THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document 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, you should at once hand this document and the accompanying Form(s) of Acceptance to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was affected for transmission to the purchaser or the transferee. This document should be read in conjunction with the Form(s) of Acceptance, the contents of which form part of the terms of the Offer contained therein.

Richlong Group Limited
富龍集團有限公司
(Incorporated in the British Virgin Islands with limited liability)

FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
遠東生物制藥科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 399)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFER BY ASIAN CAPITAL (CORPORATE FINANCE) LIMITED ON BEHALF OF RICHLONG GROUP LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY RICHLONG GROUP LIMITED, ITS ULTIMATE BENEFICIAL OWNERS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

Financial Adviser to the Offeror

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to the Independent Board Committee

SOMERLEY LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 21 to 22 of this document. A letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice in respect of the Offer is set out on pages 23 to 38 of this document.

The procedures for acceptance and settlement of the Offer are set out on pages 39 to 44 in Appendix I to this document and in the accompanying Form(s) of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 7 November 2008 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

17 October 2008

TABLE OF CONTENTS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings:

"Access Lead"	Access Lead Limited, a company incorporated in the British Virgin Islands on 18 April 2008 with limited liability, beneficially owned as to 55% by Mr. Tai, an executive Director, as to 25% by Mr. Tai Kai Sun, and 20% by Ms. Tai Shun Hing, both siblings of Mr. Tai;
"Asian Capital"	Asian Capital (Corporate Finance) Limited, the financial adviser to the Offeror, a corporation licensed under the SFO to conduct the following regulated activities as defined in the SFO: Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management);
"Associate(s)"	having the meaning ascribed thereto under the Listing Rules or the Takeovers Code (as the case may be);
"Best Champion"	Best Champion Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which was wholly-owned by the Debtor prior to the execution of the Deed of Settlement. As at the date of this document, the Offeror holds all the issued shares of Best Champion and Best Champion holds 4,561,516,714 Shares, representing approximately 75% of the Shares in issue;
"Board"	the board of Directors;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"Circular"	the circular issued jointly by the Company and Best Champion dated 28 May 2008 in relation to the restructuring of the Company;
"Closing Date"	Friday, 7 November 2008 or if the Offer is revised or extended, the closing date of the Offer as revised or extended by the Offeror in accordance with the Takeovers Code;
"Company"	Far East Pharmaceutical Technology Company Limited, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Stock Exchange;

"Completion"	completion of the transactions contemplated under the Deed of Settlement;
"Debtor"	Merit Faith International Limited, a company incorporated in the British Virgin Islands with limited liability, wholly and beneficially owned by Mortgagor II;
"Deed of Assignment"	deed of assignment dated 5 September 2008 entered into between Access Lead and the Offeror, pursuant to which Access Lead has assigned to the Offeror the benefits of all moneys due and owing from the Debtor under the Loan Agreement, whether principal, interest or otherwise, under or in connection with or arising from the Loan together with all rights, title and interests in and to the Loan Agreement and the securities given to Access Lead;
"Deed of Settlement"	deed of settlement entered into by the Offeror, the Debtor and Mortgagor II dated 16 September 2008, pursuant to which the Debtor transferred the entire issued share capital of Best Champion to the Offeror in full and final settlement of the Indebtedness;
"Director(s)"	director(s) of the Company;
"Dr. Mao"	Dr. Mao Yumin, the sole shareholder and sole director of Glorious King and one of the directors of the Offeror;
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
"Form(s) of Acceptance"	the form(s) of acceptance and transfer in respect of the Offer;
"Glorious King"	Glorious King Limited, a company incorporated in the British Virgin Islands on 28 May 2002 with limited liability, which is wholly and beneficially owned by Dr. Mao;
"Goldride" or "Placing Agent"	Goldride Securities Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) of the regulated activities as defined under the SFO;
"Group"	the Company and its subsidiaries;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;

"Indebtedness"	HK$133,550,684.93, being the principal amount of the Loan and interest accrued thereon up to and including 16 September 2008;
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung, formed by the Company to consider the Offer;
"Independent Shareholders"	Shareholders other than the Offeror, its ultimate beneficial owners and parties acting in concert with any of them;
"Independent Third Parties"	a third party independent of the Offeror, its ultimate beneficial owners, the Company and parties acting in concert with any of them;
"Joint Announcement"	the announcement dated 26 September 2008 jointly made by the Company and the Offeror in relation to, inter alia, the Deed of Settlement and the Offer;
"Last Trading Day"	16 September 2008, being the last trading day of the Shares prior to their suspension of trading on the Stock Exchange on 17 September 2008;
"Latest Practicable Date"	14 October 2008, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan"	the loan in the principal amount of HK$130,000,000 advanced by Access Lead to the Debtor pursuant to the Loan Agreement;
"Loan Agreement"	the loan agreement dated 20 May 2008 made between Access Lead as lender and the Debtor as borrower, pursuant to which Access Lead made available the Loan to the Debtor;
"Mortgagor II"	Start Grand Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, wholly owned by Mr. Han Xianfu;
"Mr. Tai"	Mr. Tai Kai Hing, an executive Director;

"Offer"	the mandatory unconditional cash offer to be made by Asian Capital on behalf of the Offeror for all the issued Shares other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them in accordance with the Takeovers Code;
"Offeror" or "Creditor"	Richlong Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to approximately 33.33% by Access Lead and as to approximately 66.67% by Glorious King;
"Offer Price"	HK$0.03, being the price per Offer Share at which the Offer will be made;
"Offer Share(s)"	issued Share(s) other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them;
"Option Deed"	the option deed dated 16 September 2008 entered into between Access Lead and Glorious King, pursuant to which Access Lead has granted a call option to Glorious King and Glorious King has granted a put option to Access Lead, in respect of all the shares in the share capital of the Offeror owned by Access Lead;
"Overseas Shareholders"	the Independent Shareholders whose addresses as they appear in the register of members of the Company are outside Hong Kong;
"party(ies) acting in concert"	having the meaning ascribed thereto under the Takeovers Code;
"Placing Agreement"	the placing agreement made on 14 October 2008 between the Offeror and Goldride in respect of the Placing Shares;
"Placing Shares"	up to 1,520,737,317 Shares, representing approximately 25% of the total issued share capital of the Company as at the Latest Practicable Date;
"PRC"	the People's Republic of China;
"Registrar"	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong;

"Relevant Period"	the period between 26 March 2008 (being the date falling six months prior to 26 September 2008, the date of the Joint Announcement in relation to the Offer) and the Latest Practicable Date;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	holder(s) of the Share(s);
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Somerley" or "Independent Financial Adviser"	Somerley Limited, the independent financial adviser to advise the Independent Board Committee, which is a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Option Deed"	the supplemental option deed entered into between Glorious King and Access Lead on 23 September 2008;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"HK$" and "Cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong; and
"%"	per cent.

The timetable set out below is indicative only and changes to the timetable will be announced by the Offeror.

	2008
Opening date of the Offer *(Note 1)*	Friday, 17 October
Latest time for acceptance of the Offer	4:00 p.m. on Friday, 7 November
Closing Date *(Note 2)*	Friday, 7 November
Announcement of the results of the Offer to be posted on the Stock Exchange's website	7:00 p.m. on Friday, 7 November
Latest date for posting of remittances of the amounts due in respect of valid acceptances received under the Offer *(Note 3)*	Saturday, 15 November

Notes:

1. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn except as permitted under the Takeovers Code.

2. The Offer, which is unconditional, will close at 4:00 p.m. on Friday, 7 November 2008 unless the Offer is revised or extended in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website by 7:00 p.m. on Friday, 7 November 2008 stating whether the Offer has been revised or extended or expired. In the event that the Offer is extended, notice in writing will be given, at least 14 days before the Offer is closed, to those Independent Shareholders who have not accepted the Offer. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this document.

3. Remittances in respect of the cash consideration after deducting the seller's ad valorem stamp duty payable for the Shares tendered under the Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within 10 days after the receipt by the Registrar of a duly completed acceptance from the Independent Shareholders who have accepted the Offer.

Unless otherwise expressly stated, all time references contained in this document are Hong Kong time and dates.

ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

17 October 2008

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
ON BEHALF OF
RICHLONG GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RICHLONG GROUP LIMITED, ITS ULTIMATE BENEFICIAL OWNERS
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

INTRODUCTION

Reference is made to the Joint Announcement made by the Company and the Offeror on 26 September 2008.

On 16 September 2008, the Deed of Settlement was entered into among the relevant parties pursuant to which the Debtor transferred the entire issued share capital of Best Champion to the Offeror in full and final settlement of the Indebtedness in the amount of HK$133,550,684.93. As at 16 September 2008, being the date of the Deed of Settlement, Best Champion held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue.

Upon Completion, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them own approximately 75% of the Shares in issue. Pursuant to Rule 26.1 of Takeovers Code, the Offeror is required to make an unconditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them).

This letter sets out details of the terms of the Offer, information on the Offeror and the intention of the Offeror regarding the future of the Group. Further details of the terms of the Offer are set out in Appendix I to this document.

Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from Somerley contained in this document.

THE DEED OF SETTLEMENT

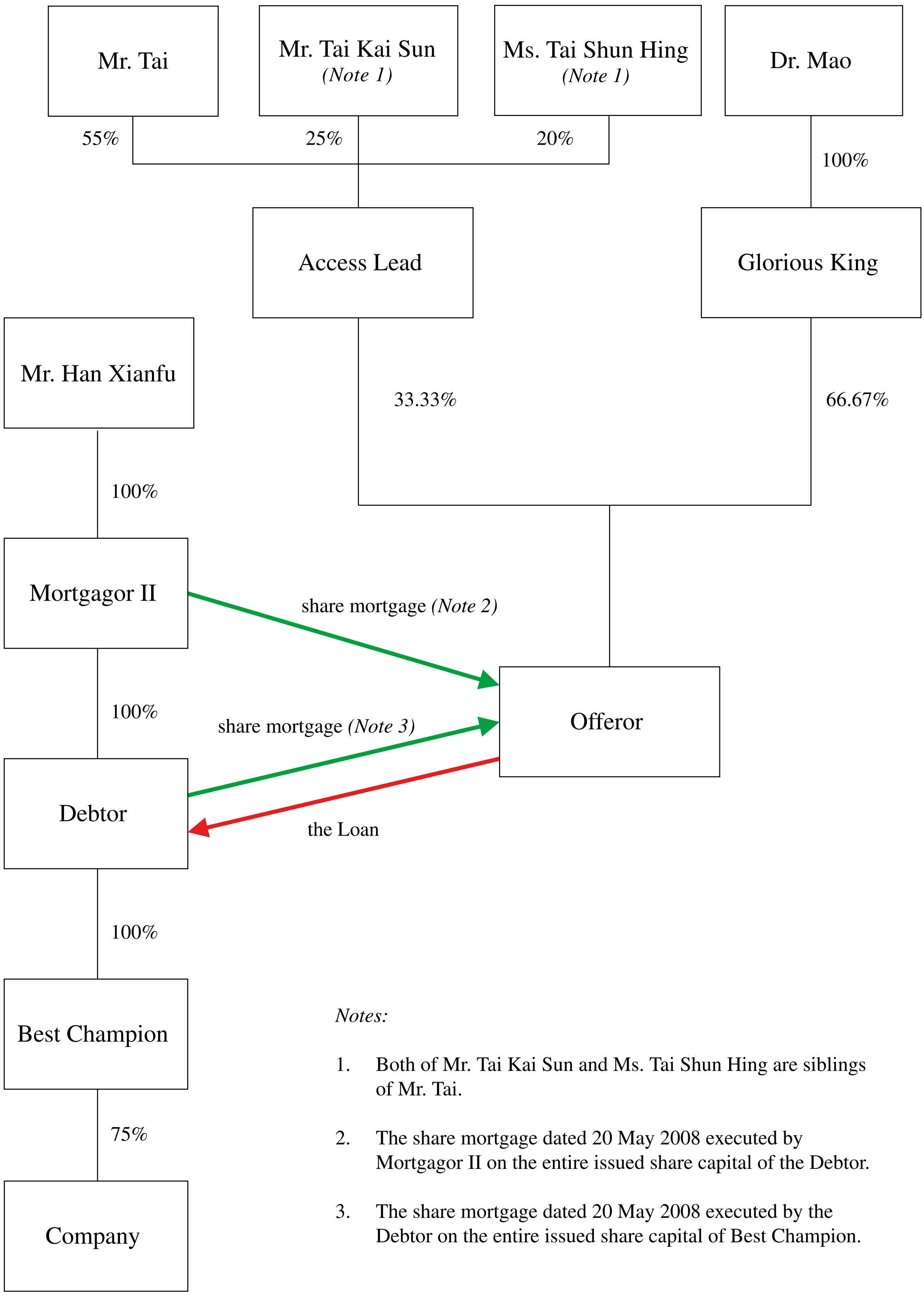
Date	:	16 September 2008
Parties		
Creditor	:	Richlong Group Limited
Debtor	:	Merit Faith International Limited
Mortgagor II	:	Start Grand Holdings Limited

Background to the Deed of Settlement

As disclosed in the Circular, on 20 May 2008, Access Lead as lender entered into the Loan Agreement with the Debtor as borrower and made available to the Debtor the Loan in the sum of HK$130,000,000 to finance Best Champion to discharge its obligations towards the restructuring of the Company. Pursuant to the Loan Agreement, the Loan, which was meant to be for a short term and bore an interest rate of 12% per annum, was repayable within 24 hours upon written demand by Access Lead. To secure the payment obligations of the Debtor under the Loan Agreement, respective share mortgages on the entire issued share capital of the Debtor and Best Champion were provided by the Debtor and Mortgagor II, the sole shareholder of the Debtor. The Loan was drawn down by the Debtor in two tranches on 24 June 2008 and 26 June 2008 respectively.

On 24 July 2008, Access Lead as lender made a demand for the repayment of the Loan. On 25 July 2008, the Debtor requested for a meeting with Access Lead to discuss the matter. Access Lead had been in discussion with the Debtor on the repayment of the Loan since then, but in spite of the discussions, Access Lead neither received repayment of the Loan nor reached an agreement with the Debtor for the repayment of the Loan. Access Lead therefore came to a conclusion that the Debtor might not be able to repay the Loan within a short period of time. To minimize its exposure, and as Glorious King had simultaneously indicated an interest to take up part of the Loan from Access Lead, Access Lead and Glorious King therefore formed a joint venture to take up the assignment of the Loan. On 5 September 2008, the Loan was assigned to the Offeror on a dollar for dollar basis against a promissory note for the entire sum in favor of Access Lead. Simultaneously a letter demanding repayment of the Loan was issued by the Offeror to the Debtor. The parties discussed about the settlement and a deed of settlement in its draft form was sent to the Debtor's legal advisers for review on 12 September 2008. The Deed of Settlement was eventually agreed upon and signed by the parties on 16 September 2008.

The relationships among the Offeror, Access Lead, Glorious King, Mortgagor II, the Debtor, Best Champion and the Company immediately prior to the execution of the Deed of Settlement are set out below:



Notes:

1. Both of Mr. Tai Kai Sun and Ms. Tai Shun Hing are siblings of Mr. Tai.

2. The share mortgage dated 20 May 2008 executed by Mortgagor II on the entire issued share capital of the Debtor.

3. The share mortgage dated 20 May 2008 executed by the Debtor on the entire issued share capital of Best Champion.

Terms of the Deed of Settlement

The assignment of the Loan contemplated under the Deed of Assignment was a commercial decision made by Access Lead with a view to sharing with Glorious King its risk arising from its provision of the Loan to the Debtor.

As at 16 September 2008, being the date of the Deed of Settlement, the Loan together with interest accrued thereon amounted to HK$133,550,684.93. The Deed of Settlement was entered into among the relevant parties pursuant to which the Debtor transferred all of the issued shares of Best Champion to the Offeror in full and final settlement of the Indebtedness.

As at 16 September 2008, being the date of the Deed of Settlement, Best Champion held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue. According to Rule 26.1 of the Takeovers Code, a mandatory general offer was triggered and the Offeror is required to make the Offer to acquire all the issued Shares (other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them).

The Option Deed

On 16 September 2008, the Option Deed (as supplemented by the Supplemental Option Deed) was entered into between Access Lead and Glorious King, pursuant to which Access Lead has granted a call option to Glorious King to require Access Lead to sell, and Glorious King has granted a put option to Access Lead to require Glorious King to purchase, all the shares in the share capital of the Offeror owned by Access Lead at a consideration of HK$45,615,150. The options granted under the Option Deed are exercisable within 6 months from the closing of the Offer. The call option was granted by Access Lead to Glorious King after the parties had come to a consensus that Glorious King should be offered the right to wholly own the Offeror and hence the 4,561,516,714 Shares held by the Offeror through Best Champion. The put option was granted by Glorious King to Access Lead as a reciprocal arrangement to the call option and allows Access Lead to exit. Based on the exercise price of HK$45,615,150, the effective consideration per Share under the put option or call option is HK$0.03.

Mr. Tai has not yet decided whether to exercise the put option and he has no intention to resign as a Director of the Company in the event that the put option or the call option is exercised. If that should happen, leadership of the Company would have to be decided by the Board.

Completion

Completion of the Deed of Settlement took place on 16 September 2008.

THE OFFER

Terms of the Offer

Asian Capital, the financial adviser to the Offeror, will make the Offer on behalf of the Offeror. The Offer will be unconditional and in all respects in compliance with the Takeovers Code and on the following basis:

For every Offer Share . . . . HK$0.03 in cash

As at the Latest Practicable Date, the Company has 6,082,254,031 Shares in issue and there are no outstanding warrants, options, derivatives or securities convertible into Shares.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Joint Announcement, including all dividends and distributions declared, made or paid on or after the date of the Joint Announcement. The Offer is unconditional.

Comparison of value

The Offer Price of HK$0.03 per Share represents:

(a) a discount of approximately 68.75% to the closing price of each Share of HK$0.0960, as quoted on the Stock Exchange on the Last Trading Date;

(b) a discount of approximately 70.06% to the average closing price of HK$0.1002 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;

(c) a discount of approximately 70.06% to the average closing price of HK$0.1002 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;

(d) a discount of approximately 70.93% to the average closing price of HK$0.1032 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;

(e) a premium of approximately HK$0.151 over the net deficit value of the Group of approximately HK$0.121 per Share based on the Group's net liabilities of approximately HK$740.1 million as at 31 December 2007 as extracted from the Group's published 2007 unaudited interim report; and

(f) a discount of approximately 89.83% to the closing price of HK$0.2950 per Share, as quoted on the Stock Exchange on the Latest Practicable Date.

Dealings in the Shares and other securities by the Offeror during the Relevant Period

As at the date of this document, there are no relevant securities in the Company which the Offeror, its ultimate beneficial owners and parties acting in concert with any of them have borrowed or lent. Save for the shares and other securities of the Company owned under the Deed of Settlement, the Option Deed and the Supplemental Option Deed, none of the Offeror, its directors, its ultimate beneficial owners and parties acting in concert with any of them had dealt in or owned any Shares or any other securities of the Company convertible into Shares, including options, warrants, derivatives or subscription rights during the Relevant Period.

Arrangements relating to the Offer

As at the date of this document, save for the Option Deed and the Supplemental Option Deed, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares which might be material to the Offer.

There is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

Total consideration for the Offer

Based on the total number of 6,082,254,031 Shares in issue as at the Latest Practicable Date and the Offer Price of HK$0.03 per Share, the entire issued share capital of the Company is valued at approximately HK$182.47 million. There are 1,520,737,317 Shares subject to the Offer, so the Offer is valued at approximately HK$45.62 million.

Confirmation of Financial Resources

The fund to satisfy the Offeror's obligations under the Offer came from a shareholder's loan made by Dr. Mao (the sole shareholder and sole director of Glorious King) to Glorious King. Glorious King in turn granted an unsecured and interest free shareholder's loan to the Offeror. The Offeror does not intend that the payment of interest (if any) on, repayment of, or security for any liability incurred for funding the Offer will depend to any significant extent on the business of the Company.

Asian Capital, as financial adviser to the Offeror, is satisfied that sufficient financial resources have been made available by the Offeror to meet acceptances in full of the Offer.

Stamp duty

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Offer. Seller's ad valorem stamp duty will be calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. The Offeror will arrange for the payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

Payment

A cheque for payment in respect of acceptances of the Offer will be sent to each accepting Independent Shareholder as soon as practicable but in any event within 10 days from the date on which the Registrar receives the relevant completed Form of Acceptance.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the closing of the Offer.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the letter from the Board on pages 17 to 20 in this document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding. The Offeror is owned as to approximately 33.33% by Access Lead and as to approximately 66.67% by Glorious King. Apart from owning 100% of shareholding of Best Champion, the Offeror does not hold any other assets. The board of directors of the Offeror comprises Dr. Mao and Mr. Tai.

Glorious King, which is 100% owned by Dr. Mao, is an investment holding company which has no other assets apart from approximately 66.67% interest in the Offeror.

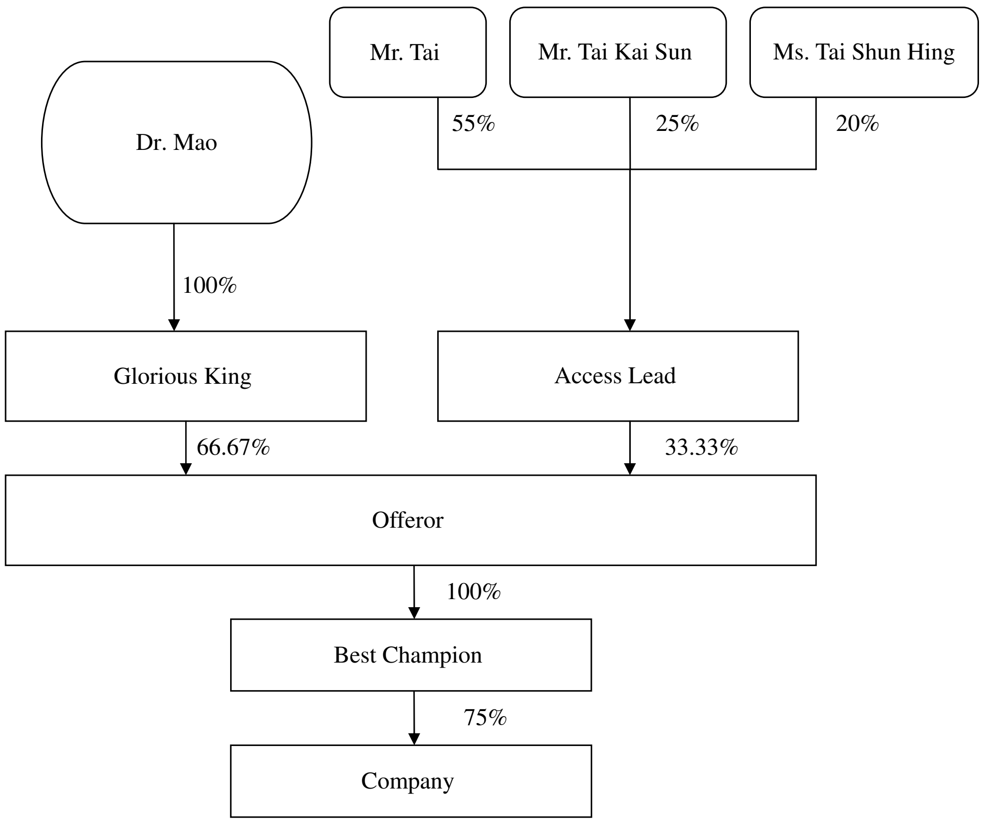
Dr. Mao, aged 56, chairman of the Offeror, is a professor of School of Life Science at Fudan University. Dr. Mao's main area of research focuses on biological and genetic engineering. Dr. Mao has extensive and successful experience in operations in the genomic research based industry. He is also the chairman and executive director of Extrawell Pharmaceutical Holdings Limited, a company whose shares are traded and listed on the Stock Exchange.

Access Lead, whose principal business is investment holding and which is owned as to 55% by Mr. Tai, 25% by Mr. Tai's brother and 20% by his sister, has no other assets apart from approximately 33.33% equity interest in the Offeror and the promissory note for the amount of HK$133,080,547.95 payable by the Offeror pursuant to the Deed of Assignment.

Mr. Tai, aged 34, graduated from the Chinese University of Hong Kong with a major in Statistics and minor in Economics. He started his career as a business consultant with Andersen Consulting (since renamed Accenture (Hong Kong) Limited) where he participated in numerous major consulting projects for multinational enterprises, including 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 an executive Director and the chairman of the Company as at the Latest Practicable Date.

The shareholding structure of the Offeror and its ultimate beneficial owners upon Completion is set as below:



INTENTION OF THE OFFEROR REGARDING THE GROUP

It is the intention of the Offeror that the Group will continue with its existing principal activities, which are manufacturing and distribution of pharmaceutical products, health supplements in the PRC, as well as provision of gene testing services. The Offeror believes that the experience of its controlling shareholders will contribute to the long term prosperity of the Group. The Offeror has no intention to inject any assets or business into the Group, introduce any major change to the existing business, or dispose or re-deploy the assets of the Group other than in its ordinary course of business, and intends that the employees of the Company and its subsidiary will continue to be employed by the Group.

MAINTAINING THE LISTING STATUS OF THE GROUP

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Offer and does not intend to exercise its rights to compulsorily acquire all the Shares. The respective directors of the Company and the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the closing of the Offer to ensure that not less than 25% of the total number of Shares in issue will be held by the public.

On 14 October 2008, the Offeror entered into the Placing Agreement with Goldride. Pursuant to the Placing Agreement, Goldride agreed to procure purchasers for, and failing which to purchase itself, up to 1,520,737,317 Shares (representing approximately 25% of the total issued share capital of the Company as at the Latest Practicable Date) at the price of HK$0.03 per Share during the period commencing from the Closing Date and terminating on the third business day after the Closing Date or such later date as the Offeror and Goldride may agree in writing. Goldride undertakes that it, as placing agent, will procure placees who are Independent Third Parties to purchase the said amount of placing shares of the Company which will not result in itself and/or any of the placees having to purchase more than 10% of the issued share capital of the Company and thereby becoming a substantial Shareholder within the meaning of the Listing Rules. In the eventuality that the Offeror having received acceptances under the Offer resulting in it being interested in more than 75% of the issued share capital of the Company, Goldride will place such number of Shares under the Placing Agreement so that shareholding of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them will not exceed 75% of the issued share capital of the Company, and thus the minimum public float of 25% as required by the Listing Rules can be maintained.

As at the Latest Practicable Date, save for the Placing Agreement, the Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the total number of Shares in issue, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealing in the Shares. Following the closing of the Offer, there may be an insufficient level of public float of the Shares and trading in the Shares may be suspended until a sufficient level of public float is maintained.

TAXATION

The Offer will be open for acceptance from the date of despatch of this document on Friday, 17 October 2008 to Friday, 7 November 2008, both days inclusive. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The Overseas Shareholders will be responsible for the payment of any transfer or other taxes and duties as a result of their acceptance of the Offer.

None of the Company, the Offeror, Asian Capital, the Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the Overseas Shareholders on their individual tax implications. The Overseas Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Company, the Offeror, the Directors, the professional adviser(s) to the Company and the Offeror or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the Overseas Shareholders.

ACCEPTANCE AND SETTLEMENT

The procedures for acceptance and further terms of the Offers are set out in Appendix I to this document.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Offer Shares as nominee for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to paragraph 7(h) in Appendix I to this document.

All documents and remittances sent to the Independent Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, Asian Capital, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

You are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Somerley set out in this document.

Your attention is also drawn to the accompanying Form of Acceptance and the additional information set out in the appendices which form part of this document.

Yours faithfully,
For and on behalf of
Asian Capital (Corporate Finance) Limited
Patrick K.C. Yeung
Managing Director

FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
遠東生物制藥科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 399)

Executive Directors:
Mr. Tai Kai Hing
Ms. Choi Suk Ching

Independent non-executive Directors:
Mr. Chiu Koon Shou, Victor
Mr. Chung Wai Man
Dr. Leung Wai Cheung

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

Principal Place of Business in Hong Kong
Unit G, 12/F, Seabright Plaza
9-23 Shell Street, North Point
Hong Kong

17 October 2008

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
ON BEHALF OF
RICHLONG GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RICHLONG GROUP LIMITED, ITS ULTIMATE BENEFICIAL OWNERS
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

INTRODUCTION

Reference is made to the Joint Announcement made by the Company and the Offeror on 26 September 2008.

On 16 September 2008, the Deed of Settlement was entered into among the relevant parties pursuant to which the Debtor transferred all the issued shares of Best Champion to the Offeror in full and final settlement of the Indebtedness in the amount of HK$133,550,684.93. As at 16 September 2008, being the date of the Deed of Settlement, Best Champion held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue.

Upon Completion, the Offeror, its ultimate beneficial owners and parties acting in concert with any of them own approximately 75% of the Shares in issue. Pursuant to Rule 26.1 of Takeovers Code, the Offeror is required to make an unconditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them).

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. The Independent Board Committee will advise the Independent Shareholders in respect of the Offer. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Offer.

The purpose of this document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer, and to set out the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders and the letter from Somerley containing its advice to the Independent Board Committee in respect of the Offer.

THE OFFER

Asian Capital, as the financial adviser to the Offeror, is making the Offer on behalf of the Offeror on the terms and conditions set out in this document (including, without limitation, the terms set out in Appendix I to this document) and in the Form of Acceptance, on the following basis:

For every Offer Share . . . . HK$0.03 in cash

Further details of the Offer are set out in the letter from Asian Capital on pages 7 to 16 of this document.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is primarily engaged in the manufacturing and distribution of pharmaceutical products, health supplements in the PRC, as well as provision of gene testing services.

Set out below is a summary of the audited financial information of the Group extracted from the published audited consolidated financial statements of the Company for the two years ended 30 June 2006 and 30 June 2007:

	For the years ended 30 June	
	2007	**2006**
	HK$('000)	*HK$('000)*
Revenue	83,111	32,028
Loss before taxation and extraordinary items	(64,131)	(52,953)
Loss after taxation and extraordinary items	(64,141)	(52,953)

	As at 30 June	
	2007	**2006**
	HK$('000)	*HK$('000)*
Net Assets (liabilities)	(718,303)	(654,519)
Value per Share (HK$)	(0.3301)	(0.3008)

Note:

Shareholders and investors should also make reference to the Circular. Pursuant to the restructuring, among other things, the Company raised an aggregate net proceed of approximately HK$150 million by the issuance of new shares. Of this HK$150 million, a sum of HK$25 million (together with any proceeds from the disposal of certain other assets of the Company) were made available to the creditors of the Company to fully settle and discharge all the liabilities of the Company under a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the remaining balance of approximately HK$125 million is to be applied towards supporting the existing and future business activities of the Group and for general working capital of the Group.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed "Intention of the Offeror regarding the Group" in the letter from Asian Capital set out in this document.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company prior to the Offer taking place; as well as immediately upon the closing of the Offer:

	Shareholding immediately prior to the execution of the Deed of Settlement		**Shareholding as at the Latest Practicable Date**		**Shareholding as at the Closing Date assuming full acceptance of the Offer**		**Shareholding as at the third business day after the Closing Date (assuming full acceptance of the Offer and completion of the Placing)**	
	No. of Shares	*% of issued Shares*	*No. of Shares*	*% of issued Shares*	*No. of Shares*	*% of issued Shares*	*No. of Shares*	*% of issued Shares*
Mr. Han Xianfu *(Note 1)*	4,561,516,714	75.00	–	–	–	–	–	–
The Offeror, its ultimate beneficial owners and parties acting in concert with any of them *(Note 2)*	–	–	4,561,516,714	75.00	6,082,254,031	100.00	4,561,516,714	75.00
Public Shareholders	1,520,737,317	25.00	1,520,737,317	25.00	–	–	1,520,737,317	25.00
Total	6,082,254,031	100.00	6,082,254,031	100.00	6,082,254,031	100.00	6,082,254,031	100.00

Notes:

1. Reference is made to the charts regarding the relationships between Mr. Han Xianfu, Mortgagor II, the Debtor, the Company and the Offeror on page 9 in the letter from Asian Capital. Immediately prior to the execution of the Deed of Settlement, Best Champion was ultimately beneficially owned by Mr. Han Xianfu.

2. Pursuant to the Deed of Settlement, the Offeror acquired from the Debtor all of the issued shares of Best Champion, which owns 4,561,516,714 Shares. Immediately after the Completion, the Offeror is indirectly interested in 4,561,516,714 Shares, representing approximately 75% of the Shares in issue.

RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and Somerley as set out on pages 21 to 22 and pages 23 to 38 of this document, respectively, which set out their recommendations in relation to the Offer and the principal factors considered by them in arriving at their recommendations.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, you should consider your own tax positions and, if you are in doubt, you should consult your professional advisers.

You are recommended to read the letter from Asian Capital as well as the procedures for acceptance of the Offer as set out in Appendix I to this document and the accompanying Form(s) of Acceptance.

Your attention is also drawn to the additional information contained in other appendices to this document.

By order of the Board
Tai Kai Hing
Director

FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
遠東生物制藥科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 399)

17 October 2008

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY ASIAN CAPITAL (CORPORATE FINANCE) LIMITED ON BEHALF OF RICHLONG GROUP LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY RICHLONG GROUP LIMITED, ITS ULTIMATE BENEFICIAL OWNERS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

We refer to this document dated 17 October 2008 issued jointly by the Company and the Offeror, of which this letter forms part. Terms defined elsewhere in the document of which this letter forms part shall have the same meanings when used in this letter unless the context otherwise requires.

As the independent non-executive Directors who are independent of the parties to the Offer, we have been appointed as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned.

Somerley has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from Somerley" as set out on pages 23 to 38 of this document.

Having considered the terms of the Offer and the letter of advice from Somerley, we take the recommendation from Somerley and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to accept the Offer.

However, we would recommend you to closely monitor the market price and liquidity of the Shares on the Stock Exchange during the period of the Offer. You should consider selling your Shares in the open market where possible instead of accepting the Offer, if the net proceeds from the sale exceed the amount receivable under the Offer.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Chiu Koon Shou, Victor, **Chung Wai Man,** **Dr. Leung Wai Cheung**
Independent Non-executive Directors

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 composite offer document.

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

17 October 2008

To: *the Independent Board Committee*
and the Independent Shareholders of
Far East Pharmaceutical Technology Company Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
BY
ASIAN CAPITAL (CORPORATE FINANCE) LIMITED
ON BEHALF OF
RICHLONG GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RICHLONG GROUP LIMITED, ITS ULTIMATE BENEFICIAL OWNERS
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the Offer. Details of the Offer are set out in the Letter from the Board contained in the composite offer document (the "**Document**") of the Company to the Shareholders dated 17 October 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Document.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable, and as to acceptance. We, Somerley Limited, have been appointed to advise the Independent Board Committee in the same regard.

Except that Somerley Limited has been appointed as the independent financial adviser to the independent board committee of Extrawell Pharmaceutical Holdings Limited ("**Extrawell**") in which Dr. Mao is the chairman and executive director and a substantial shareholder of Extrawell, in relation to a connected transaction of Extrawell, Somerley Limited has had no other business relationship with Dr. Mao and is not associated with the Company and the Offeror, or their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them respectively. Accordingly, Somerley Limited is considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment and other similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, or their substantial Shareholders or any party acting in concert, or presumed to be acting in concert with any of them.

In formulating our opinion, we have reviewed, among other things, the letter from Asian Capital and the letter from the Board as set out in this Document, the circular of the Company dated 28 May 2008 (the "**Circular**") in relation to, among other things, the restructuring proposal of the Group (the "**Restructuring Proposal**"), the published financial information and latest management accounts of the Group. We have discussed with the Board regarding the past performance and future prospects of the Group and have also reviewed the trading performance of the Shares on the Stock Exchange, valuation of comparable companies, and have considered the future intentions of the Offeror regarding the Group.

We have also relied on the information and facts supplied, and the opinions expressed, by the Company 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 continue to be true, accurate and complete in all material aspects. We have also sought and received confirmation from the Company 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, accuracy and completeness of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Offeror or Associates of any of them, nor have we carried out any independent verification of the information supplied.

In relation to the Offer, we have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offer since these are particular to their individual circumstances. In particular, Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background

(a) Information on the Group and background leading to the Offer

The Group is principally engaged in manufacturing and distribution of pharmaceutical products and health supplements in the PRC, as well as provision of gene testing services.

Trading in the Shares had been suspended since 17 June 2004 at the direction of the Stock Exchange. On 15 September 2004, one of the lending banks of the syndicated bank loan of a US$80.0 million (representing approximately HK$624 million) facilities arrangement (the "**Syndicated Bank Loan**") issued a winding-up petition against the Company. Owing to the Company's failure for repayment of the outstanding principal and unpaid interest in relation to the Syndicated Bank Loan of approximately US$57.8 million (representing approximately HK$451 million), Messrs. Lai Kar Yan Derek and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed on 22 September 2004 as joint and several provisional liquidators of the Company by the Hong Kong Court (the "**Provisional Liquidators**"). The Company was subsequently put into the third stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules by the Stock Exchange.

On 28 December 2007, the Company, the Provisional Liquidators and Best Champion entered into the restructuring agreement (supplemented by the supplemental agreement dated 14 March 2008) which included the implementation of, amongst others, the subscriptions of new Shares by Best Champion and ADM Galleus Fund Limited ("**ADM**"), placing of new Shares to independent third parties and the scheme of arrangement between the Company and its creditors. Details in respect of the restructuring of the Company were set out in the Circular.

Also as disclosed in the Circular, the Loan Agreement dated 20 May 2008 was entered into between Access Lead as lender and the Debtor as borrower pursuant to which the Loan of HK$130 million was advanced by Access Lead to the Debtor. According to the letter from Asian Capital in the Document, the purpose of the Loan was to finance Best Champion to discharge its obligations towards the restructuring of the Company and the payment obligations of the Debtor under the Loan Agreement were secured by share mortgages on the entire issued share capital of the Debtor and Best Champion.

As one of the conditions precedent of the subscription by ADM, Best Champion and ADM entered into an option deed (the "**ADM Option Deed**") on 9 April 2008 which contained, amongst other things, a call option in favour of Best Champion pursuant to which Best Champion was entitled to require ADM to transfer to Best Champion all (but not part only) of the Shares subscribed by ADM and reciprocally a put option in favour of ADM pursuant to which ADM was entitled to require Best Champion to purchase from ADM all (but not part only) of the Shares subscribed by ADM. Details of the ADM Option Deed were set out in the Circular.

As reported in the announcement of the Company dated 10 July 2008, all the conditions set out in the decision letter issued by the Listing Appeals Committee on 10 October 2007 in relation to the decision to conditionally allow the Company to proceed with the Restructuring Proposal, had been fully complied with as of 9 July 2008. Following the discharge of the Provisional Liquidators on 11 July 2008, trading of the Shares was resumed on 18 July 2008 (the "**Resumption Date**").

On 24 July 2008, Access Lead, as lender, made a demand for repayment of the Loan. As stated in the letter from Asian Capital in the Document, while Access Lead believed that the Debtor might not be able to repay the Loan within a short period of time, to minimize its exposure and as Glorious King had simultaneously indicated an interest to take up part of the Loan from Access Lead, Access Lead and Glorious King formed a joint venture, being the Offeror, to take up the assignment of the Loan.

On 16 September 2008, the Deed of Settlement was entered into among the relevant parties pursuant to which the Debtor transferred the entire issued share capital of Best Champion to the Offeror in full and final settlement of the Indebtedness in the amount of HK$133,550,684.93. In addition, the Option Deed (as supplemented by the Supplemental Option Deed) was entered into between Access Lead and Glorious King on 16 September 2008, pursuant to which Access Lead has granted a call option to Glorious King to require Access Lead to sell, and Glorious King has granted a put option (the "**Put Option**") to Access Lead to require Glorious King to purchase, all the shares in the share capital of the Offeror owned by Access Lead at a consideration of HK$45,615,150 (the "**Put/Call Option**"). The options granted under the Option Deed are exercisable within 6 months from the closing of the Offer. Further details of the background of the Deed of Assignment, the Deed of Settlement and the Option Deed are set out in the letter from Asian Capital in the Document.

Pursuant to the Deed of Assignment and the Deed of Settlement, and upon Completion, the Offeror and parties acting in concert with it are interested in 4,561,516,714 Shares, representing approximately 75% of the Shares in issue. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is obliged to make the Offer to acquire all the issued Shares other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them.

(b) Historical financial information of the Group

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

		30 June		31 December
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	29,061	32,028	83,111	162,663
Cost of sales	(25,618)	(27,821)	(79,151)	(159,490)
Gross profit	3,443	4,207	3,960	3,173
Other income	818	9	106	14,105
Selling expenses	(3,018)	(4,269)	(3,674)	(3,354)
Administrative expenses	(6,392)	(2,964)	(4,066)	(3,119)
Loss from operations	(5,149)	(3,017)	(3,674)	10,805
Finance cost	(35,848)	(49,936)	(60,457)	(32,497)
Loss before taxation	(40,997)	(52,953)	(64,131)	(21,692)
Loss attributable to equity holders	(40,997)	(52,953)	(64,150)	(21,740)
Total assets	48,377	47,843	45,554	45,251
Total liabilities	(650,300)	(702,362)	(763,857)	(785,346)
Total deficit	(601,923)	(654,519)	(718,303)	(740,095)

The Group has experienced a continuous growth in turnover since 2005, in particular the year ended 30 June 2007 and the six months period ended 31 December 2007. For the two financial years ended 30 June 2006, the turnovers and the gross profits were reported as approximately HK$29.1 million and approximately HK$3.4 million respectively for the year ended 30 June 2005, and as approximately HK$32.0 million and approximately HK$4.2 million respectively for the year ended 30 June 2006. The turnover and gross profit were mainly contributed by the manufacturing and sales of pharmaceutical products by Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited (上海德勝科技集團（安慶）製藥有限公司) ("**Desheng Anqing**"), the 90% owned subsidiary of the Company.

For the year ended 30 June 2007, the turnover 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 a co-operative joint venture of the Company, namely, Shandong Telier Pharmaceutical Co., Ltd. (山東特利爾醫藥有限公司) ("**Telier**"), which was established in April 2007 for distribution of 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.

However, gross margin of the Group during the aforesaid period remains thin. The Group has reported net loss throughout the past three financial years and for the six months period ended 31 December 2007 owing to the substantial finance cost incurred due to the indebtedness carried by the Group. As discussed with the Directors, it is envisaged that the finance cost shall be significantly reduced in the future because of the compromise of debts pursuant to the scheme of arrangement of the Company, which became effective and legally binding in July 2008. However, the gross margin of the Group's operation has remained thin and was not able to cover other selling and administrative expenses of the Group based on the historical financial information.

The Group reported net liabilities as at 30 June of 2005, 2006 and 2007, and 31 December 2007. However, the Group has returned to net asset position following the completion restructuring of the Company. According to the unaudited pro forma statement of assets and liabilities of the restructured Group as set out in the Circular, the net asset value of the restructured Group would be approximately HK$128.0 million, representing approximately HK$0.021 per Share. Independent Shareholders however are reminded that the aforesaid pro forma figures were prepared based on certain assumptions and were set out in the Circular for illustrative purposes only. According to the Listing Rules, the Company is required to publish its audited annual results for the year ended 30 June 2008 before the end of October 2008.

Throughout the past 3 financial years, the Company did not declare or pay any dividends.

(c) Prospects of the Group

The Group's current key businesses include the distribution of pharmaceutical products and health supplements in the PRC and the provision of gene testing services. The manufacturing and distribution of pharmaceutical products businesses and the provision of gene testing services have been principally carried out by Desheng Anqing, Telier and Main Wealth Limited.

Desheng Anqing, which is the subsidiary held as to 90% by the Company, is principally engaged in manufacturing and distribution of generic pharmaceutical products with a thin gross profit margin in Anhui Province (where the production facilities of Desheng Anqing are located) and neighbouring provinces. The Directors are considering to restructure the operation of Desheng Anqing, including but are not limited to, the closure of the existing factory, the proposed construction of a new factory in other location of Anqing and the restructuring of existing indebtedness with the bank and other creditors of Desheng Anqing. According to the Directors, in order to focus its effort in the restructuring of the operation of Desheng Anqing, the Company has suspended the business operation of Desheng Anqing since 1 August 2008.

Telier, which was established in April 2007 and is owned as to 80% by the Company, is principally engaged in marketing and distribution of medicines procured by Telier Marketing and Planning in the PRC pursuant to the co-operative joint venture agreement dated 29 March 2006. Since the resumption of trading in the Shares, Telier has become the sole agent to distribute all over-the-counter pharmaceutical and healthcare products of LaoLaiShou Bio-Technology Co., Ltd. (濟南老來壽生物技術有限公司) ("**LaoLaiShou**") and the sole licensee for operating "LaoLaiShou Health Clubs" in the PRC pursuant to the exclusive distribution agreement and the trademark license agreement entered into between Telier and LaoLaiShou in August 2007. The directors of Telier have commenced discussions with various sub-licensees of LaoLaiShou Health Clubs in the PRC with regard to the mechanism of assimilating the existing licensed LaoLaiShou Health Clubs into Telier. Each of the sub-licensees was requested to execute a sub-licensing agreement with Telier directly. Discussions were also held by the Company with both sub-licensees and LaoLaiShou in relation to the operational, accounting and reporting systems of "LaoLaiShou Health Clubs".

Furthermore, the Directors also advised us that Telier is considering to set up its own LaoLaiShou Health Clubs and dedicated shops in the PRC. The Directors believe that the setting up of own retail shops of Telier and the assimilation of the existing licensed shops into Telier will substantially enhance the profit margin of the Group by capturing the retail sales margin into the Group.

As mentioned in the Circular, in May 2008, the Group was appointed as the sales agent for some other gene-related healthcare products and gene testing services. Main Wealth Limited, a wholly-owned subsidiary of the Company, has entered into the exclusive distribution agreement with China United Gene Health Industry Limited ("**China United Gene Health**") in May 2008 with regard to the provision of gene testing services in Hong Kong. As confirmed by the Directors, China United Gene Health is a company incorporated in Hong Kong owned by third parties independent of the Company, and is the global sole agent holding the exclusive right to license any other parties to distribute the gene testing services. Further in August 2008, the Group entered into another exclusive distribution agreement with China United Gene Health with regard to the provision of gene testing services in the Asia Pacific region (excluding the PRC, Hong Kong and Taiwan). The Group has started the distribution of the gene testing services in Hong Kong and according to the Company, income has been generated from such distribution business since May 2008.

Shareholders are reminded that the Group has only recently completed its restructuring in July 2008. As such, in view of the thin gross margin of the Group's operation which was not able to cover other selling and administrative expenses of the Group based on the historical financial information as more thoroughly discussed in the previous section and that more time will be expected for the restructured business and operations of the Group to be carried out in full force and their results and contributions to become fully reflected in the financial statements of the Group, we consider the financial performance of the Group may not be able to have a significant improvement in the near term.

(d) Intentions of the Offeror

Upon Completion, the Offeror and parties acting in concert with it are interested in 4,561,516,714 Shares, representing approximately 75% of the Shares in issue. As stated in the letter from Asian Capital in the Document, it is the intention of the Offeror that the Group will continue with its existing principal activities. It is also stated that the Offeror has no intention to inject any assets or business into the Group, introduce any major changes to the existing business, or dispose or re-deploy the assets of the Group other than in its ordinary course of business, and intends that the employees of the Company and its subsidiaries will continue to be employed by the Group.

According to the Offeror and the Company, there is no intention that the Board will have any material change after the closing of the Offer. Mr. Tai will continue to be the Chairman and one of the executive Directors and he will continue to be responsible for the daily operations of the Group. Independent Shareholders shall also be reminded that although Mr. Tai and his Associates are the beneficial owners of approximately 33.33% of the Offeror, the Option Deed (as supplemented by the Supplemental Option Deed) was entered into between Access Lead and Glorious King on 16 September 2008 in relation to the Put/Call Option. If the Put/Call Option is exercised on or before the six-months expiry period, Mr. Tai will cease to be a beneficial owner of the Offeror. As stated in the letter from Asian Capital in the Document, Mr. Tai has not yet decided whether to exercise the Put Option and he has no intention to resign as a Director in the event that the Put/Call Option is exercised.

2. Comparison with historical Share prices

As provided in the letter from Asian Capital in the Document, the Offer Price of HK$0.03 per Share is calculated with reference to the consideration paid by the Offeror in acquiring the entire issued share capital of Best Champion pursuant to the Deed of Settlement, being the Indebtedness of HK$133,550,684.93 divided by 4,561,516,714 Shares, the total number of the Shares held by Best Champion as at the date of the Deed of Settlement.

The Offer Price of HK$0.03 per Share represents:

(a) a discount of approximately 68.75% to the closing price of each Share of HK$0.0960, as quoted on the Stock Exchange on the Last Trading Date;

(b) a discount of approximately 70.06% to the average closing price of HK$0.1002 per Share, being the average closing price of Shares as quoted on the Stock Exchange for the 5 trading days respectively immediately prior to and including the Last Trading Date;

(c) a discount of approximately 70.06% to the average closing price of HK$0.1002 per Share, being the average closing price of Shares as quoted on the Stock Exchange for the 10 trading days respectively immediately prior to and including the Last Trading Date;

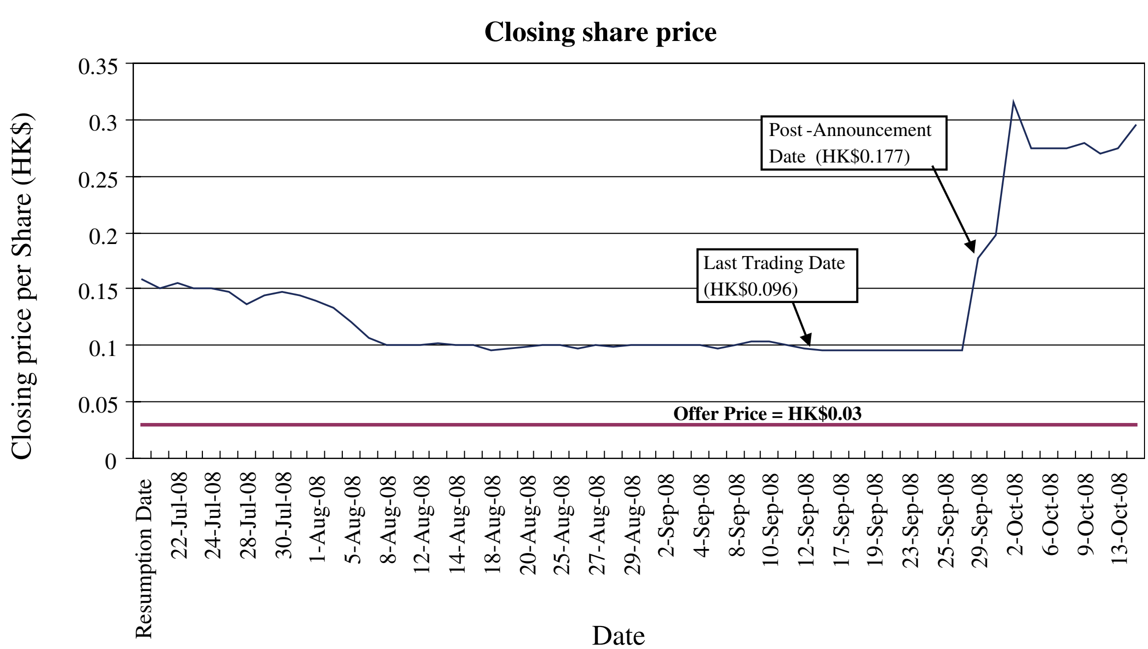
(d) a discount of approximately 70.93% to the average closing price of HK$0.1032 per Share, being the average closing price of Shares as quoted on the Stock Exchange for the 30 trading days respectively immediately prior to and including the Last Trading Date;

(e) a discount of approximately 89.83% to the closing price of each Share of HK$0.2950, as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately HK$0.009 or approximately 42.9% over the pro forma net asset value per Share of the Group of approximately HK$0.021 per Share based on the Group's unaudited pro forma net asset value of approximately HK$128.0 million as extracted from the Circular.

(i) Share price performance of the Company

Set out below is the Share price performance of the Company from the Resumption Date up to and including the Latest Practicable Date:



As set out above, prior to the publication of the Joint Announcement, the closing Share price was HK$0.158 per Share on the Resumption Date and gradually decreased to and stabilized at the level of around HK$0.1 per Share since early August 2008. The closing price per Share was HK$0.0960 on the Last Trading Date. Following the publication of the Joint Announcement, the closing price of the Shares further increased to HK$0.177 on the trading date immediately after the publication of the Joint Announcement (the "**Post-Announcement Date**") and peaked at HK$0.315 on 2 October 2008. The closing price per Share was HK$0.295 on the Latest Practicable Date. The Offer Price represents a discount of approximately 89.83% to the closing price per Share of HK$0.295 as quoted on the Stock Exchange on the Latest Practicable Date.

Given that the Group has been making loss for the past three financial years and for the six months period ended 31 December 2007 and based on the business prospects of the Group as discussed above, we consider that there is uncertainty as to whether the recent increase in trading price of the Shares would be sustainable without the backup by the improvement of the Group's operations in the near term.

(ii) Trading volume of the Shares

Set out below is a table and a chart summarizing the daily trading volume of the Share from the Resumption Date up to and including the Latest Practicable Date:

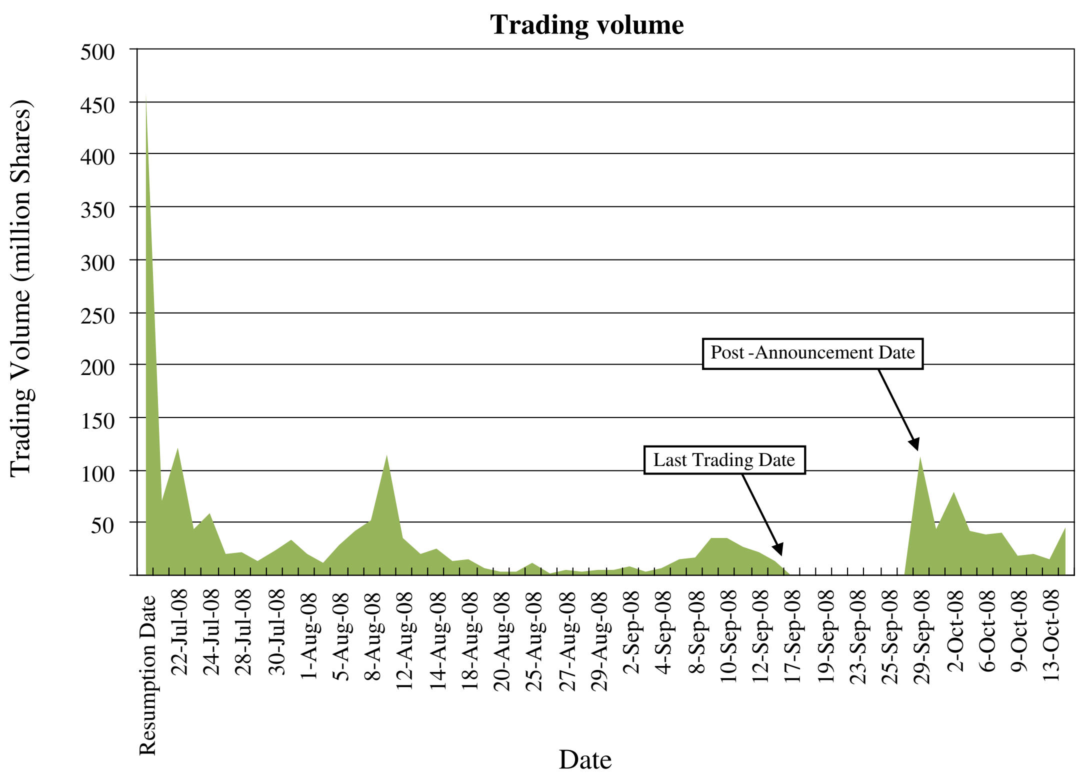
	Average daily trading volume of the Shares *(Note 1)*	**% of total daily trading volume to the total issued share capital of the Company** *(Note 2)*	**% of total daily trading volume to public float** *(Note 3)*
Pre-Joint Announcement:			
From Resumption Date to 31 July 2008	86,535,834	1.42%	5.69%
August 2008	21,906,783	0.36%	1.44%
From 1 September 2008 to the Last Trading Date	17,372,000	0.29%	1.14%
Post-Joint Announcement:			
From the Post-Announcement Date (29 September 2008) to the Latest Practicable Date	45,755,740	0.75%	3.01%
Weighted-average (by number of trading dates)	38,604,732	0.63%	2.54%

Notes:

1. Source: Bloomberg

2. Calculated based on the total issued share capital of the Company of 6,082,254,031 Shares

3. Calculated based on 1,520,737,317 Shares which are not held by Best Champion and/or ADM and their respective Associates



Source: Website of the Stock Exchange

As illustrated in the chart above, trading volume of the Shares was heavy on the Resumption Date. Trading activity slowed down after several trading days from the Resumption Date, which is typical for resumption of trading in securities after prolonged suspension. We also note that the trading volume of the Shares increased substantially on the Post-Announcement Date and slowed down again since then. Also as shown in the table above, the percentage of daily trading volume to the total issued share capital and public float of the Company during the period under review on average amounted to approximately 0.63% and 2.54% respectively. For comparison purposes, we have reviewed the percentage of 3 months average daily trading volume to the respective total issued share capital (the "**Trading Volume Ratio**") of 908 companies listed on the Stock Exchange with market capitalization less than HK$2,000 million as at the Latest Practicable Date. We observed that the average of the Trading Volume Ratio of such companies was approximately 0.12% (source: Bloomberg), which is much lower than the average percentage of daily trading volume to the total issued share capital of the Company of approximately 0.63%. Trading volume of the Shares is, therefore, regarded as relatively active as compared with other companies listed on the Stock Exchange with similar market capitalisation during the same period.

With such relatively high level of average daily trading volume of the Shares, in particular the period after the Post-Announcement Date, Independent Shareholders may consider to realize their investments in the Company in the market should they so wish, provided that the net proceeds of the sale would exceed the amount receivable under the Offer.

3. Comparison with comparable companies

(a) Price to earnings ratio

Price to earnings ratio is regarded as one of the common valuation methods to value pharmaceutical companies such as the Company. However, the Group reported losses for the three financial years ended 30 June 2007 and for the six months period ended 31 December 2007. As such, price to earnings ratio is not available for evaluation purposes.

(b) Price to book ratio

We have identified 15 companies listed on the Mainboard of the Stock Exchange (the "**Industry Comparables**") (i) which are principally engaged in the manufacturing and distribution of pharmaceutical products and health supplements; and (ii) have market capitalization less than HK$2,000 million as at the Latest Practicable Date.

The table below shows the price to book value ratios ("**P/B**") of the Industry Comparables:

Company	Principal business	P/B *(Note 1)* (times)
Asia Resources Holdings Limited (899)	Manufacture and sales of pharmaceutical products	1.47
Wai Yuen Tong Medicine Holdings Limited (897)	Production and sale of Chinese and western pharmaceutical and health food products, bottled birds' nest drinks and herbal essence products and property investments and property holding	0.36
China Grand Pharmaceutical and Healthcare Holdings Limited (512)	Manufacture and sales of Pharmaceutical and health products, properties holding for earning rental income and trading of securities	N/A *(Note 3)*
Ruyan Group (Holdings) Limited (329)	Production and sales of health care products, pharmaceutical products and RUYAN atomizing cigarettes	0.57
Dawnrays Pharmaceutical (Holdings) Limited (2348)	Development, manufacture and sale of non-patented chemical medicines including cephalosporins in sterile bulk medicine and powder for injection forms, their intermediate pharmaceuticals and system specific medicines	0.81
Jiwa Bio-Pharm Holdings Limited (2327)	Research, development, manufacture & sale of pharmaceutical products, including new medicine and generic pharmaceutical products, and to a lesser extent, health-care products	0.70
Vital Pharmaceutical Holdings Limited (1164)	Research and development, selling and manufacturing of pharmaceutical products	0.58
Broad Intelligence International Pharmaceutical Holdings Limited (1149)	Manufacture, sale, research and development of injection solution pharmaceutical products under the Nan Shaolin brandname in the PRC	0.28
Long Far Pharmaceutical Holdings Limited (2898)	Marketing and distribution as well as the research and development of proprietary Chinese medicine under the Group's brandname of Long Far	6.72
Wing Shan International Limited (570)	Manufacture and sale of pharmaceutical products	0.88

Company	**Principal business**		**P/B** *(Note 1)* (times)
China HealthCare Holdings Limited (673)	Production and trading of biotechnology products, procurement of healthcare services and e-commerce distribution of mobile pre-charge		N/A *(Note 3)*
Hua Han Bio-Pharmaceutical Holdings Limited (587)	Research, development, manufacture and sale of gynecological medicine and medicinal healthcare products for women		0.93
Wuyi International Pharmaceutical Company Limited (1889)	Research and development, manufacturing and trading of pharmaceutical products		0.78
Shandong Xinhua Pharmaceutical Company Limited (719)	Development, manufacture and sales of bulk pharmaceuticals, preparations (such as injections and tablets) and chemical products		0.28
Lijun International Pharmaceutical (Holding) Company Limited (2005)	Research, development, manufacture and sale of wide range of finished medicines and bulk pharmaceutical through a network independent retailers		0.61
		Mean	1.15
		Median	0.70
The Company *(Note 4)*			1.43

Note:

1. Source: Bloomberg and website of the Stock Exchange

2. PERs calculated based on closing price of shares of the Industry Comparables as at 14 October 2008 (save for Asia Resources Holdings Limited (899) the closing price of shares of which used for calculation was the closing price of its shares on 10 October 2008, the last trading day before the suspension of trading in its shares during the period from 13 October 2008 to the Latest Practicable Date) and the latest available annual/interim financial results of the Industry Comparables

3. Companies with net liabilities

4. The adjusted P/B of the Company calculated based on the Offer Price and the unaudited pro forma net asset value of the restructured Group of HK$0.021 per Share after taking into account the effect of the Restructuring Proposal as published in the Circular

5. Sanyuan Group Limited (140) has been excluded from the Industry Comparables given that trading in the shares of Sanyuan Group Limited has been suspended since 13 May 2004

As set out in the table above, the Industry Comparables traded at P/Bs ranged from approximately 0.28 times to 6.72 times with an average of approximately 1.15 times and a median of approximately 0.70 times. The adjusted P/B of the Company, which is calculated based on the Offer Price and the unaudited pro forma net asset value of the restructured Group of approximately HK$0.021 per Share after taking into account the effect of the Restructuring Proposal as published in the Circular, amounts to approximately 1.43 times. The adjusted P/B of the Company based on the Offer Price is higher than both the average and the median of the P/Bs of the Industry Comparables.

On the above basis, we consider the adjusted P/B of the Company based on the Offer Price to be favourable.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

- the Group has been making loss for the past three financial years and for the six months period ended 31 December 2007;

- there is no clear sign that the Group's financial performance will improve significantly in the near term given (i) the relatively thin gross margin achieved by the Group in the past three financial years and for the six months period ended 31 December 2007; and (ii) more time will be expected for the restructured business and operations of the Group to be carried out in full force and their results and contributions to become fully reflected in the financial statements of the Group;

- the premium of the Offer Price over the pro forma net asset value per Share of approximately 42.9% compares favourably against the Industry Comparables; and

- the recent upsurge in the trading price of the Shares may not be supported by any historical earnings.

Based on the above, we consider that the Offer Price is fair and reasonable and recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. In view of the recent upsurge of both the trading price and volume of the Shares, in particular the period after the Post-Announcement Date, we recommend the Independent Shareholders who would like to realize part or all of their investments in the Company to closely monitor the market price of the Shares during the Offer period and, instead of accepting the Offer, consider selling their Shares in the market should the proceeds, net of all transaction costs, of such sale exceed the amount receivable under the Offer. For those Independent Shareholders who may not be able to realize a higher return from selling of their Shares in the open market, they are recommended to accept the Offer which provides them with a reasonable exit to realize their investments.

Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the section headed "Procedures for acceptance" in Appendix to the Document, and also the accompany Form of Acceptance.

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

1. PROCEDURES FOR ACCEPTANCE

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:

i. lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

ii. arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

iii. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

iv. if your Shares have been lodged with your investor participant's account maintained with CCASS, execute your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominee Limited.

(c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity to be completed by you in accordance with the instructions given, and return it to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authorization for Asian Capital and/or the Offeror or their respective agent(s) to collect from the Registrar, on your behalf, the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:

i. accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

ii. from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or

iii. certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

(a) Provided the relevant Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the cash consideration due to each accepting Shareholder in respect of the Shares tendered by him under the Offer, less seller's ad valorem stamp duty payable by him, will be despatched to the accepting Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days from the date on which duly completed acceptance which render such acceptance complete and valid are received by the Registrar.

(b) Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances must be received by the Registrar by 4:00 p.m. on 7 November 2008.

(b) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

(c) If the Closing Date is extended, any reference in this document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so extended.

4. NOMINEE REGISTRATION

(a) To ensure equality of treatment of all the Independent Shareholders, those registered Independent Shareholders who hold Shares as nominee for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

(b) The completed Form of Acceptance and remittances sent by or to the Independent Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of the Company (or in the case of joint Independent Shareholders, to the Independent Shareholder whose name stands first in the register of members of the Company).

(c) All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Asian Capital, the Registrar or any of their respective directors or any other persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on Friday, 7 November 2008 (or such later time and/or date the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended. The announcement must state the following:

i. the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

ii. the total number of Shares and rights over Shares held, controlled or directed by the Offeror or persons acting in concert with it before the offer period (as defined under the Takeovers Code);

iii. the details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold; and

iv. the total number of Shares and rights over Shares acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) by the Offeror or persons acting in concert with it. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they could be counted towards fulfilling the acceptance condition under paragraph 1(e) of this Appendix.

(c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

(c) If the Offer is withdrawn or lapses, the Offeror must, as soon as possible but in any event within 10 days thereof, post the share certificates lodged with the Form(s) of Acceptance to, or make such share certificates available for collection by, those Independent Shareholders who have accepted the Offer.

7. GENERAL

(a) All communications, notices, Form of Acceptance, certificates of Shares, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company, the Offeror, Asian Capital, the Registrar nor any of their respective directors or professional advisers nor other parties involved in the Offer accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Asian Capital, or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

(f) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Shares on or after 26 September 2008, being the date of the Joint Announcement. The settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

(g) References to the Offer in this document and in the Form of Acceptance shall include any revision and/or extension thereof.

(h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties as a result of their acceptance of the Offer.

(i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

(j) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Company, the Offeror or Asian Capital or their respective professional advisers. Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Somerley set out in this document, on pages 17 to 20, 21 to 22 and 23 to 38 respectively. Independent Shareholders should consult their own professional advisers for professional advice.

(k) The English text of this document and the Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

RESPONSIBILITY STATEMENT

This document 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 Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document, other than that relating to the Offeror, its ultimate beneficial owners and parties acting in concert with any of them, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document, other than those expressed by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them, have been arrived at after due and careful consideration, and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

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

MARKET PRICES

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.315 per Share on 2 October 2008, and the lowest closing price of Shares as quoted on the Stock Exchange was HK$0.096 per Share on 18 August 2008 and 16 September 2008.

The table below shows the closing prices of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the period commencing six months preceding the date of the Joint Announcement and ending on the Latest Practicable Date (Note); (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price** (HK$)
31 July 2008	0.145
29 August 2008	0.100
Last Trading Day	0.096
30 September 2008	0.197
Latest Practicable Date	0.295

Note: As trading in the Shares was suspended from 17 June 2004 to 17 July 2008, information about the closing prices of the Shares on the Stock Exchange during that period is unavailable.

INTEREST AND DEALINGS IN SECURITIES OF THE COMPANY

(a) Directors of the Company and the Offeror

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company 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 were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered in the register kept by the Company under Section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules were as follows:

Name of Director	Long/Short position	Nature of interest/ Capacity	Number of Shares	Approximate percentage of issued share
Mr. Tai	Long position	Corporate *(Note 1)*	4,561,516,714	75%
	Short position	Corporate *(Note 2)*	4,561,516,714	75%

Notes:

1. The interest disclosed represents the 4,561,516,714 shares held by Best Champion, which is 100% owned by the Offeror. Mr. Tai owns 55% equity interest in Access Lead, which in turn owns approximately 33.33% equity interest in the Offeror. Mr. Tai is a director of each of the Company and the Offeror.

2. The 33.33% equity interest in the Offer held by Access Lead is subject to a call option granted by Access Lead to Glorious King and a put option granted by Glorious King to Access Lead under the Option Deed (as supplemented by the Supplemental Option Deed).

Save for Mr. Tai's involvement in matters relating to the Deed of Assignment, the Deed of Settlement and the Option Deed (as supplemented by the Supplemental Option Deed), none of the directors of the Company or of the Offeror or any of their respective concert parties had dealt in the Shares or any underlying securities which carry voting rights of the Company during the Relevant Period.

(b) Substantial Shareholders

As at the Latest Practicable Date, as far as is known to the Directors, the following persons (other than a Director or chief executive of the Company), had interests in the Shares which would fall to be disclosed to the Company 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 meeting of any other members of the Company or had any options in respect of such capital:

Name	Long/Short position	Nature of interest/Capacity	Number of Shares	Approximate percentage of issued share
Best Champion	Long	Beneficial	4,561,516,714	75%
Offeror	Long	Corporate *(Note 1)*	4,561,516,714	75%
Glorious King	Long	Corporate *(Note 1)*	4,561,516,714	75%
Dr. Mao	Long	Corporate *(Note 1)*	4,561,516,714	75%
Access Lead	Long	Corporate *(Note 2)*	4,561,516,714	75%
	Short	Corporate *(Note 3)*	4,561,516,714	75%

Notes:

1. The interest disclosed represents the 4,561,516,714 shares held by Best Champion, which is wholly owned by the Offeror. The Offeror is owned as to approximately 66.67% by Glorious King and approximately 33.33% by Access Lead. Glorious King is wholly owned by Dr. Mao.

2. Access Lead is owned as to 55% by Mr. Tai and as to 45% by his siblings.

3. The 33.33% equity interest in the Offeror held by Access Lead is subject to a call option granted by Access Lead to Glorious King and a put option granted by Glorious King to Access Lead under the Option Deed (as supplemented by the Supplemental Option Deed).

As at the Latest Practicable Date, save as disclosed above, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had any other interest in the shares, convertible securities, warrants, options and derivatives in respect of the shares of the Company. Save for entering into the Loan Agreement, the Deed of Assignment, the Deed of Settlement and the Option Deed (as supplemented by the Supplemented Option Deed), none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had dealt in any securities of the Company during the Relevant Period nor has any of them borrowed or lent any such securities.

(c) Others

As at the Latest Practicable Date:

(i) no subsidiary of the Company or any pension fund of the Company or of any member of the Group owned or controlled any shares, convertible securities, warrants, options and derivatives in respect of the shares in the Company, nor had any of them dealt in any such securities during the Relevant Period;

(ii) none of the professional advisers named under the section headed "Experts and Consents" in this appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any shares, convertible securities, warrants, options and derivatives in respect of the shares in the Company, nor had any of them dealt in any such securities during the Relevant Period;

(iii) no shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company were managed on a discretionary basis by fund managers connected with the Company, nor had any of them dealt in any such securities during the Relevant Period;

(iv) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code, nor had any of them dealt in any such securities during the Relevant Period;

(v) no person including the Directors, who, prior to the posting of this document, has irrevocably committed themselves to accept or reject the Offer; and

(vi) none of the Company or the Directors has borrowed or lent any shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company.

INTEREST AND DEALINGS IN SECURITIES OF THE OFFEROR

As at the Latest Practicable Date:

(i) save for Mr. Tai's interest disclosed above, neither the Company nor any of the other Directors held any interest in the securities of the Offeror, nor had any of them dealt in any such securities during the Relevant Period; and

(ii) save for the Option Deed and the Supplemental Option Deed, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it, nor had any of them dealt in any such securities during the Relevant Period.

ARRANGEMENTS AFFECTING THE DIRECTORS

As at the Latest Practicable Date:

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror, its ultimate beneficial owners 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 outcome of the Offer;

(b) 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 Offer;

(c) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and

(d) save for the Option Deed and the Supplemental Option Deed, there was no material contract that had been entered into by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them in which the Directors have a material personal interest.

DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far the Directors are aware of, none of the Directors or their respective Associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Company or, any other conflicts of interest with the Company.

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of Directors has 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.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies:

(a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Joint Announcement and up to the Latest Practicable Date;

(b) which are continuous contracts with a notice period of 12 months or more; or

(c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given an opinion or advice which is contained or referred to in this document:

Name	Qualification
Asian Capital (Corporate Finance) Limited	a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance), and 9 (asset management) regulated activities as defined under the SFO
Somerley Limited	a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance), and 9 (asset management) regulated activities as defined under the SFO
Greater China Appraisal Limited	Chartered Valuation Surveyor Registered Professional Surveyor

Each of Asian Capital (Corporate Finance) Limited, Somerley Limited and Greater China Appraisal Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its letter and reference to its name, as the case may be, in the form and context in which it respectively appears.

MATERIAL LITIGATIONS

Neither the Company nor any other member of the Group is engaged in any litigation or claims of material importance nor is the Company aware of any pending or threatened litigation or claims of material importance that may be made against the Company or any of its subsidiaries as the Latest Practicable Date.

MATERIAL CONTRACTS

Save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried on or intend to be carried on by the Group) have been entered into by any member of the Group within the two years preceding the date of the Joint Announcement and up to the Latest Practicable Date:

(a) the restructuring agreement entered into among the Company and Best Champion dated 28 December 2007 in relation to implementation of 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;

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

(c) 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 any placees for, and failing which, to subscribe for by itself as principal on a fully underwritten basis 576,923,077 new Shares (the "Placing Shares") and the Company agreed to issue and allot the Placing Shares at a placing price of HK$0.052 per Placing Share, raising subscription monies in the amount of approximately HK$30 million;

(d) the restructuring supplemental agreement entered into among the Company and Best Champion dated 14 March 2008 in connection with the change of Asia Debt Management Hong Kong Limited to ADM Galleus Fund Limited ("ADM") as the subscriber of 1,153,846,154 new Shares (the "ADM Subscription Shares"); and

(e) the subscription agreement entered into between the Company and ADM dated 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 a subscription price of HK$0.052 per ADM Subscription Share for a total consideration of HK$60 million and its side letter dated 25 April 2008 to ensure consistency between this agreement and the option deed dated 25 April 2008.

Note: For details, please refer to the Circular.

MISCELLANEOUS

(a) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Center, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is Room 925, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong. The principal members of the Offeror are Access Lead, which is beneficially owned by Mr. Tai, Mr. Tai Kai Sun, and Ms. Tai Shun Hing, siblings of Mr. Tai and Glorious King, which is wholly and beneficially owned by Dr. Mao. Mr. Tai is the sole director of Access Lead and Dr. Mao is the sole director of Glorious King.

(b) The registered office of Asian Capital is situated at Suite 1006, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(c) The registered office of Somerley is situated at 10/F, Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(d) The English text of this document and the Forms of Acceptance shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any weekday (except public holiday with prior notice) at the head office and principal place of business of the Company at Unit G, 12/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong, from the date of this document up to and including 7 November 2008, being the Closing Date, 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 Offeror;

(c) the valuation report from Greater China Appraisal Limited, the text of which is set out in Appendix IV of this document;

(d) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(e) the letter from Asian Capital, the text of which is set out on pages 7 to 16 of this document;

(f) the letter from the Board, the text of which is set out on pages 17 to 20 of this document;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this document;

(h) the letter from Somerley, the text of which is set out on pages 23 to 38 of this document;

(i) the annual reports of the Company for the two years ended 30 June 2006 and 30 June 2007;

(j) the consent letters referred to in the section headed "Experts and Consents" in this Appendix;

(k) a copy of the Circular; and

(l) a copy of this document.

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised:		
10,000,000,000	Shares	100,000,000.00
Issued and fully paid:		
6,082,254,031	Shares	60,822,540.31
Number of Shares issued since 30 June 2008 (Note)		
217,574,240	Shares adjusted after capital restructuring, completed on 18 July 2008	2,175,742.40
4,133,910,560	Shares issued on 18 July 2008 pursuant to the subscription agreement with Best Champion dated 28 December 2007	41,339,105.60
1,153,846,154	Shares issued on 18 July 2008 pursuant to the subscription agreement with ADM Galleus Fund Limited dated 9 April 2008	11,538,461.54
576,923,077	Shares issued on 18 July 2008 pursuant to the placing agreement with Partners Capital Securities Limited dated 24 January 2008	5,769,230.77
6,082,254,031		60,822,540.31

Note:

For details, please refer to the Circular.

All the issued Shares rank pari passu in all respects including all rights as to dividends, voting and capital.

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.

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 2005, 2006 and 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 2005, 2006 and 2007 and the latest unaudited condensed consolidated financial statements of the Group for the 6 months ended 31 December 2007, which was published on 2 April 2008.

For each of the three years ended 30 June 2005, 2006 and 2007 and for the 6 months ended 31 December 2006 and 2007, there were no exceptional or extraordinary items and no dividend was declared or paid.

Consolidated income statement

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

Consolidated balance sheet

	As at 31 December (Unaudited)	As at 30 June (Audited)		
	2007	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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	(1,764)	(1,637)	(1,427)	(1,271)
Net liabilities	(740,095)	(718,303)	(654,519)	(601,923)
Attributable to:				
Equity holders of the Company	(740,326)	(718,517)	(654,519)	(601,923)
Minority interests	231	214	–	–
Total equity	(740,095)	(718,303)	(654,519)	(601,923)

Note:

Shareholders and investors should also make reference to the Circular. Pursuant to the restructuring, among other things, the Company raised an aggregate net proceed of approximately HK$150 million by the issuance of new shares. Of this HK$150 million, a sum of HK$25 million (together with any proceeds from the disposal of certain other assets of the Company) were made available to the creditors of the Company to fully settle and discharge all the liabilities of the Company under a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the remaining balance of approximately HK$125 million is to be applied towards supporting the existing and future business activities of the Group and for general working capital of the Group.

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 37, 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 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") entered into 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

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

CONSOLIDATED BALANCE SHEET
At 30 June 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Minority interests	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	54,394	385,249	998	4,170	2	(1,099,332)	(654,519)	–	(654,519)
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	54,394	385,249	998	4,545	(221)	(1,163,482)	(718,517)	214	(718,303)

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2007

	2007	2006
	HK$'000	*HK$'000*
	(Audited)	(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
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)
Cash generated from operations	4,970	3,389
Tax paid	(10)	–
Net cash generated from operating activities	4,960	3,389
Cash flows from investing activities		
Interest received	18	9
Purchase of property, plant and equipment	(1,231)	(992)
Net cash used in investing activities	(1,213)	(983)
Cash flows from financing activities		
Interest paid	(934)	(1,607)
Repayments of borrowings	(3,803)	(1,087)
Capital contribution by minority	205	–
Net cash used in financing activities	(4,532)	(2,694)
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
Cash and cash equivalents at end of year	1,007	2,386
Analysis of cash and cash equivalents		
Bank and cash balances	1,007	2,386
	1,007	2,386

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	**2006**
	HK$'000	*HK$'000*
Sales of pharmaceutical products		
– Manufacturing (Anqing's operation)	30,089	32,028
– Trading (CJV's operation)	53,022	–
	83,111	32,028

8. OTHER INCOME

	2007	**2006**
	HK$'000	*HK$'000*
Interest income	18	9
Sundry income	88	–
	106	9

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	83,111	32,028	–	–	83,111	32,028
Segment results	(3,208)	(2,655)	(572)	(371)	(3,780)	(3,026)
Other income					106	9
Loss from operations					(3,674)	(3,017)
Finance cost					(60,457)	(49,936)
Loss before tax					(64,131)	(52,953)
At 30 June 2007 and 2006						
Segment assets	45,465	47,690	89	153	45,554	47,843
Segment liabilities	52,484	51,519	–	–	52,484	51,519
Unallocated liabilities					711,373	650,843
Total liabilities					763,857	702,362
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	375	355	–	–	375	355

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	**2006**
	HK$'000	*HK$'000*
Interest on bank loans and syndicated borrowings	60,457	49,936

11. INCOME TAX EXPENSE

	2007	**2006**
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	10	–

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	**2006**
	HK$'000	*HK$'000*
Loss before tax	(64,131)	(52,953)
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	11,233	9,267
	10	–

12. LOSS FOR THE YEAR

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

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

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

13. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

	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*
Name of Directors						
Lo Wah Wai, Lowell *(note a)*	77	–	–	–	–	77
Chiu Koon Shou, Victor	180	–	–	–	–	180
Tai Kai Hing *(note b)*	–	–	–	–	–	–
Chung Wai Man *(note b)*	–	–	–	–	–	–
Total for 2007	257	–	–	–	–	257
Lo Wah Wai, Lowell *(note a)*	180	–	–	–	–	180
Chiu Koon Shou, Victor	180	–	–	–	–	180
Total for 2006	360	–	–	–	–	360

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	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	48	47
Discretionary bonus	–	–
Retirement benefit scheme contributions	–	–
	48	47

The emoluments fell within the following band:

	Number of individuals 2007	Number of individuals 2006
Nil – HK$1,000,000	3	3

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	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	15,869	10,125	5	234	26,233
At 30 June 2006	14,184	11,420	77	–	25,681

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

	Buildings	Plant and machinery	Motor vehicles	Construction in progress	Total
At cost	–	23,389	680	234	24,303
At valuation 2007	15,869	–	–	–	15,869
	15,869	23,389	680	234	40,172

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

	Buildings	Plant and machinery	Motor vehicles	Construction in progress	Total
At cost	–	21,924	641	–	22,565
At valuation 2006	14,184	–	–	–	14,184
	14,184	21,924	641	–	36,749

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	**2006**
	HK$'000	*HK$'000*
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
	9,825	9,478

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	**2006**
	HK$'000	*HK$'000*
Raw materials	355	1,384
Finished goods	2,257	2,809
	2,612	4,193

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	**2006**
	HK$'000	*HK$'000*
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
	3,656	4,828

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	**2006**
	HK$'000	*HK$'000*
Bank loans	612,871	555,510

The borrowings are repayable as follows:

On demand or within one year	612,871	555,510
	612,871	555,510
Less: Amount due for settlement within 12 months (shown under current liabilities)	(612,871)	(555,510)
Amount due for settlement after 12 months	–	–

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

	USD	RMB	Total
	HK$'000	*HK$'000*	*HK$'000*
2007			
Bank loans	587,501	25,370	612,871
2006			
Bank loans	527,978	27,532	555,510

The average interest rates at 30 June were as follows:

	2007	2006
Bank loans	11%	10%

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	2006
	HK$'000	*HK$'000*
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	10,513	8,262
	15,933	15,377

24. ACCRUALS AND OTHER PAYABLES

	2007	2006
	HK$'000	*HK$'000*
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	–
	133,416	130,048

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
	HK$'000
At 1 July 2005	1,271
Charge to equity for the year	118
Exchange differences	38
At 30 June 2006 and 1 July 2006	1,427
Charge to equity for the year	126
Exchange differences	84
At 30 June 2007	1,637

26. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorized:		
4,000,000,000 ordinary shares of HK$0.025 each	100,000	100,000
Issued and fully paid:		
2,175,742,400 ordinary shares of HK$0.025 each	54,394	54,394

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		385,249	104,915	(1,081,498)	(591,334)
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		385,249	104,915	(1,141,470)	(651,306)

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	**2006**
	HK$'000	*HK$'000*
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	–
	535	–

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 is 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 interest/power/ profit sharing Direct	Indirect	Principal activities
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.

For the 6 months ended 31 December 2007, there were no extraordinary items or exceptional items and no dividend was declared or paid.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED BALANCE SHEET

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Statutory surplus reserve	Property revaluation reserve	Foreign currency translation reserve	Accu-mulated losses	Total	Minority interests	Total
	HK$'000	*HK$'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)	54,394	385,249	998	4,352	(95)	(1,130,573)	(685,675)	–	(685,675)
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)	54,394	385,249	998	4,740	(485)	(1,185,222)	(740,326)	231	(740,095)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
	(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	82	(2,447)
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	1,007	2,386
Cash and cash equivalents at end of period	810	753
Analysis of cash and cash equivalents		
Cash and bank balances	810	753

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**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of pharmaceutical products	162,663	14,835

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 Six months ended 31 December		Corporate and others Six months ended 31 December		Total Six months ended 31 December	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	162,663	14,835	–	–	162,663	14,835
Segment results	(3,027)	(1,527)	(304)	(273)	(3,331)	(1,800)

4. FINANCE COST

	Six months ended 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans and syndicated borrowings	32,497	29,442

5. INCOME TAX EXPENSE

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

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 *HK$'000* (unaudited)	**30 June 2007** *HK$'000* (audited)
Trade receivables	13,534	13,524
Less: Allowance for bad and doubtful debts	(10,240)	(9,868)
	3,294	3,656

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

	31 December 2007 *HK$'000* (unaudited)	**30 June 2007** *HK$'000* (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	424	164
	3,294	3,656

10. TRADE PAYABLES

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

	31 December 2007 *HK$'000* (unaudited)	**30 June 2007** *HK$'000* (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	5,285	10,513
	8,934	15,933

11. CONTINGENT LIABILITIES

As at 31 December 2007, the Company has contingent liabilities of about HK$110 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

Save as disclosed in the interim report for the six-month period ended 31 December 2007 of the Company and save for the effects of (i) the completion of the capital restructuring, the scheme of arrangement, the subscription of new Shares by Best Champion, the subscription of new Shares by ADM Galleus Fund Limited and the placing of new Shares (details of each of which are set out in the circular of the Company dated 28 May 2008); (ii) the improvement in sales of the Group since 30 June 2007 due to the contributions of the joint venture Shandong Telier Pharmaceutical Company Limited established in April 2007 and the wholly-owned subsidiary Main Wealth Limited established in April 2008; (iii) the suspension of business of Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited (a subsidary held as to 90% by the Company) since August 2008; and (iv) the performance bond paid pursuant to the exclusive distribution agreements entered into between the Group and China United Gene Health Industry Limited in May and August 2008 respectively, the Directors confirm that there are no 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 August 2008, the Group had total outstanding borrowings of approximately HK$31 million, comprising secured bank loans of approximately HK$28 million which were secured by the pledge of the Group's leasehold land and buildings, an amount due to a director of its subsidiary of approximately HK$2 million and an amount due to a minority shareholder of approximately HK$1 million.

As at the close of business on 31 August 2008, the Group did not have any contingent liability.

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 August 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.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

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

17 October 2008

Far East Pharmaceutical Technology Company Limited
Unit G on 12th Floor
Seabright Plaza
Nos. 9-23 Shell Street
North Point
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)制藥有限公司 ("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 August 2008 (referred to as the "valuation date").

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

Based on normal practice, 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.

Based on the legal opinion provided by the PRC Legal Advisor (as defined below), 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.

As long as the relevant Land Use Rights Certificates and Building Ownershop Certificates have been obtained by Desheng Anqing, we have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, based on the legal opinion provided by the PRC Legal Advisor, 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

<table>
<tr><th>Property</th><th>Description</th><th>Particulars of Occupancy</th><th>Market value as at 31 August 2008</th></tr>
<tr>
<td>Land, buildings and structures located at No. 25 Majialing Road Anqing Anhui Province The PRC</td>
<td>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.

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.

<table>
<tr><th>Buildings</th><th>No. of Blocks</th><th>Gross Floor Area (sq.m.)</th></tr>
<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>Dormitory</td><td>8</td><td>2,952.52</td></tr>
<tr><td></td><td>39</td><td>27,079.80</td></tr>
</table>

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.

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.</td>
<td>The property is currently occupied by Desheng Anqing as a production plant of pharmaceutical products.</td>
<td>RMB22,500,000</td>
</tr>
</table>

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 has 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 Buildings 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 Land 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.