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## **FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED**

### **遠東生物制藥科技有限公司**

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

**(Stock Code: 399)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

The board (the “Board”) of directors (the “Directors”) of Far East Pharmaceutical Technology Company Limited (the “Company”) is pleased to announce the audited consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2008 (the “Interim Period”) together with the comparative figures for the previous corresponding period in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements set out in Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as follows:

### **CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended 31 December</b>	
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			<i>(Unaudited)</i>
<b>Turnover</b>	4	<b>189,166</b>	162,663
Cost of sales		<u><b>(183,510)</b></u>	<u>(159,490)</u>
Gross profit		<b>5,656</b>	3,173
Other income	5	<b>631,406</b>	14,105
Selling expenses		<b>(1,913)</b>	(3,354)
Administrative expenses		<u><b>(21,462)</b></u>	<u>(3,119)</u>
<b>Profit from operations</b>		<b>613,687</b>	10,805
Gain on deconsolidation of the subsidiaries	7	<b>134,516</b>	—
Finance cost	8	<u><b>(633)</b></u>	<u>(32,497)</u>
<b>Profit/(loss) before tax</b>		<b>747,570</b>	(21,692)
Income tax expense	9	<u><b>(776)</b></u>	<u>(31)</u>
<b>Profit/(loss) for the period</b>	10	<u><u><b>746,794</b></u></u>	<u><u>(21,723)</u></u>

		<b>Six months ended 31 December</b>	
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			<i>(Unaudited)</i>
<b>Attributable to:</b>			
Equity holders of the Company		<b>746,775</b>	(21,740)
Minority interests		<u><b>19</b></u>	<u>17</u>
		<u><b>746,794</b></u>	<u>(21,723)</u>
<b>Earnings/(loss) per share</b>	12		<i>(Restated)</i>
Basic (HK cents per share)		<u><b>13.48</b></u>	<u>(9.99)</u>
Diluted (HK cents per share)		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

		31 December 2008 HK\$'000	30 June 2008 HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		1,084	24,383
Prepaid lease payments		—	10,368
		<u>1,084</u>	<u>34,751</u>
<b>Current assets</b>			
Inventories		2,821	5,641
Prepayments, deposits and other receivables		70,979	344
Trade receivables	14	9,086	10,828
Prepaid lease payments		—	241
Bank and cash balances		42,504	1,710
		<u>125,390</u>	<u>18,764</u>
<b>Current liabilities</b>			
Bank loans		—	674,146
Trade payables	15	9,286	24,599
Accruals and other payables		6,997	141,810
Current tax liabilities		692	—
		<u>16,975</u>	<u>840,555</u>
<b>Net current assets/(liabilities)</b>		<u>108,415</u>	<u>(821,791)</u>
<b>Total assets less current liabilities</b>		<u>109,499</u>	<u>(787,040)</u>
<b>Non-current liabilities</b>			
Deferred taxation		—	1,430
<b>NET ASSETS/(LIABILITIES)</b>		<u>109,499</u>	<u>(788,470)</u>
<b>Capital and reserves</b>			
Share capital		60,823	2,176
Reserves		48,151	(791,152)
Equity attributable to equity holders of the Company		108,974	(788,976)
Minority interests		525	506
<b>TOTAL EQUITY</b>		<u>109,499</u>	<u>(788,470)</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Unit G, 12/F., Seabright Plaza, 9–23 Shell Street, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the six months ended 31 December 2008, its subsidiaries were principally engaged in manufacturing and distribution of pharmaceutical products and the distribution of gene-testing services.

### **2. BASIS OF PREPARATION**

#### **Deconsolidation of subsidiaries**

Pursuant to a scheme of arrangement (the "Scheme") which became effective on 18 July 2008, three subsidiaries of the Group, namely First Sight Technology Group Limited, Boomtown Ventures Limited and Far East Global Group Limited were transferred to the nominee of the scheme administrators on 11 July 2008 (the "Date of Transfer"). The Group therefore lost control on these subsidiaries since the Date of Transfer. In additions, Hong Kin Holdings Limited, which directly holds 上海德勝科技集團(安慶)製藥有限公司 ("Desheng Anqing"), passed a special resolution on 19 December 2008 that the company be wound up voluntarily. As such, the Group also lost control of these two subsidiaries since then. As such, the financial results, assets and liabilities and cash flows of First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and Desheng Anqing were therefore deconsolidated from the consolidated financial statements of the Group since the respective dates of loss of control of these subsidiaries.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 July 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

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

#### 4. TURNOVER

	Six months ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
		(Unaudited)
Manufacturing and distribution of pharmaceutical products	168,728	162,663
Distribution of gene-testing services	<u>20,438</u>	<u>—</u>
	<u><b>189,166</b></u>	<u><b>162,663</b></u>

#### 5. OTHER INCOME

	Six months ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
		(Unaudited)
Interest income	28	—
Waive of trade payables and other payables	—	13,573
Release of a bank loan and other liabilities pursuant to the Scheme	631,378	—
Sundry income	<u>—</u>	<u>532</u>
	<u><b>631,406</b></u>	<u><b>14,105</b></u>

## 6. SEGMENT INFORMATION

### Primary reporting format — business segments

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

	<b>Manufacturing and distribution</b>		<b>Distribution of gene-testing services</b>		<b>Corporate and others</b>		<b>Total</b>	
	<b>Six months ended 31 December</b>		<b>Six months ended 31 December</b>		<b>Six months ended 31 December</b>		<b>Six months ended 31 December</b>	
	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Turnover	<u>168,728</u>	<u>162,663</u>	<u>20,438</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>189,166</u>	<u>162,663</u>
Segment results	<u>(4,430)</u>	<u>(3,027)</u>	<u>3,194</u>	<u>—</u>	<u>(16,483)</u>	<u>(304)</u>	<u>(17,719)</u>	<u>(3,331)</u>
Other income							<u>631,406</u>	<u>14,136</u>
Profit from operations							<u>613,687</u>	<u>10,805</u>
Gain on deconsolidation of the subsidiaries							<u>134,516</u>	<u>—</u>
Finance cost							<u>(633)</u>	<u>(32,497)</u>
Profit/(loss) before tax							<u>747,570</u>	<u>(21,692)</u>
	<b>31 December</b>	30 June	<b>31 December</b>	30 June	<b>31 December</b>	30 June	<b>31 December</b>	30 June
	<b>2008</b>	2008	<b>2008</b>	2008	<b>2008</b>	2008	<b>2008</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>7,941</u>	46,902	<u>79,610</u>	6,526	<u>38,923</u>	87	<u>126,474</u>	<u>53,515</u>
Segment liabilities	<u>5,194</u>	60,954	<u>5,800</u>	5,577	<u>—</u>	<u>—</u>	<u>10,994</u>	66,531
Unallocated liabilities							<u>5,981</u>	<u>775,454</u>
Total liabilities							<u>16,975</u>	<u>841,985</u>

## Other segment information:

	Six months ended 31 December 2008		Six months ended 31 December 2007		Six months ended 31 December 2008		Six months ended 31 December 2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Capital expenditure	4	11	—	—	25	—	29	11
Depreciation	1,024	1,350	—	—	—	—	1,024	1,350
Amortisation	101	109	—	—	—	—	101	109
Impairment on an amount due from a subsidiary deconsolidated	—	—	—	—	3,226	—	3,226	—
Surplus on revaluation of buildings recognised directly in equity	176	195	—	—	—	—	176	195

## Secondary reporting format — geographical segments

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

## 7. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	Six months ended 31 December 2008		2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)		(Unaudited)	
Gain on deconsolidation of the subsidiaries	134,516	—	—	—

As disclosed in note 2 to the consolidated financial statements, the control over certain subsidiaries including First Sight Technology Group Limited, Boomtown Ventures Limited, Far East Global Group Limited, Hong Kin Holdings Limited and Desheng Anqing had been lost since 11 July 2008 and 19 December 2008. As such, the financial results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group.

Net liabilities of these subsidiaries as at the dates of deconsolidation were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	22,535
Prepaid lease payments	10,554
Trade receivables	1,604
Prepayments, deposits and other receivables	380
Bank and cash balances	1,127
Bank loans	(27,512)
Trade payables	(15,553)
Accruals and other payables	(127,266)
Deferred tax	<u>(1,495)</u>
Net liabilities deconsolidated	(135,626)
Release of foreign currency translation reserve	<u>1,110</u>
Gain on deconsolidation of the subsidiaries	<u><u>(134,516)</u></u>

## 8. FINANCE COST

### Six months ended

#### 31 December

2008 2007

*HK\$'000 HK\$'000*

*(Unaudited)*

Interest on bank loans	<u><b>633</b></u>	<u>32,497</u>
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## 9. INCOME TAX EXPENSE

### Six months ended

#### 31 December

2008 2007

*HK\$'000 HK\$'000*

*(Unaudited)*

Current tax provision for the period		
Hong Kong Profits Tax	<b>684</b>	—
Overseas	<u><b>92</b></u>	<u>31</u>
	<u><b>776</b></u>	<u>31</u>

Hong Kong Profits Tax is provided at 16.5% (2007: 17.5%) based on the assessable profit for 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.



## 10. PROFIT/(LOSS) FOR THE PERIOD

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<i>(Unaudited)</i>
Depreciation	<b>1,024</b>	1,350
Directors' emoluments	<b>656</b>	90
Operating lease charges of land and buildings	<b>241</b>	255
Auditor's remuneration	<b>480</b>	—
Cost of inventories sold	<b>166,506</b>	159,490
Loss on written-off of property, plant and equipment	<b>108</b>	—
Impairment on an amount due from a subsidiary deconsolidated	<b>3,226</b>	—
Staff costs including directors' emoluments		
Salaries, bonus and allowances	<b>1,861</b>	1,341
Retirement benefits scheme contributions	<b>15</b>	—
	<b>1,876</b>	<b>1,341</b>

## 11. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008 (2007: Nil).

## 12. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the earnings/(loss) for the period attributable to equity holders of the Company of approximately HK\$746,775,000 (2007 (unaudited): loss of approximately HK\$21,740,000) and the weighted average number of ordinary shares of 5,540,408,616 (2007: 217,574,240 as adjusted to reflect the shares consolidation) in issue during the period.

### Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the six-month period ended 31 December 2008 and 31 December 2007.

## 13. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, additions to property, plant and equipment of the Group is approximately HK\$29,000.

#### 14. TRADE RECEIVABLES

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

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

	<b>31 December 2008 HK\$'000</b>	<b>30 June 2008 HK\$'000</b>
30 days or less	<b>8,867</b>	5,962
31 to 60 days	<b>219</b>	3,499
61 to 180 days	<b>—</b>	1,124
Over 180 days	<b>—</b>	243
	<b><u>9,086</u></b>	<b><u>10,828</u></b>

As at 31 December 2008, no allowance was made for the trade receivables (30 June 2008: approximately HK\$9,046,000).

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

	<b>31 December 2008 HK\$'000</b>	<b>30 June 2008 HK\$'000</b>
Renminbi ("RMB")	<b>2,476</b>	4,302
Hong Kong dollars	<b><u>6,610</u></b>	<u>6,526</u>
	<b><u>9,086</u></b>	<b><u>10,828</u></b>

#### 15. TRADE PAYABLES

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

	<b>31 December 2008 HK\$'000</b>	<b>30 June 2008 HK\$'000</b>
30 days or less	<b>7,747</b>	7,496
31 to 60 days	<b>23</b>	2,413
61 to 180 days	<b>115</b>	2,707
Over 180 days	<b><u>1,401</u></b>	<u>11,983</u>
	<b><u>9,286</u></b>	<b><u>24,599</u></b>

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

	<b>31 December 2008 HK\$'000</b>	30 June 2008 HK\$'000
RMB	<b>4,170</b>	19,170
Hong Kong dollars	<u><b>5,116</b></u>	<u>5,429</u>
	<u><b>9,286</b></u>	<u>24,599</u>

## 16. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 31 December 2008.

As at 30 June 2008, the Group had contingent liabilities of about HK\$113 million in respect of unpaid service fees. It was expected that all indebtedness of the Company incurred on or before 27 June 2008 would be compromised and discharged in full through the Scheme which became effective on 18 July 2008.

## 17. EVENTS AFTER THE BALANCE SHEET DATE

### Termination of an Exclusive Distribution Agreement

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

On 14 January 2009, Bestdone and China United mutually agreed that the exclusive distribution agreement be terminated with immediate effect by reason of the change of sales strategy of China United. The non-interest bearing deposit of HK\$30,000,000 was repaid to Bestdone on the same date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group Results

Turnover of the Group for the six months ended 31 December 2008 amounted to approximately HK\$189.2 million, representing a 16.29% increase from the six months ended 31 December 2007 (approximately HK\$162.7 million). The increase was mainly contributed by the distribution of the gene testing services which commenced business in May 2008 and contributing about HK\$20.4 million to the Group's turnover for this period. Net profit attributable to the equity holders of the Company for this Interim Period was approximately HK\$746.8 million, compared to a loss of approximately HK\$21.7 million in the previous corresponding period. The profit was mainly due to the recognition of the gain of approximately HK\$631.4 million upon the release of a bank loan and other liabilities pursuant to the Scheme became effective on 18 July 2008 and the gain of approximately HK\$134.5 million upon the deconsolidation of the Group's subsidiaries.

## **Restructuring and General Offer**

Following the great efforts contributed by Messrs. Lai Kar Yan Derek and Darah E. Haughey, both of Deloitte Touche Tohmatsu (appointed by the Honourable Madam Justice Kwan as joint and several provisional liquidators of the Company on 22 September 2004), Best Champion Holdings Limited (“Best Champion”) and the respective advisors, the conditions imposed by the Listing Division of the Stock Exchange were successfully fulfilled on 9 July 2008. The appointment of Ms. Choi Suk Ching as an executive director of the Company (the “Executive Director”) and Dr. Leung Wai Cheung as an independent non-executive director of the Company (the “Independent Non-Executive Director”), became effective from the same date. The winding up petition against the Company was dismissed and the provisional liquidators of the Company were discharged on 11 July 2008 pursuant to a court order dated 8 July 2008.

After the completion of the restructuring of the Company, trading of the shares of the Company (the “Shares”) on the Stock Exchange was resumed on 18 July 2008.

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

On 16 September 2008, pursuant to a deed of settlement entered into by Richlong Group Limited (“Richlong”), Merit Faith and Start Grand (the “Deed of Settlement”), Merit Faith transferred the entire share capital of Best Champion to Richlong for the final settlement in full of an indebtedness in the amount of HK\$133,550,684.93. Richlong was owned as to approximately 33.33% by Access Lead Limited (“Access Lead”) and as to approximately 66.67% by Glorious King Limited (“Glorious King”). Access Lead was beneficially owned as to 55% by Mr. Tai Kai Hing, an Executive Director of the Company, as to 25% by Mr. Tai Kai Sun, and 20% by Ms. Tai Shun Hing, both siblings of Mr. Tai Kai Hing. Glorious King was wholly and beneficially owned by Dr. Mao Yumin.

In accordance with Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Richlong, which then held 4,561,516,714 Shares, representing approximately 75% of the Shares in issue through Best Champion, was required to make an unconditional cash offer to acquire all the issued Shares (other than those already owned by it, its ultimate beneficial owners and parties acting in concert with any of them) (the “Offer”). The price for each Share under the Offer was HK\$0.03. A circular in relation to the terms of the Offer was issued by the Company and Richlong on 17 October 2008. The Offer commenced on the same date and closed on 7 November 2008. Richlong received valid acceptances of 425,563 Shares, representing approximately 0.007% of the issued Shares, which in aggregate became interested in 75.004% of the Shares. A placing agreement was entered on 14 October 2008 (the “Placing Agreement”) between Richlong and Goldride Securities Limited to procure purchasers to maintain the necessary 25% public float for the Company. After the completion of the Placing

Agreement, Richlong and parties acting in concert with any of them were interested in 4,561,682,277 Shares, representing approximately 75% of the Shares in compliance with Rule 8.08 of the Listing Rules.

On 22 December 2008, Access Lead sold its entire shares in Richlong to Glorious King which then indirectly held approximately 75% of the Shares.

Upon the completion of the restructuring of the Company, the financial position of the Group has been substantially improved because approximately HK\$150 million (of which HK\$25 million was transferred to the scheme administrators of the Scheme) has been raised through the share subscription by Best Champion and ADM, the placing of the new shares with Partners Capital Securities Limited and all the liabilities of the Company incurred on or before 27 June 2008, have been discharged through the Scheme.

It is the intention of Richlong, a substantial shareholder of the Company, that the Group will continue with its existing principal activities, which include the distribution of pharmaceutical products, health supplements in the PRC, as well as distribution of gene testing services.

## **Business Review**

*山東特利爾醫藥有限公司 Co-operative Joint Venture (the “CJV”) for sales of pharmaceutical products*

During this Interim Period, sales of pharmaceutical products via the CJV was approximately HK\$165.1 million as compared to approximately HK\$148.4 million in the previous corresponding period, an increase of 11.25%. On the other hand, the gross profit margin improved from approximately 1.24% in 2007 to approximately 1.65% in this Interim Period due to the increasing awareness of health care and increasing income level in the PRC.

### *Desheng Anqing*

In order to focus on the Group's efforts in the restructuring of the operation of Desheng Anqing, the Group suspended the business operation of Desheng Anqing since 1 August 2008 and passed a special resolution to wind up voluntarily of its immediate holding company, Hong Kin Holdings Limited (“Hong Kin”), on 19 December 2008. The liquidation of Hong Kin and Desheng Anqing will not have any adverse financial impact on the Group. In this Interim Period, the turnover of the operation of Desheng Anqing was approximately HK\$3.7 million and it incurred a gross loss of approximately HK\$0.5 million.

### *Distribution of Gene Testing Services*

The Group has sought to diversify its business to high-end health related services. Our subsidiaries, Main Wealth Limited (“Main Wealth”) and Bestdone entered into an exclusive distribution agreement with China United in May 2008 and August 2008 respectively. Under the terms of the agreements, Main Wealth and Bestdone have been granted exclusive rights to the distribution of gene testing

services in Hong Kong and Asia Pacific Region respectively. On 14 January 2009, Bestdone and China United mutually agreed that the exclusive distribution agreement be terminated with immediate effect by reason of the change of sales strategy of China United. The non-interest bearings deposit of HK\$30,000,000 was repaid to Bestdone on the same date.

During this Interim Period, turnover of distribution of gene testing services was approximately HK\$20.4 million and the gross profit margin was approximately 16.80%.

## **Prospects**

### ***The CJV***

#### ***Laolaishou***

Laolaishou Biotech Company Limited (濟南老來壽生物科技有限公司) (“Laolaishou”) is mainly engaged in the research, manufacturing, and distribution of pharmaceutical products and health food products. Currently, Laolaishou owns eight pharmaceutical licenses, three health products, two manufacturing rights of patented health food products, namely 老來壽膠囊 (Laolaishou Capsule) and 開元唐泰膠囊 (Kaiyuantangtai Capsule), with other patents in the application stage.

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

Since 18 July 2008 (i.e. the date of resumption of trading in the Shares), the directors of the CJV have still been discussing with various sub-licensees of Laolaishou Health Clubs in the PRC and are currently seeking legal advice with regard to the mechanism of assimilating the existing licensed Laolaishou Health Clubs into the CJV. Discussions were also held by the Company with both sub-licensees and Laolaishou in relation to the operational, accounting and reporting systems of the “Laolaishou Health Clubs”.

#### ***Distribution of Gene Testing Services***

With the Group having entered into an exclusive distribution agreement for distribution of gene testing services, the management believes that the distribution of gene testing services is a strong and developing market due to increasing awareness of the health care for their individuals and their family members with increasing income level in the PRC. The Group would capture more markets and business partners by soliciting the existing distributors of gene testing services, and leading to an increase of its profitability of the Group in the forthcoming years.

## Financial Review

### *Capital Structure, Liquidity, Financial Resources*

#### *Capital Structure*

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

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

	<b>31 December 2008 HK\$'000</b>	30 June 2008 HK\$'000
Authorized ( <i>Note b</i> ):		
10,000,000,000 ordinary shares of HK\$0.01 each	<u><b>100,000</b></u>	<u>100,000</u>
Issued and fully paid:		
6,082,254,031 ordinary shares of HK\$0.01 each		
(30 June 2008: 217,574,240 ordinary shares of HK\$0.01 each)	<u><b>60,823</b></u>	<u>2,176</u>

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

	<b>Number of shares issued</b>	<b>Share capital HK\$'000</b>
As at 1 July 2007	2,175,742,400	54,394
Reduction of par value from HK\$0.025 to HK\$0.001 ( <i>Note a</i> )	<u>—</u>	<u>(52,218)</u>
	2,175,742,400	2,176
Share consolidation of every 10 shares into 1 new share ( <i>Note a</i> )	<u>(1,958,168,160)</u>	<u>—</u>
As at 30 June 2008	217,574,240	2,176
Shares issued pursuant to subscription/placing agreements ( <i>Note c</i> )	<u>5,864,679,791</u>	<u>58,647</u>
As at 31 December 2008	<u><b>6,082,254,031</b></u>	<u><b>60,823</b></u>

*Notes:*

- (a) By virtue of a special resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated 20 June 2008, the share capital was reduced from an authorised share capital of HK\$100,000,000 and issued share capital of HK\$54,393,560 divided into 4,000,000,000 and 2,175,742,400 shares respectively of HK\$0.025 each to an authorised and issued share capital of HK\$2,175,742 divided into 217,574,240 shares of HK\$0.01 each by ways of the following:
- (i) by reducing the par value of all issued and un-issued shares in the Company from HK\$0.025 to HK\$0.001 each;
  - (ii) by cancelling the entire existing un-issued share capital of the Company of 1,824,257,600 ordinary shares; and
  - (iii) by consolidating every 10 shares of the Company into 1 new share.
- The above capital restructuring became effective on 27 June 2008 upon the filing of the court order with the Registrar of Companies of the Cayman Islands.
- (b) By way of a special resolution in the extraordinary general meeting held on 20 June 2008, the Company's authorised share capital was increased from HK\$2,175,742 to HK\$100,000,000 by the creation of 9,782,425,760 new shares of HK\$0.01 each, immediately upon the capital reduction, the capital cancellation and share consolidation becoming effective.
- (c) Pursuant to the following subscription/placing agreements which form a part of the group restructuring, the Company issued a total of 5,864,679,791 shares on 18 July 2008.

<b>Agreements</b>	<b>Subscriber/Placee</b>	<b>Shares issued</b>	<b>Price HK\$ per share</b>	<b>Total money raised HK\$'000</b>	<b>Share capital HK\$'000</b>	<b>Share premium HK\$'000</b>
Subscription agreement dated 28 December 2007	Best Champion Holdings Limited	4,133,910,560	0.0145	59,942	41,339	18,603
Subscription agreement dated 9 April 2008	ADM Galleus Fund Limited	1,153,846,154	0.0520	60,000	11,539	48,461
Placing agreement dated 24 January 2008	Partners Capital Securities Limited	576,923,077	0.0520	30,000	5,769	24,231
		<u>5,864,679,791</u>		<u>149,942</u>	<u>58,647</u>	<u>91,295</u>

*Liquidity and financial resources*

As at 31 December 2008, the Group had cash and bank balances of approximately HK\$42.5 million (30 June 2008 : approximately HK\$1.7 million).



The ratio of current assets to current liabilities of the Group was 7.39 as at 31 December 2008 compared to 0.02 as at 30 June 2008. The Group's gearing ratio as at 31 December 2008 was 7.44 (30 June 2008: 0.06) which is calculated based on the Group's total assets of approximately HK\$126.5 million (30 June 2008: approximately HK\$53.5 million) and the Group's total liabilities of approximately HK\$17 million (30 June 2008: approximately HK\$842 million). The Group's liquidity position has been substantially improved as all the liabilities of the Company incurred on or before 27 June 2008 were compromised and discharged through the Scheme which became effective from 18 July 2008, and the Company raised new capital a sum of HK\$150 million through the share subscription by Best Champion and ADM, and the placing of the new shares with Partners Capital Securities Limited.

#### *Significant investment*

As at 31 December 2008, the Company did not have any significant investments.

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

As at 30 June 2008, bank loans of approximately HK\$27.6 million were secured by charges over the Group's certain fixed assets and prepaid lease payments totaling HK\$26.1 million. However, all charges were discharged because the bank loans being pledged were deconsolidated from the Group upon the loss of control of Desheng Anqing.

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

During the six months ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to complying with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules, except for the deviations discussed below.

#### **Code provision A.2.1**

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Tai Kai Hing. The Company is aware of the deviation from the Code provision A.2.1 of the Code which requires that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company currently cannot comply with this Code provision and is looking for a suitable person to act as the Chairman with a hope to comply with the requirement in the near future.

### **Code provision A.4.1**

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

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All the Directors of the Company have confirmed that they have fully complied with the Model Code throughout the six months ended 31 December 2008.

### **AUDIT COMMITTEE**

The Company formulated written terms of reference for the audit committee of the Company (the "Audit Committee") in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung. Mr. Chung Wai Man is the chairman of the Audit Committee. The Audit Committee held two meetings during the six months ended 31 December 2008.

The primary functions of the Audit Committee are as follows:

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

The Group's audited financial statements for the six months ended 31 December 2008 have been reviewed by the Audit Committee.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT**

The financial statements of the Group for the six months ended 31 December 2008 have been audited by the Group's auditors. The independent auditor's report contained an emphasis of matter. The following is the extract from the independent auditor's report.

### **EMPHASIS OF MATTER**

Without qualifying our opinion, we draw to your attention that the comparative consolidated income statement, comparative consolidated cash flow statement and the comparative consolidated statement of changes in equity for the six months ended 31 December 2007 and related notes disclosed in the consolidated financial statements have not been audited.

### **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company (<http://www.feptcl-399.info/>) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report of the Company for the six months ended 31 December 2008 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

By Order of the Board  
**Far East Pharmaceutical Technology Company Limited**  
**Tai Kai Hing**  
*Director*

Hong Kong, 22 January 2009

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Tai Kai Hing, Mr. Shen Xiao-dong and Mr. Jiang Jian, and three independent non-executive directors, namely Mr. Chiu Koon Shou, Victor, Mr. Chung Wai Man and Dr. Leung Wai Cheung.*