December	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Turnover	2	162,663	14,835
Cost of sales		<u>(159,490)</u>	<u>(13,299)</u>
Gross profit		3,173	1,536
Other income		14,105	1
Selling expenses		(3,354)	(1,484)
Administrative expenses		<u>(3,119)</u>	<u>(1,852)</u>
Profit/(loss) from operations		10,805	(1,799)
Finance cost	4	<u>(32,497)</u>	<u>(29,442)</u>
Loss before tax		(21,692)	(31,241)
Income tax expense	5	<u>(31)</u>	<u>-</u>
Loss for the period	6	<u><u>(21,723)</u></u>	<u><u>(31,241)</u></u>
Attributable to:			
Equity holders of the Company		(21,740)	(31,241)
Minority interests		<u>17</u>	<u>-</u>
		<u><u>(21,723)</u></u>	<u><u>(31,241)</u></u>
Loss per share	7		
Basic (HK cents per share)		<u><u>(1.0)</u></u>	<u><u>(1.4)</u></u>
Diluted (HK cents per share)		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December 2007 <i>HK\$'000</i>	As at 30 June 2007 <i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	26,143	26,233
Prepaid lease payments		<u>9,855</u>	<u>9,607</u>
		<u>35,998</u>	<u>35,840</u>
Current assets			
Inventories		3,312	2,612
Prepayments, deposits and other receivables		1,611	2,221
Trade receivables	9	3,294	3,656
Prepaid lease payments		226	218
Cash and bank balances		<u>810</u>	<u>1,007</u>
		<u>9,253</u>	<u>9,714</u>
Current liabilities			
Bank loans		645,825	612,871
Trade payables	10	8,934	15,933
Accruals and other payables		<u>128,823</u>	<u>133,416</u>
		<u>783,582</u>	<u>762,220</u>
Net current liabilities		<u>(774,329)</u>	<u>(752,506)</u>
Non-current liabilities			
Deferred taxation		<u>1,764</u>	<u>1,637</u>
Net liabilities		<u>(740,095)</u>	<u>(718,303)</u>
Capital and reserves			
Share capital		54,394	54,394
Reserves		<u>(794,720)</u>	<u>(772,911)</u>
Equity attributable to equity holders of the Company		(740,326)	(718,517)
Minority interests		<u>231</u>	<u>214</u>
TOTAL EQUITY		<u>(740,095)</u>	<u>(718,303)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accu- mulated losses	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2006	54,394	385,249	998	4,170	2	(1,099,332)	(654,519)	-	(654,519)
Translation difference	-	-	-	-	(97)	-	(97)	-	(97)
Revaluation surplus on buildings	-	-	-	182	-	-	182	-	182
Net income recognised directly in equity	-	-	-	182	(97)	-	85	-	85
Loss for the period	-	-	-	-	-	(31,241)	(31,241)	-	(31,241)
Total recognised income and expense for the period	-	-	-	182	(97)	(31,241)	(31,156)	-	(31,156)
At 31 December 2006 (unaudited)	<u>54,394</u>	<u>385,249</u>	<u>998</u>	<u>4,352</u>	<u>(95)</u>	<u>(1,130,573)</u>	<u>(685,675)</u>	<u>-</u>	<u>(685,675)</u>
At 1 July 2007	54,394	385,249	998	4,545	(221)	(1,163,482)	(718,517)	214	(718,303)
Translation difference	-	-	-	-	(264)	-	(264)	-	(264)
Revaluation surplus on buildings	-	-	-	195	-	-	195	-	195
Net expense recognised directly in equity	-	-	-	195	(264)	-	(69)	-	(69)
Loss for the period	-	-	-	-	-	(21,740)	(21,740)	17	(21,723)
Total recognised income and expense for the period	-	-	-	195	(264)	(21,740)	(21,809)	17	(21,792)
At 31 December 2007 (unaudited)	<u>54,394</u>	<u>385,249</u>	<u>998</u>	<u>4,740</u>	<u>(485)</u>	<u>(1,185,222)</u>	<u>(740,326)</u>	<u>231</u>	<u>(740,095)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	500	1,082
Net cash used in investing activities	(11)	(13)
Net cash from/(used in) financing activities	<u>82</u>	<u>(2,447)</u>
Net increase/(decrease) in cash and cash equivalents	571	(1,378)
Effect of foreign exchange rate changes	(768)	(255)
Cash and cash equivalents at beginning of period	<u>1,007</u>	<u>2,386</u>
Cash and cash equivalents at end of period	<u><u>810</u></u>	<u><u>753</u></u>
Analysis of cash and cash equivalents		
Cash and bank balances	<u><u>810</u></u>	<u><u>753</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The principal accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30 June 2007, except for the adoption of the new standards, amendments to standards and interpretations which are effective for the accounting periods beginning on or after 1 July 2007.

The adoption of the above has no material impact to the Group’s unaudited condensed consolidated interim financial statements.

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately HK\$21,740,000 for the six months ended 31 December 2007 and as at 31 December 2007 the Group had net current liabilities of approximately HK\$774,329,000 and net liabilities of approximately HK\$740,095,000 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.

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 (the "Resumption Proposal") was submitted on behalf of the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by Asian Capital (Corporate Finance) Limited which had been appointed as the financial advisor to the Company.

On 10 October 2007, the Stock Exchange issued a letter to Asian Capital (Corporate Finance) Limited 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 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.

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.

2. TURNOVER

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

	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sales of pharmaceutical products	<u>162,663</u>	<u>14,835</u>

3. 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 by business segments, namely "Manufacturing and distribution" and "Corporate and others" is as follows:

	Manufacturing and distribution		Corporate and others		Total	
	Six months ended		Six months ended		Six months ended	
	31 December		31 December		31 December	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	<u>162,663</u>	<u>14,835</u>	<u>–</u>	<u>–</u>	<u>162,663</u>	<u>14,835</u>
Segment results	<u>(3,027)</u>	<u>(1,527)</u>	<u>(304)</u>	<u>(273)</u>	<u>(3,331)</u>	<u>(1,800)</u>

4. FINANCE COST

	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank loans and syndicated borrowings	<u>32,497</u>	<u>29,442</u>

5. INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Overseas		
Provision for the Period	31	–

No provision for Hong Kong Profits Tax has been made for the period ended 31 December 2007 (2006: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period.

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.

6. LOSS FOR THE PERIOD

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

	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	109	106
Depreciation	1,350	1,317
Directors' emoluments		
– As directors	90	167
– For management	–	–
	<u>90</u>	<u>167</u>

7. 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 period attributable to equity holders of the Company of approximately HK\$21,740,000 (2006: approximately HK\$31,241,000) and the weighted average number of ordinary shares of 2,175,742,000 (2006: 2,175,742,000) in issue during the period.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary sharing during the two periods ended 31 December 2007 and 2006.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment of the Group is approximately HK\$11,000.

9. 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.

	31 December 2007	30 June 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	13,534	13,524
Less: Allowance for bad and doubtful debts	<u>(10,240)</u>	<u>(9,868)</u>
	<u>3,294</u>	<u>3,656</u>

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

	31 December 2007	30 June 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
30 days or less	883	1,157
31 days to 60 days	835	1,258
61 days to 180 days	1,152	1,077
Over 180 days	<u>424</u>	<u>164</u>
	<u>3,294</u>	<u>3,656</u>

10. TRADE PAYABLES

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

	31 December 2007	30 June 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
30 days or less	1,122	1,388
31 days to 60 days	467	1,082
61 days to 180 days	2,060	2,950
Over 180 days	<u>5,285</u>	<u>10,513</u>
	<u>8,934</u>	<u>15,933</u>

11. CONTINGENT LIABILITIES

As at 31 December 2007, the Company has contingent liabilities of about HKD110 million. It is expected that the indebtedness of the Company will be compromised and discharged in full through the schemes of arrangement to be sanctioned by the Court.

12. 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 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 9th April 2008.

Since then, the representatives of the Provisional Liquidators of the Company, the Investor and their respective advisors have 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 9th 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 Companies Ordinance (Cap.32) of the Laws of Hong Kong 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 for 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 Cayman Islands Court in respect of the proposed reduction of share capital in accordance with the Companies Law (2007 Revision) of the Cayman Islands. The hearing date of this petition is fixed on 20 June 2008.

8. MATERIAL CHANGES

The Directors are not aware of any material changes in the financial or trading position or outlook of the Group since 30 June 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

9. INDEBTEDNESS

As at the close of business on 31 March 2008, being the most recent practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular by the Directors and the Provisional Liquidators, the Group had total outstanding borrowings of approximately HK\$783 million, comprising secured bank loans of approximately HK\$26 million which is secured by the pledge of the Group's leasehold land and buildings which are disclosed in the Valuation Report set out in Appendix II to this circular, and an unsecured bank loan of approximately HK\$633 million, an amount due to a deconsolidated subsidiary, namely Fujian Desheng Pharmaceuticals Company Limited, of approximately HK\$116 million, amounts due to related companies of approximately HK\$6 million, an amount due to a director of its subsidiary of approximately HK\$1 million and an amount due to a minority shareholder of approximately HK\$1 million.

As at the close of business on 31 March 2008, the contingent liability of the Company is the claim for a service fee as to the extent of approximately HK\$111 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 March 2008, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

10. WORKING CAPITAL

Subject to Completion, the Group will raise net proceeds of approximately HK\$150 million, of which approximately HK\$125 million will be used as working capital of the Group.

The Directors are of the opinion that, in the absence of unforeseen circumstances and subject to Completion; the Group will have sufficient working capital for its present requirements.

Set out below are the texts of a letter, summary of values and valuation certificate received from Greater China Appraisal Limited in connection with their valuation as at 31 March 2008 of the property interests of the Group in the PRC, and are prepared for the purpose of inclusion in this circular.



Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

28 May 2008

Best Champion Holdings Limited

Flat D, 12th Floor
Seabright Plaza
9-23 Shell Street
North Point
Hong Kong

Far East Pharmaceutical Technology Company Limited

(Provisional Liquidators Appointed)
35/F., One Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

In accordance with your instructions to provide valuation on certain property interests of 上海德勝科技集團(安慶)製藥有限公司 (“Desheng Anqing”, a 90%-owned subsidiary of Far East Pharmaceutical Technology Company Limited) located at No. 25 Majialing Road, Anqing, Anhui Province, the People’s Republic of China (referred to as the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purposes of providing you with our opinion of the values of such property interests as at 31 March 2008 (referred to as the “valuation date”).

It is our understanding that this valuation is for the restructuring purpose.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.”

In this report, we have valued the property in its designed uses with the understanding that the property will be used as such (referred to as “continued use”).

VALUATION METHODOLOGY

Due to the nature of buildings and structures constructed, there are no readily identifiable market comparable for them, we have applied the cost method of valuation in assessing the property. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the valuation date.

This method of valuation, cost method, is based on an estimate of the market value of the existing use of the land, plus the current gross replacement costs of the improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on market comparable.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the relevant property interest in its continued use on the market without the benefit of deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property.

Continued use assumes the property will be used for the purposes for which the property is designed and built, or to which it is currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

For the property which is held under long term land use rights, we have assumed that the owner of the property interests has free and uninterrupted rights to use the property for the whole of the unexpired term of its respective land use rights. Furthermore, we have assumed that the property interests are freely disposable and transferable for their existing uses to third parties in the open market without paying any premium to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the property concerned.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures are held by the owner or permitted to be occupied by the owner.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the respective properties.

TITLE INVESTIGATION

In the course of our investigation, we have been provided with copy of the title documents of the property. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any liabilities attached to the property.

In the course of our valuation, we have relied on the legal opinions given by 山東德義律師事務所 (“the PRC Legal Advisor”) in relation to the legal title to the property under valuation.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property described in this report.

LIMITING CONDITIONS

We have not carried out detailed site measurement to verify the correctness of the site areas in respect of the relevant properties but have assumed that the site areas shown on the asset lists handed to us are correct.

We have inspected the exterior and, whenever possible, the interior of the property. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other structural defects. No tests were carried out in any of the services.

No soil investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We do not investigate any industrial safety environmental and health related regulations in association any particular manufacturing process. It is assumed that all necessary licenses, procedures, and measures were implemented in accordance with Government legislation and guidance.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

The valuation contained in this report specifically excludes the impact of structural damage or environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified structural engineer and/or environmental auditor for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on market value.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the instructing party in the identification of the property. We have had no reason to doubt the truth and accuracy of the information. We were also advised that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, it is assumed that the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We were advised by the instructing party that, as the property is for production purpose, Desheng Anqing does not have any intention to sell the property. Therefore, the amount of tax liabilities would not be quantifiable nor crystallized. Should disposal of the property be conducted, the potential tax liabilities arising will include the sales tax (5.0% on the transaction price) and land appreciation tax (varies from 30% to 60% on the appreciation depending on the ratio of the appreciation to the original cost of the property).

Since the property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report

OPINION OF VALUE

The valuation certificate has already shown the capital value of the property.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the Listing Rules including but not limited to the provisions of Chapter 5 and Practice Note 12.

In valuing the property, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

Valuation of the property is denominated in Chinese Renminbi (RMB).

The valuation certificate is enclosed herewith.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,

For and on behalf of

GREATER CHINA APPRAISAL LIMITED

K.K. Ip

BLE, LLD

Chartered Valuation Surveyor

Registered Professional Surveyor

Managing Director

Note: Mr. K. K. Ip, who is a chartered valuation surveyor and a registered professional surveyor, has substantial experience in valuation of properties in the PRC since 1992.

VALUATION CERTIFICATE

Property	Description	Particulars of Occupancy	Market value as at 31 March 2008																		
Land, buildings and structures located at No. 25 Majialing Road Anqing Anhui Province The PRC	<p>The property comprises 2 parcels of irregular-shaped land (the "Lands") on which 39 blocks of 1- to 7-storey buildings (the "Buildings") were erected in between 1975 and 2004.</p> <p>The total land area of the Lands is approximately 38,340.35 square metres and the total gross floor area of the Buildings is approximately 27,079.80 square metres.</p> <table border="1"> <thead> <tr> <th>Buildings</th> <th>No. of Blocks</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Factory</td> <td>9</td> <td>13,563.41</td> </tr> <tr> <td>Ancillary</td> <td>15</td> <td>5,948.75</td> </tr> <tr> <td>Warehouse</td> <td>7</td> <td>4,615.12</td> </tr> <tr> <td>Warehouse</td> <td>8</td> <td>2,952.52</td> </tr> <tr> <td></td> <td><u>39</u></td> <td><u>27,079.80</u></td> </tr> </tbody> </table> <p>The structures comprises ancillary pump room, weighing room, entrance gates, bicycle sheds, water pipes, steam pipes, coal covers, water pools, internal roads, boundary walls, greenery and etc.</p> <p>The property is held under 2 sets of the State-owned Land Use Rights Certificate and 8 Building Ownership Certificates with a term expiring in July 2053 for industrial use.</p>	Buildings	No. of Blocks	Gross Floor Area (sq.m.)	Factory	9	13,563.41	Ancillary	15	5,948.75	Warehouse	7	4,615.12	Warehouse	8	2,952.52		<u>39</u>	<u>27,079.80</u>	The property is currently occupied by Anqing Desheng as a production plant of pharmaceutical products.	RMB22,500,000
Buildings	No. of Blocks	Gross Floor Area (sq.m.)																			
Factory	9	13,563.41																			
Ancillary	15	5,948.75																			
Warehouse	7	4,615.12																			
Warehouse	8	2,952.52																			
	<u>39</u>	<u>27,079.80</u>																			

Notes:

- (i) Pursuant to 2 sets of State-owned Land Use Rights Certificate (Qing Guo Yong (2003) Zi Nos. 1346 and 1347) dated 6 November 2003 issued by Anqing People's Government, the land use rights of the property have been granted to Desheng Anqing for a term expiring in July 2053 for industrial use.
- (ii) Pursuant to 8 Building Ownership Certificates (Yi Fang Zi Nos. 3002517, 3002518, 3002519, 3002521, 3002523, 3002525, 3002526 and 3002527) dated 22 August 2003 issued by Anqing Real Property Administration Bureau, the building ownership of the Buildings is held by Desheng Anqing.
- (iii) Furthermore, we have assumed that the property interests are freely disposable and transferable for their existing uses to third parties in the open market without paying any premium to the relevant government authorities.
- (iv) The Lands (with a total land area of 38,340.35 square metres) and 31 buildings (with a total gross floor area of approximately 24,127 square metres held under Building Ownership Certificates Yi Fang Zi Nos. 3002517, 3002519, 3002521, 3002525, 3002526 and 3002527) have been pledged to Bank of Communication.
- (v) We have been provided with a legal opinion regarding the property interest by the PRC Legal Advisor, which contains, inter alia, the followings:
 - (a) Desheng Anqing is in possession of 2 sets of State-owned Land Use Rights Certificate in respect of the Lands by which the land use rights of the Lands have been granted to Desheng Anqing with a term expiring in July 2053 for industrial use.
 - (b) Desheng Anqing is in possession of 8 sets of Building Ownership Certificate in respect of the Buildings.
 - (c) Desheng Anqing is the legal holder of the land use rights of the Lands and building ownership rights of the Buildings.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

**A. INTRODUCTION TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

The following is the unaudited pro forma statement of assets and liabilities of the Restructured Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed Restructuring of the Group involving the Capital Restructuring, the Subscription, the ADM Subscription, the Placing and the Scheme.

The unaudited pro forma statement of assets and liabilities of the Restructured Group is based on the unaudited condensed consolidated balance sheet of the Group as at 31 December 2007 as extracted from the interim report of the Company for the six months ended 31 December 2007 set out in Appendix I to this circular, as if the Restructuring had been completed on 31 December 2007.

The unaudited pro forma statement of assets and liabilities of the Restructured Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma statement of assets and liabilities of the Restructured Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the Restructuring actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma statement of assets and liabilities of the Restructured Group does not purport to predict the Group's future financial position.

The unaudited pro forma statement of assets and liabilities of the Restructured Group should be read in conjunction with the financial information of the Group as set out in Appendix I, "Financial Information of the Group", and other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

**B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE
RESTRUCTURED GROUP AS AT 31 DECEMBER 2007**

	Unaudited condensed consolidated balance sheet as at 31 December 2007 HK\$'000	Adjustments HK\$'000	<i>Notes</i>	Pro forma as at 31 December 2007 HK\$'000
Non-Current Assets				
Property, plant and equipment	26,143	–		26,143
Prepaid plant payments	9,855	–		9,855
	<u>35,998</u>	<u>–</u>		<u>35,998</u>
Current Assets				
Inventories	3,312	–		3,312
Prepayments, deposits and other receivables	1,611	–		1,611
Trade receivables	3,294	–		3,294
Prepaid lease payments	226	–		226
Bank and cash balances	810	124,942	(i)	125,752
	<u>9,253</u>	<u>124,942</u>		<u>134,195</u>
Current liabilities				
Bank loans – unsecured	(645,825)	619,585	(ii)	(26,240)
Trade payables	(8,934)	–		(8,934)
Accruals and other payables	(125,823)	123,558	(iii)	(5,265)
	<u>(783,582)</u>	<u>743,143</u>		<u>(40,439)</u>
Net current assets/(liabilities)	<u>(774,329)</u>	<u>868,085</u>		<u>93,756</u>
Deferred taxation	(1,764)	–		(1,764)
NET ASSETS/(LIABILITIES)	<u>(740,095)</u>	<u>868,085</u>		<u>127,990</u>
Capital and reserves				
Share capital	54,394	6,429	(iv)	60,823
Reserves	(794,720)	861,656	(v)	66,936
Equity attributable to equity holders of the Company	(740,326)	868,085		127,759
Minority interests	231	–		231
TOTAL EQUITY	<u>(740,095)</u>	<u>868,085</u>		<u>127,990</u>

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

**C. NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES
OF THE RESTRUCTURED GROUP**

- i. This adjustment represents the balance of the estimated proceeds from the Subscription of approximately HK\$59,942,000; plus estimated proceeds from the ADM Subscription of HK\$60,000,000 and estimated proceeds from the Placing of HK\$30,000,000; and the deduction of HK\$25,000,000 payment to the Scheme Creditors pursuant to the Scheme.
- ii. This adjustment represents the settlement of the unsecured bank loan and accrued interests of approximately HK\$619,585,000 pursuant to the Scheme. Such unsecured bank loan was arising from the Loan Agreement dated 10 May 2004 entered into between the Company and a group of 13 banks and financial institutions for a credit loan facility of up to US\$80 million.
- iii. This adjustment represents the settlement of the accruals and other payables of the Company of approximately HK\$1,731,000 pursuant to the Scheme and the debts released on transferring First Sight Technology Group Limited, Boomtown Ventures Limited and Far East Global Group Limited to the nominee of the Scheme Administrators totaling approximately HK\$121,827,000.
- iv. This adjustment represents (a) the Capital Reduction of approximately HK\$52,218,000 arising from the reduction of the par value of the 2,175,742,400 issued shares from HK\$0.025 to HK\$0.001; (b) the issues of the Subscription Shares of 4,133,910,560 New Shares at the subscription price of HK\$0.0145 per Subscription Share; (c) the issue of the ADM Subscription Shares of 1,153,846,154 New Shares at the subscription price of HK\$0.052 per ADM Subscription Share; and (d) the issue of the Placing Shares of 576,923,077 New Shares at the price of HK\$0.052 per Placing Share. The issues of the Subscription Shares, the ADM Subscription Shares and the Placing Shares give the share capital of approximately HK\$58,647,000.
- v. This adjustment represents (a) the income of approximately HK\$596,316,000 arising from the settlement of the unsecured bank loan and accrued interests of approximately HK\$619,585,000 and of the accruals and other payables of the Company of approximately HK\$1,731,000 pursuant to the Scheme, after the payment of HK\$25,000,000 to the Scheme Administrators; (b) the credit of approximately HK\$52,218,000 arising from the Capital Reduction to be applied to set off the accumulated losses of the Company as mentioned in (iv) above; (c) the share premium arising from the issues of the Subscription Shares, the ADM Subscription Shares and the Placing Shares in the sum of approximately HK\$91,295,000 as mentioned in (iv) above; and (d) the debts released on transferring First Sight Technology Group Limited, Boomtown Ventures Limited and Far East Global Group Limited to the nominee of the Scheme Administrators totaling approximately HK\$121,827,000 as mentioned in (iii) above.
- vi. No adjustment has been made to reflect any operating results or other events subsequent to 31 December 2007. Also, no adjustment has been made to reflect any future capital expenditure.
- vii. The unaudited pro forma statement of assets and liabilities was prepared based on the assumption that the proposed Capital Restructuring has taken effect.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES OF THE RESTRUCTURED GROUP**

The following is a text of the letter received from the reporting accountants of the Company, ANDA Certified Public Accountants, in respect of the unaudited pro forma statement of assets and liabilities of the Restructured Group which has been prepared for the purpose of incorporation into this circular.



安達會計師事務所 ANDA CERTIFIED PUBLIC ACCOUNTANTS

香港北角英皇道 373 號上潤中心 21 樓 D 室 Unit D, 21/F., Max Share Centre, 373 King's Road, North Point, Hong Kong.

電話 Tel : (852) 2155 8288 傳真 Fax : (852) 2564 2297 電郵 Email : info@andacpa.com 網址 Website : www.andacpa.com

28 May 2008

**The Board of Directors
Far East Pharmaceutical Technology Company Limited
(Provisional Liquidators Appointed)**

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities of Restructured Group, which has been prepared by the Directors, for illustrative purposes only, to provide information about how the proposed Restructuring might have affected the financial position of the Restructured Group presented, for inclusion in Appendix III to the circular of the Company dated 28 May 2008 (the "Circular"). The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out on page 127 to 129 to the Circular. Capitalised terms used herein shall bear the same meaning as those defined in the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the Directors to prepare the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of assets and liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND
LIABILITIES OF THE RESTRUCTURED GROUP**

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of assets and liabilities with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of assets and liabilities is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma statement of assets and liabilities has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**ANDA Certified Public Accountants
Hong Kong**

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and Takeovers Code for the purpose of giving information with regard to the Group and the Investor.

The Directors and the Provisional Liquidators jointly and severally accept full responsibility for the accuracy of the information contained in the circular, other than that relating to the Investor and its Concert Parties, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this circular, have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Investor jointly and severally accept full responsibility for the accuracy of the information relating to the Investor and its Concert Parties contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission, of which would make any statement in this circular misleading.

INTEREST IN SECURITIES OF THE COMPANY**(a) Director's interests in the Company**

As at the Latest Practicable Date, none of the Directors had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of the Listed Companies contained in the Listing Rules.

(b) Substantial Shareholders' interests in the Company

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors and the Provisional Liquidators, the following persons (not being Directors) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under the provision of Divisions 2 and 3 of part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had an opinion in respect of such capital were as follows:

Interest in issued Shares

Name of substantial shareholders	Number of ordinary shares held	% holding
Cai Chong Zhen	917,400,000	42.16%
Zhang Xiuqiong	917,400,000	42.16%
Chen Ching Ken	883,400,000	40.60%
Chen Lin Mei Mei	883,400,000	40.60%
Great Wall Investment Group Limited	883,400,000	40.60%
Trident Corporate Services (B.V.I) Limited (formerly known as “Ansbacher (BVI) Limited”)	883,400,000	40.60%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the Provisional Liquidators were not aware of any other persons (other than Directors) had, or were deemed to have, interest or short positions in the Shares and underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

(c) The Investor’s and ADM’s interests in the Company

As at the Latest Practicable Date, none of the Investor or ADM or their respective directors, their ultimate beneficial owners and other parties acting in concert with any one of them had any interest in the shares, convertible securities, warrants, options and derivatives in respect of the shares of the Company, other than the agreements to subscribe for the Subscription Shares by the Investor pursuant to the Subscription Agreement and to subscribe for the ADM Subscription Shares by ADM pursuant to the ADM Subscription Agreement.

(d) The Placing Agent

As at the Latest Practicable Date, the Placing Agent, its directors and parties acting in concert with any one of them have not had interests in the securities of the Company.

(e) Others

- (i) as at the Latest Practicable Date, none of the subsidiaries or associates of the Company, nor pension funds of the Company or any of its subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) including Asian Capital, P.C.Woo & Co., ANDA Certified Public Accountants, Somerley Limited, Greater China Appraisal Limited or their respective holding companies or subsidiaries has any interest in the securities of the Company;

- (ii) as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to rule 22 of the Code with the Company, the Investor, their respective concert parties or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) as at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company;
- (iv) as at the Latest Practicable Date, no Director has a beneficial shareholding interest in the Company that is able to vote for or against the transactions contemplated in the Restructuring Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement or the Whitewash Waiver; and
- (v) as at the Latest Practicable Date, no person including the Directors, who, prior to the posting of this circular, has irrevocably committed themselves to vote for or against the Subscription, the ADM Subscription, the Placing or the Whitewash Waiver.

DEALINGS IN SECURITIES OF THE COMPANY

(a) The Directors

None of the Directors or their Concert Parties had dealt in the Shares or any underlying securities which carry voting rights of the Company during the Relevant Period.

(b) The Investor and ADM

Save for entering into the Subscription Agreement and the ADM Subscription Agreement, none of the Investor and ADM together with their respective directors and their respective Concert Parties had dealt in any Shares or underlying securities of the Company during the Relevant Period.

(c) Others

- (i) None of the subsidiaries or associates (as defined in the Takeovers Code) of the Company, nor pension funds of the Company or any of its subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) including Asian Capital, Somerley Limited, P.C. Woo & Co., ANDA Certified Public Accountants and Greater China Appraisal Limited or their respective holding companies or subsidiaries has dealt in any securities of the Company during the period commencing on the date of the First Joint Announcement up to the Latest Practicable Date;

- (ii) as at the Latest Practicable Date, no person who had any arrangement of the kind referred to in Note 8 to rule 22 of the Takeovers Code with the Company, the Investor, ADM and their respective Concert Parties or with any person who is an associate (as defined in the Takeovers Code) of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code), had dealt in any securities of the Company; and
- (iii) as at the Latest Practicable Date, no fund managers connected with the Company or any of its subsidiaries had dealt in any securities of the Company during the Relevant period.

INTERESTS AND DEALINGS IN THE SECURITIES OF THE INVESTOR AND ADM

Save as disclosed in the sections headed “ARRANGEMENTS AFFECTING THE DIRECTORS”, neither the Company nor the Directors nor their respective Concert Parties had any interest in the securities of the Investor and ADM, nor had any of them dealt in any such securities during the Relevant Period.

- (i) As at the Latest Practicable Date, save for the Option Deed, any shares of the Company to be acquired by the Investor and Concert Parties with it in pursuance of the Subscription Agreement and ADM Subscription Agreement, were not intended to be transferred, charged or pledged to any other persons; and
- (ii) As at the Latest Practicable Date, save for the Subscription Agreement and ADM Subscription Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Investor, ADM or any person acting in concert with them and any of the directors, recent directors, Shareholders and recent shareholders of the Company having any connection with or dependence upon the Subscription Agreement, ADM Subscription Agreement or the Whitewash Waiver.

MARKET PRICES

Trading in the Shares has been suspended since 17 June 2004. The closing price before suspension was HK\$0.068 per Share which is therefore the closing price prior to the date of this circular and the Latest Practicable Date.

As the trading in Shares has been suspended since 17 June 2004, information about the closing prices of the Shares on the Stock Exchange at the end of each of the calendar months commencing 6 months preceding the date of the First Joint Announcement up to the Latest Practicable Date is not available, and neither are the highest and lowest closing price of the Shares during the Relevant Period.

ARRANGEMENTS AFFECTING THE DIRECTORS

- (a) on 20 May 2008 Access Lead Limited (“Access Lead”) entered into a loan agreement with Merit Faith International Limited (“Merit Faith”), the immediate holding company of the Investor, pursuant to which Access Lead agreed to lend to Merit Faith a loan for the amount of HK\$130 million (the “Loan”). Access Lead is owned as to 55% by Mr. Tai Kai Hing (“Mr. Tai”), an executive Director, as to 25% by the brother of Mr. Tai and as to 20% by the sister of Mr. Tai. The Loan is repayable on demand and bears interest at the rate of 12% per annum. The Loan is secured by a charge over the entire issued share capital of Merit Faith and the Investor. The purpose of the Loan is as follows: as to HK\$70 million to enable the Investor to refinance the liabilities and expenses incurred by the Investor in relation to the Restructuring Proposal; and as to HK\$60 million to finance the payment of the subscription monies for the Subscription Shares under the Subscription Agreement.

Save as disclosed above, as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Investor or ADM or any other person acting in concert with any of them and any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the Restructuring Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement or the Whitewash Waiver or otherwise connected therewith;

- (b) as at the Latest Practicable Date, there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of the Restructuring Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement or the Whitewash Waiver or otherwise connected therewith;
- (c) as at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office in connection with the Restructuring Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement or the Whitewash Waiver or otherwise connected therewith; and
- (d) save as disclosed in paragraph (a) above, as at the Latest Practicable Date, there was no material contract that had been entered into by the Investor, its ultimate beneficial owner and parties acting in concert with any one of them in which the Directors have a material personal interest.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors have any existing or proposed services contract with any members of the Group excluding contracts expiring or determinable by the employer within one year payment of compensations other than statutory compensation.

There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the First Joint Announcement.

There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.

There are not service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

MATERIAL LITIGATIONS

The following are particulars of litigation or arbitration of material importance in which the Company or any of its subsidiaries are engaged and litigation or claims of material importance which are pending or threatened by or against the Company or any of its subsidiaries:

Standard Chartered Bank (Hong Kong) Limited petitioned to the Hong Kong Court for the winding up of the Company on 15 September 2004. The petition was filed as the Company had failed to satisfy the Statutory Demand against it for the repayment of the outstanding syndicated bank loan of approximately US\$80 million and related interest. The petition for repayment of the syndicated bank loan and the related interests will be fully compromised under the Scheme.

Saved as disclosed, neither the Company nor any other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the First Joint Announcement up to the Latest Practicable Date and are or may be material:

- (a) the Restructuring Agreement;
- (b) the Subscription Agreement;
- (c) the Placing Agreement;
- (d) the Restructuring Supplemental Agreement; and
- (e) the ADM Subscription Agreement and its side letter.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Somerley Limited	a licensed corporation to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO
ANDA Certified Public Accountants	Certified Public Accountants (Practising)
Greater China Appraisal Limited	Chartered Valuation Surveyor Registered Professional Surveyor

Each of Somerley Limited, ANDA Certified Public Accountants and Greater China Appraisal Limited has given and not withdrawn its written consent to the issue of this circular with the inclusion of its letters dated 28 May 2008 references to its name in the form and context in which they appear.

EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, each of Somerley Limited, ANDA Certified Public Accountants and Great China Appraisal Limited did not have any shareholding interest in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, each of Somerley Limited, ANDA Certified Public Accountants and Great China Appraisal Limited did not have direct or indirect interests in any assets which had since 30 June 2007 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

CORPORATION INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Principal office	35/F One Pacific Place 88 Queensway Hong Kong
Financial advisor	Asian Capital (Corporate Finance) Limited Suite 1006, Bank of America Tower 12 Harcourt Road Central Hong Kong
Independent financial advisor	Somerley Limited 10/F, Hong Kong Club Building 3A Chater Road Central Hong Kong
Legal advisor in Hong Kong	P.C.Woo & Co. Room 1225, 12th Floor Prince's Building 10 Chater Road Central Hong Kong
Legal advisor as to Cayman Islands Laws	Appleby 8th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
Auditors	ANDA Certified Public Accountants Unit D, 21/F. Max Share Centre 373 King's Road North Point Hong Kong

Independent property valuer	Greater China Appraisal Limited Room 2703 Shui On Center 6-8 Harbour Road Wanchai Hong Kong
Principal banker	Standard Chartered (Hong Kong) Limited
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705GT Grand Cayman Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Tengis Ltd. 26/F Tesbury Center 28 Queen's Road East Hong Kong

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any workday (except public holiday with prior notices) at 12th Floor, Prince Building, 10 Charter Road, Central, Hong Kong at P.C. Woo & Co, from the date of this circular up to and including the date of the EGM and will be displayed on the website of the Company at <http://www.feptcl-399.info/> and on the website of the SFC at www.sfc.hk:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Investor;
- (c) the letter from the Board and the Provisional Liquidators, the text of which is set out on pages 14 to 42 of this circular;
- (d) the letter from the Investor, the text of which is set out on pages 45 to 50 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 of this circular;
- (f) the letter of advice from Somerley Limited, the text of which is set out on pages 51 to 70 of this circular;

- (g) the Auditor's report on the Group for three years ended 30 June 2005, 2006 and 2007 from ANDA Certified Public Accountants, the text of which is set out in Appendix I of this circular;
- (h) the Valuation Report from Greater China Appraisal Limited, the text of which is set out in Appendix II of this circular;
- (i) the accountants' report on the unaudited proforma statement of assets and liabilities of the Restructured Group from ANDA Certified Public Accountants, the text of which is set out in Appendix III of this circular;
- (j) the annual reports of the Company for the three years ended 30 June 2005, 2006 and 2007;
- (k) the interim reports of the Company for the six months ended 31 December 2004, 2005, 2006 and 2007;
- (l) the consent letters referred to in the section headed "Experts and Consents" in this Appendix;
- (m) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and
- (n) the Option Deed.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors at the AGM.

1. SHARE CAPITAL

With effect from Completion, the authorised share capital of the Company will be HK\$100,000,000 comprising 10,000,000,000 New Shares, of which 6,082,254,031 New Shares are to be in issued.

Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum 10% of 608,225,403 New Shares.

2. REASONS FOR THE REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have the general authority from the Shareholders to enable the Company to repurchase its New Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value per New Share and/or earnings per New Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

Pursuant to the Repurchase Mandate, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Cayman Islands.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 30 June 2007, being the date of its latest audited consolidated financial statement. However, the Directors do not intend to make any repurchases to such an extent as would, in circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

Trading in the Shares has been suspended since 17 June 2004. The theoretical closing price before suspension was HK\$0.68 per New Share which is based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange as adjusted for the effect of the Capital Restriction and therefore the closing price prior to the date of this document and the Latest Practicable Date.

5. TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as are known to, or can be ascertained after reasonable enquiry by the Directors and Provisional Liquidators, the shareholding interests of the substantial Shareholders (within the meaning of the Listing Rules) were as follows:

Name of substantial shareholders	Number of ordinary shares held	% holding
Cai Chong Zhen	917,400,000	42.16%
Zhang Xiuqiong	917,400,000	42.16%
Chen Ching Ken	883,400,000	40.60%
Chen Lin Mei Mei	883,400,000	40.60%
Great Wall Investment Group Limited	883,400,000	40.60%
Trident Corporate Services (B.V.I) Limited (Formerly known as "Ansbacher (BVI) Limited")	883,400,000	40.60%

As emanated in the "Letter from the Directors and the Provisional Liquidators" in this circular, the implementation of the Resumption Proposal will result in a significant dilution to the existing Shareholders and therefore after Completion even a full exercise of the Repurchase Mandate will not cause the above substantial shareholders to trigger a general offer under the Takeovers Code.

Upon Completion, the aggregate shareholding of the Investor and its Concert Parties will exceed 50% of the issued share capital of the Company as enlarged by the Subscription Shares, the ADM Subscription Shares and the Placing Shares to be issued to the Investor, ADM and the places under the Placing Agreement. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders by way of poll at the EGM, the Investor may acquire further voting rights in the Company without triggering a general offer obligation under Rule 26 of the Takeover Code.

Accordingly, even a full exercise of the Repurchase Mandate will not cause the Investor and its Concert Parties (including ADM) to trigger a general offer obligation under the Takeovers Code.

Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

6. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the six months preceding the date of this circular.

7. GENERAL

None of the Directors or their associates have any present intention to sell to the Company or its subsidiaries any of the New Shares if the Repurchase Mandate is approved at the EGM and exercised.

No connected person of the Company has notified the Company that he has a present intention to sell to the Company or its subsidiaries New Shares nor has any such connected person undertaken not to do so in the event that the Repurchase Mandate is granted.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, including the maintenance of the Public Float, as well as the applicable laws of Cayman Islands.

The followings are the details of the directors of the Company proposed to be re-elected at the AGM for the year 2007:-

EXECUTIVE DIRECTOR

TAI Kai Hing, aged 34, graduated from the Chinese University of Hong Kong in 1996 with major in Statistics and minor in Economics. He started his career as a business consultant with Andersen Consulting (currently named Accenture (Hong Kong) Limited)) where he participated in numerous major consulting projects for multinational enterprises, namely A.S. Watson Group, Siemens, Colgate-Palmolive and Philip Morris Asia Incorporated. Mr. Tai has also acquired extensive experience from different senior positions held in Informasia Holdings Limited as well as its subsidiaries.

Mr. Tai is the executive director and the chairman of the Company as at the date of this Circular. Mr. Tai will retire and offer himself for re-election at the EGM as executive director. Mr. Tai has not held any directorship in any other listed companies in the last three years. It is proposed that Mr. Tai will be entitled to a fixed sum of HK\$30,000 for each month as ordinary remuneration in respect of her capacity as a member of the Board. Mr. Tai is the spouse of Ms. Choi Suk Ching, another proposed executive director of the Company. Apart from the directorship in the Company and being the spouse of Ms. Choi Suk Ching, he does not have any personal relationship with any other directors, senior management or any substantial or controlling shareholder of the Company.

As at the date of this circular, Mr. Tai is not interested in any share of the Company.

There is no other information relating to Mr. Tai that is required to be disclosed pursuant to Rule 13.51 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and there are no other matters that need to be brought to the attention of holders of securities of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHUNG, Waiman, aged 49, will be retired and offer himself to be re-elected as an independent non-executive Director. Mr. Chung has obtained a Diploma in Business Management in 1992 and 中銀集團銀行課程文憑 (Certificate of Bank of China Banking Course) in 1995. He started working in Kwangtung Provincial Bank, and moved way up to Deputy Manager in charge of the Tai Po Branch, and later Tai Wai Branch. In 1996 after leaving Kwangtung Provincial Bank, Mr. Chung established "Raymond Chung Company", a finance and business consulting firm for corporations in Hong Kong and PRC. In 2004, he set up a new consulting firm, "Excel Linker Capital (Asia) Limited", which focuses on financial services provided to the corporations in the PRC.

Mr. Chung has not held any directorship in any other listed companies in the last three years. It is proposed that Mr. Chung will be entitled to a fixed sum of HK\$15,000 for each month as ordinary remuneration in respect of his capacity as a member of the Board. Mr. Chung does not have any personal relationship with any other directors, senior management or any substantial or controlling shareholder of the Company.

As at the date of this circular, Mr. Chung is not interested in any share of the Company.

There is no other information relating to Mr. Chung that is required to be disclosed pursuant to Rule 13.51 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and there are no other matters that need to be brought to the attention of holders of securities of the Company.

CHIU Koon Shou, Victor, aged 38, is a practicing lawyer and a partner of Victor Chiu Tsang & Partners. Mr. Chiu has over 10 years of experience in the legal industry. Prior to establishing his firm, Mr. Chiu worked for Allen & Overy, Baker & McKenzie, and Clifford Chance. Mr. Chiu has substantial experience in corporate finance, debt restructuring, and insolvency, including regulatory compliance, securities related legislations, and PRC-related financing matters.

Mr. Chiu has not held any directorship in any other listed companies in the last three years. It is proposed that Mr. Chiu will be entitled to a fixed sum of HK\$15,000 for each month as ordinary remuneration in respect of his capacity as a member of the Board. Mr. Chiu does not have any personal relationship with any other directors, senior management or any substantial or controlling shareholder of the Company.

As at the date of this circular, Mr. Chiu is not interested in any share of the Company.

There is no other information relating to Mr. Chiu that is required to be disclosed pursuant to Rule 13.51 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and there are no other matters that need to be brought to the attention of holders of securities of the Company.

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) will be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong on 20 June 2008 at 9:15 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:-

1. To resolve to treat the AGM as annual general meeting of the Company for the year 2004;
2. To receive and consider the audited financial statements and the reports of the directors and the independent auditor’s report for the year ended 30 June 2004.
3. To re-elect directors of the Company and to authorize the board of directors to fix directors’ remuneration;
4. To appoint auditors of the Company and to authorize the board of directors to fix auditor’s remuneration.

By Order of the Board
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)

Tai Kai Hing
Director

For and on behalf of
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)
Lai Kar Yan Derek/Darach E. Haughey
Joint and Several Provisional Liquidators

Hong Kong, 28 May 2008

NOTICE OF AGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

35/F One Pacific Place
88 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) of the meeting and vote in its stead.
2. A form of proxy for use in connection with the AGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. No shareholders of the Company have material interests in the transactions contemplated and nobody is required to abstain from voting on resolutions.

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) will be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong on 20 June 2008 at 9:25 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:-

1. To resolve to treat the AGM as annual general meeting of the Company for the year 2005;
2. To receive and consider the audited financial statements and the reports of the directors and the independent auditor’s report for the year ended 30 June 2005.
3. To re-elect directors of the Company and to authorize the board of directors to fix directors’ remuneration;
4. To appoint auditors of the Company and to authorize the board of directors to fix auditor’s remuneration.

By Order of the Board
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)

Tai Kai Hing

Director

For and on behalf of
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)

Lai Kar Yan Derek/Darach E. Haughey

Joint and Several Provisional Liquidators

Hong Kong, 28 May 2008

NOTICE OF AGM

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35/F One Pacific Place
88 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) of the meeting and vote in its stead.
2. A form of proxy for use in connection with the AGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. No shareholders of the Company have material interests in the transactions contemplated and nobody is required to abstain from voting on resolutions.

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) will be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong on 20 June 2008 at 9:35 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:-

1. To resolve to treat the AGM as annual general meeting of the Company for the year 2006;
2. To receive and consider the audited financial statements and the reports of the directors and the independent auditor’s report for the year ended 30 June 2006.
3. To re-elect directors of the Company and to authorize the board of directors to fix directors’ remuneration;
4. To appoint auditors of the Company and to authorize the board of directors to fix auditor’s remuneration.

By Order of the Board
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)

Tai Kai Hing

Director

For and on behalf of
Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)
Lai Kar Yan Derek/Darach E. Haughey
Joint and Several Provisional Liquidators

Hong Kong, 28 May 2008

NOTICE OF AGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

35/F One Pacific Place
88 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) of the meeting and vote in its stead.
2. A form of proxy for use in connection with the AGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. No shareholders of the Company have material interests in the transactions contemplated and nobody is required to abstain from voting on resolutions.

NOTICE OF AGM



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)

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) will be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong on 20 June 2008 at 9:45 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:-

ORDINARY RESOLUTIONS

1. To resolve to treat the AGM as annual general meeting of the Company for the year 2007;
2. To receive and consider the audited financial statements and the reports of the directors and the independent auditor’s report for the year ended 30 June 2007;
3. To fix the maximum number of directors and to authorize the board of directors to appoint additional directors up to the maximum number determined;
- 4(a). To re-elect Mr. Chiu Koon Shou, Victor, who is retiring by rotation in accordance with Article 87 of the Company’s articles of association, as a director of the Company; and
- 4(b). To re-elect other directors of the Company and to authorize the board of directors to fix directors’ remuneration;
5. To appoint auditors of the Company and to authorize the board of directors to fix auditor’s remuneration;

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SPECIAL RESOLUTIONS

Resolutions relating to amendment of articles of association of the Company

6. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

“**THAT**, the articles of association of the Company be and hereby amended in the following manner:

Article 2

1. By inserting the following new definition of “associate” before the definition “Auditor”:

“associate” the meaning attributed to it in the rules of the Designated Stock Exchange.”

2. By deleting the existing definition of “clearing house” in its entirety and replacing therewith the following:

“a recognized clearing house within the meaning of Part 1 Schedule 1 of the Securities and Futures Ordinance of Hong Kong or a clearing house recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”

3. By deleting the existing definition of “Subsidiary and Holding Company” in its entirety and replacing therewith the following:

“the meanings attributed to them in the rules of the Designated Stock Exchange and any amendments thereto for the time being in force.”

Article 66

4. By deleting the existing Article 66 in its entirety and replacing therewith the following:

“Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a show of hands every member present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every Member present in person (or, in case of a Member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. On a poll, a Member entitled to more than one vote need not use all his votes or cast all this votes the same way. Notwithstanding

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anything contained in these Articles, where more than one proxy is appointed by a Member which is clearing house (or its nominee), each such proxy shall have one vote on a show of hands. A resolution put to the vote of any general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of any Designated Stock Exchange:

- (a) by the chairman of such meeting; or
- (b) by at least five Members present in person (or, in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person (or, in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person (or, in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.”

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Article 76

- 5. by renumbering Article 76 to Article 76(1) and by inserting the following as new Article 76(2):

“Where any Member is under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

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Article 86(5)

6. By deleting the existing Article 86(5) in its entirety and replacing therewith the following:

“Subject to any provision to the contrary in these Articles the Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

Article 87

7. By deleting the existing Article 87 in its entirety and replacing therewith the following:

“(1) Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one third) shall retire from office by rotation, provided every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Company at the general meeting at which a Director retires may fill the vacated office.

(2) A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Directors who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.”

Article 88

8. By deleting the existing Article 88 in its entirety and replacing therewith the following:

“No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless during the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, there shall have been lodged at the Office or at the head office a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also

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a Notice signed by the person to be proposed of his willingness to be elected, provided that the minimum length of the period during which such Notices to the Company may be given will be at least 7 days.”

Article 103

9. By deleting the existing Article 103 in its entirety and replacing therewith the following:

“(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or an other proposal in which he or any of his associate(s) is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company of any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or

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- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent, or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) is/are the holder(s) of or beneficially interested in five (5) per cent or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which Director and/or his associate(s) holds five (5) per cent or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

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Article 159

10. By deleting the existing Article 159 in its entirety and replacing therewith the following:

“Any Notice or document from the Company to a Member shall be given in writing or by cable, telex or facsimile transmission message and to the extent permitted by the rules of the Designated Stock Exchange and the Law from time to time and subject to this Article, such Notice or document may be contained in an electronic communication. Except where expressly stated, any such Notice and (where appropriate) any other document may be served or delivered by the Company on or to any Member pursuant to this Article (including any corporate communication within the meaning ascribed thereto by the rules of the Designated Stock Exchange) either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders. Without limiting the generality of the foregoing but subject to the Law and the rules of the Designated Stock Exchange, a Notice or document may be served or delivered by the Company to any Member by electronic means to such electronic address as may from time to time be authorised by the Member concerned or by publishing it on a computer network and notifying the Member concerned in such manner as he may from time to time authorised, that it has been so published.”

Article 160

11. By deleting the “and” at the end of Article 160(a) and by renumbering the existing Article 160(b) to Article 160(c) and to insert the following new Article 160(b):

“if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the Member concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or other document published by way of advertisement or on a computer network shall be deemed to have been served or delivered on the day it was so published; and”

NOTICE OF AGM

Article 161

12. By renumbering the existing Article 161(2) to Article 161(3), Article 161(3) to Article 161(4) and by inserting the following new Article 161(2):

“Any Notice or document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid envelope or wrapper addressed to the Company or to such office at the head office or Office. The Board may from time to time specify the form and manner in which a notice may be given to the Company by electronic means, including one or more addresses for the receipt of an electronic communication, and may prescribe such procedures as they think fit for verifying the authenticity or integrity of any such electronic communication. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Board.”

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

For and on behalf of
**Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)**
Lai Kar Yan Derek/Darach E. Haughey
Joint and Several Provisional Liquidators

Hong Kong, 28 May 2008

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

35/F One Pacific Place
88 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) of the meeting and vote in its stead.
2. A form of proxy for use in connection with the AGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. No shareholders of the Company have material interests in the transactions contemplated and nobody is required to abstain from voting on resolutions.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Far East Pharmaceutical Technology Company Limited (Provisional Liquidators Appointed) (the “Company”) will be held at Room 704, 3 Lockhart Road, Wanchai, Hong Kong on 20 June 2008 at 10 a.m. or immediately after the annual general meeting for the year 2007 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

SPECIAL RESOLUTION

1. “THAT:

- a) the par value of every share of the Company (“Shares”) be reduced from HK\$0.025 to HK\$0.001 and the credit generated from the capital reduction of the issued share capital of approximately HK\$52.2 million (“Capital Reduction”) be applied in a manner as permitted by the laws of the Cayman Islands, including but not limited to, the setting off of part of the accumulated losses of the Company of approximately HK\$1,105.22 million as at 30 June 2007;
- b) the existing un-issued share capital of the Company of HK\$45,606,440, after the Capital Reduction, be cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to HK\$2,175,742.40 (“Capital Cancellation”);
- c) immediately upon the Capital Reduction and the Capital Cancellation becoming effective, every ten (10) shares of HK\$0.001 each be consolidated into one (1) new share (“New Share”), as a result of which 2,175,742,400 issued shares of the Company of HK\$0.001 each will be consolidated into 217,574,240 issued New Shares of HK\$0.01 each (“Share Consolidation”);
- d) immediately upon the Capital Reduction, the Capital Cancellation and Share Consolidation becoming effective, the Company’s authorized share capital be increased from HK\$2,175,742.40 to HK\$100,000,000 by creation of 9,782,425,760 New Shares of HK\$0.01 each; and

NOTICE OF EGM

- e) the directors of the Company be and are hereby authorized to do all such other things and acts and execute all such other documents which they consider necessary, desirable, or expedient in connection with the implementation of the capital re-organisation referred to in paragraphs (a) to (d) above.”

ORDINARY RESOLUTIONS

CANCELLATION OF THE SHARE OPTIONS

2. **“THAT** the total 68,000,000 share options (**“Share Options”**) having exercise prices ranging from HK\$0.163 to HK\$0.1924 be cancelled”

CHANGE IN BOARD LOT

3. **“THAT** the New Shares be traded in from board lots of 4,000 shares to board lots of 20,000 shares”.

THE RESTRUCTURING PROPOSAL

4. **“THAT**
- (a) the restructuring agreement (**“Restructuring Agreement”**) and the restructuring supplemental agreement (**“Restructuring Supplemental Agreement”**) dated 28 December 2007 and 14 March 2008 respectively and entered into amongst the Company, Best Champion Holding Limited (**“Investor”**) and the joint and several provisional liquidators of the Company (**“Provisional Liquidators”**) in relation to the restructuring of the Company and transactions contemplated thereunders, a copy of each which have been produced to this meeting and marked “A” and initialed by the chairman of this meeting for the purpose of identification be and are hereby confirmed and approved;
- (b) the subscription agreement dated 28 December 2007 and entered into between the Company and the Investor (**“Subscription Agreement”**) for the purpose of the issuance and allotment of 4,133,910,560 New Shares to the Investor at a subscription price of HK\$0.145 each for a total consideration of HK\$59,941,703.12 (**“Subscription Shares”**) and the transactions contemplated thereunder, a copy of which has been produced to this meeting and marked “B” and initialed by the chairman of this meeting for the purpose of identification be and is hereby confirmed and approved;

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- (c) the subscription agreement dated 9 April 2008 and entered into between the Company and ADM Galleus Fund Limited (“**ADM**”) (“**ADM Subscription Agreement**”) for the purpose of the issuance and allotment of 1,153,846,154 New Shares to ADM at a subscription price of HK\$0.052 each (“**ADM Subscription Shares**”) for a total consideration of approximately HK\$60,000,000 and the transactions contemplated thereunder, a copy of which has been produced to this meeting and marked “C” and initialed by the chairman of this meeting for the purpose of identification be and is hereby confirmed and approved;
- (d) the placing agreement (“**Placing Agreement**”) dated 24 January 2008 and entered into between the Company and Partners Capital Securities Limited (“**Partner Capital**”) for the purpose of the issuance and allotment of 576,923,077 New Shares at the placing price of HK\$0.052 each for a total consideration of approximately HK\$30,000,000 (“**Placing Shares**”) to investors who are independent of and not connected persons of the Company (as defined in the Listing Rules) and independent of and not acting in concert with the Investor, ADM or their respective ultimate beneficial owners, via Partner Capital to subscribe for by itself as principal on a fully underwritten basis the Placing Shares, a copy of which has been produced to this meeting and marked “D” and initialed by the chairman of this meeting for the purpose of identification be and is hereby confirmed and approved;

WHITEWASH WAIVER

- 5. “**THAT**, the waiver (“**Whitewash Waiver**”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) pursuant to Note 1 on dispensations from Rule 26 of the Code in respect of the obligation on the part of the Investor and parties acting in concert with it (including ADM), to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them upon Completion (as defined in the Restructuring Agreement referred to in resolution numbered 4(a) above) be and is hereby approved and the provisional liquidators and the directors of the Company be and are hereby generally and unconditionally authorized to do all such things and take all such action as they may consider necessary or desirable, expedient or appropriate to give effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

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6. **“THAT**, with effect from the completion of the Restructuring Agreement, the Restructuring Supplemental Agreement, the Subscription Agreement, the ADM Subscription Agreement, the Placing Agreement, the Whitewash Waiver and the transactions contemplated thereunder:
- (a) Ms. Choi Suk Ching be and is hereby appointed as an executive director of the Company; and
 - (b) Dr. Leung Wai Cheung be and is hereby appointed as an independent non-executive director of the Company.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

7. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolution:

“THAT:

- (a) subject to paragraph (c) of this resolution below, and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the exercise by the directors during the Relevant Period (as hereinafter defined in this resolution) of all the powers of the Company to allot, issue and deal with any unissued shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;
- (c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares upon the exercise of options which may be granted under any share option scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of shares or rights to acquire shares of the Company; or (iii) any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the total nominal value of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and

NOTICE OF EGM

(d) for the purposes of this resolution:

“Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue”, for the purpose of this resolution, means an offer of shares of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

8. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolution:

“THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

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- (b) the aggregate nominal value of the shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the date of the passing of this resolution, and the authority granted pursuant to paragraph (a) above shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

9. As special business, to consider and, if thought fit, pass the following resolution as ordinary resolution:

“**THAT** conditional upon the ordinary resolutions set out in paragraphs 7 and 8 of this notice being passed, the general mandate granted to the directors to allot, issue and deal in any unissued shares pursuant to the ordinary resolution set out in paragraph 7 of this notice be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution set out in paragraph 8 of this notice, provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue at the date of the passing of this resolution.”

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

For and on behalf of
**Far East Pharmaceutical Technology
Company Limited (Provisional
Liquidators Appointed)**
Lai Kar Yan Derek/ Darach E. Haughey
Joint and Several Provisional Liquidators

Hong Kong, 28 May 2008

NOTICE OF EGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

35/F One Pacific Place
88 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) of the meeting and vote in its stead.
2. A form of proxy for use in connection with the EGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Center, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. In accordance with Rule 7.19(6)(a) of the Listing Rules on The Stock Exchange of Hong Kong Limited, the proposed resolutions no. 4 and 5 are subject to the approval of Independent Shareholders.
4. No shareholders of the Company have material interests in the transactions contemplated and nobody is required to abstain from voting on resolutions.