Interim Report 2009

FAR EAST PHARMACEUTICAL
TECHNOLOGY COMPANY LIMITED

FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 399)

Contents

Message from the Chairman

GROUP RESULTS

Turnover of Far East Pharmaceutical Technology Company Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2008 (this "Interim Period") 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 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 a scheme of arrangement which 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 of Hong Kong Limited (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 shares 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.

Message from the Chairman

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 22 December 2008, Access Lead sold it's 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 of arrangement) 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 of arrangement.

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 People's Republic of China (the "PRC"), as well as the 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 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 上海德勝科技集團(安慶)製藥有限公司 Shanghai Desheng Technology Group (Anqing) Pharmaceutical Company Limited ("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

Message from the Chairman

December 2008. The liquidation of Hong Kin and Desheng Anqing will not have any adverse financial impact on the Group. In this Interim Period, turnover 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 Limited ("Bestdone"), entered into an exclusive distribution agreement with China United Gene Health Industry Limited ("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".

Message from the Chairman

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 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

Details of the capital structure of the Company are set out in note 28 to the consolidated financial statements.

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 of arrangement 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. Details of which are mentioned in notes 24 and 28 to the consolidated financial statements respectively.

Message from the Chairman

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.

Contingent liabilities

The directors of the Company are not aware of any significant contingent liabilities of the Group existing as at 31 December 2008.

Commitments

Commitments of the Group as at 31 December 2008 are set out in note 31 to the consolidated financial statements.

Foreign Exchange Exposure

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollar functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Number and Remuneration of Employees

As at 31 December 2008, the Group had 139 (30 June 2008: 171) full-time employees, most of which were working in the subsidiaries in the PRC. It is the Group's policy that remuneration of the employees is in line with market and commensurable with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

Total staff costs for this Interim Period amounted to approximately HK$1.9 million (2007: approximately HK$1.3 million).

Message from the Chairman

Segment information

Details are set out in note 9 to the consolidated financial statements.

Appreciation

I would like to take this opportunity to thank our fellow Directors for their wise counsel and support, and the management and staff at all levels for their dedication, hard work and contributions in this Interim Period.

Management Profile

EXECUTIVE DIRECTORS

Mr. Tai Kai Hing, aged 35, is an Executive Director and the chairman of the Company (the "Chairman"). Mr. Tai has acquired an extraordinary experience with broad exposures, starting his very first day as business consultant after graduation from the university. Since then, Mr. Tai has been working with professionals and senior managers from companies in different business sectors and scales.

Mr. Shen Xiao-dong, aged 40, was appointed as an Executive Director on 19 November 2008. Mr. Shen graduated from 上海華東師範大學 (Shanghai East China Normal University) with a Bachelor of Science and a Master of Philosophy. Mr. Shen has worked over 10 years as head of investment for several investment and biological technology companies in the PRC. Mr. Shen has the extensive experience in financing, investment, project valuation and risk management in the PRC capital market.

Mr. Jiang Jian, aged 49, was appointed as an Executive Director on 19 November 2008. Mr. Jiang graduated from 湖南省政法學院 (Politics and Law College of Hunan Province) with major in Law. Mr. Jiang has been involved in the judicial system in the PRC for over 20 years and ranked Police Supervisor, Class I. Mr. Jiang has since worked for 3 years in a state-owned enterprise, Xinyuan Business Development Company Limited in Loudi City, acting as deputy general manager. Mr. Jiang is knowledgeable in the legal and political environment in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Wai Man, aged 51, is an Independent Non-Executive Director. Mr. Chung has extensive experience in the banking, finance and business consulting industry.

Mr. Chiu Koon Shou, Victor, aged 40, is an Independent Non-Executive Director. Mr. Chiu is a practicing lawyer and a partner of Victor Chiu Tsang & Partners. Mr. Chiu has more than 13 years of experience in the legal industry.

Dr. Leung Wai Cheung, aged 45, is an Independent Non-Executive Director. Dr.Leung is a qualified accountant and a chartered secretary with over 20 years of experience in accounting, auditing and financial management. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung also holds a teaching post in the Open University of Hong Kong (LiPACE) and Hong Kong University (SPACE). He is also the Independent Non-Executive Director of Wing Hing International (Holdings) Limited, Sino Prosper Holdings Limited and China Metal Resources Holdings Limited which are listed companies on the Stock Exchange.

Management Profile

MANAGEMENT

Ms. Cheung Sui Ping, Annie, aged 42, was appointed as Financial Controller and Company Secretary on 5 December 2008. Ms. Cheung is responsible for the Group's overall financial and company secretarial matters. Ms. Cheung holds a Master degree in Finance from the Royal Melborne Institute of Technology in Australia. Ms. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she had more than 20 years' of experience in auditing, accounting and financial matters in various commercial sectors.

Corporate Governance Report

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. The board of directors (the "Board") believes that good corporate governance can enhance performance of the Group and improve accountability and transparency to all shareholders.

As the Shares have resumed trading on the Stock Exchange from 18 July 2008, and with the appointment of the compliance advisor, the Company and the directors will strive to follow the internal control manuals and put in place sufficient resources to comply with the Code. As at the date of this report, save for the separation of the roles of the Chairman and the Chief Executive Officer and the non-specific term for the appointment of non-executive directors, the Company has rectified all the deviations from the Code by appointing Executive Directors, Independent Non-Executive Directors and the company secretary, all in compliance with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises of four Executive Directors and three Independent Non-Executive Directors during the six months ended 31 December 2008 as follows:

Executive Directors

Mr. Tai Kai Hing (Chairman)
Ms. Choi Suk Ching (appointed on 9 July 2008 and resigned on 18 December 2008)
Mr. Shen Xiao-dong (appointed on 19 November 2008)
Mr. Jiang Jian (appointed on 19 November 2008)

Independent non-Executive Directors

Mr. Chung Wai Man
Mr. Chiu Koon Shou, Victor
Dr. Leung Wai Cheung (appointed on 9 July 2008)

Further details of the composition of the Board are set out in the section headed "Management Profile" on page 8.

Corporate Governance Report

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

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

The Board held seven Board meetings during the six months ended 31 December 2008.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by the same individual, Mr. Tai Kai Hing. The Company is aware of the deviation from 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.

NON-EXECUTIVE DIRECTORS

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

REMUNERATION OF DIRECTORS

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

The primary functions of the Remuneration Committee are as follows:

(a) to advise shareholders on whether the terms of service contracts that require shareholder's approval are fair and reasonable;

(b) to make recommendation on the Group's remuneration policy and structure;

(c) to establish guidelines for recruitment of senior management;

(d) to determine the remuneration of members of the senior management; and

(e) to formulate remuneration policy and make recommendations on annual remuneration review.

Remuneration of the directors is reviewed and fixed by the Remuneration Committee, with reference to competition and industry norms, having regard to the expertise, performance and experience possessed by individual directors.

The Remuneration Committee was set up on 30 June 2008, it has held two meetings during the six months ended 31 December 2008.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. To maintain the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become directors when necessary. In evaluating whether a candidate is suitable to act as a director, the Board would normally take into consideration of the candidate's past experience, qualifications and other factors that are relevant to the Company's business.

The Board appointed the directors on 9 July and 19 November 2008 based on the aforementioned nomination policy.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

The Group's external auditor is ANDA Certified Public Accountants. For the six months ended 31 December 2008, the auditor of the Company charged the amount of HK$480,000 for the interim audit service.

AUDIT COMMITTEE

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

INTERNAL CONTROL

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

During the financial period, the Board reviewed internal control procedures of the Group and findings and considered that the internal control system is effective and adequate.

Other Information Disclosed in accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND LONG POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the register of interests and long positions in the shares and underlying shares of the Company kept under Section 336 of Part XV of the SFO showed that, the following entities had an interest or deemed interest of 5% or more in the issued share capital of the Company.

Name of shareholder	Capacity	Number of shares/underlying shares held	Percentage of the issued share capital of the Company
Dr. Mao Yumin	Interest of a controlled corporation	4,561,682,277	75%
Glorious King	Interest of a controlled corporation	4,561,682,277	75%
Richlong	Interest of a controlled corporation and as a beneficial owner	4,561,682,277	75%
Best Champion	Beneficial owner	4,561,516,714	75%

Other than as disclosed above, the Company has not been notified of any other relevant interests or long positions of 5% or more in the issued share capital of the Company as at 31 December 2008.

Independent Auditor's Report

安達會計師事務所
ANDA CERTIFIED PUBLIC ACCOUNTANTS

TO THE DIRECTORS OF
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)

We have audited the consolidated financial statements of Far East Pharmaceutical Technology Company Limited (the "Company") set out on pages 17 to 56, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company 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. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's results and cash flows for the six months ended 31 December 2008 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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.

ANDA Certified Public Accountants
Hong Kong
22 January 2009

Consolidated Income Statement

For the six months ended 31 December 2008

	Notes	Six months ended 31 December 2008 HK$'000	2007 HK$'000 (Unaudited)
Turnover	7	**189,166**	162,663
Cost of sales		**(183,510)**	(159,490)
Gross profit		**5,656**	3,173
Other income	8	**631,406**	14,105
Selling expenses		**(1,913)**	(3,354)
Administrative expenses		**(21,462)**	(3,119)
Profit from operations		**613,687**	10,805
Gain on deconsolidation of the subsidiaries	10	**134,516**	—
Finance cost	11	**(633)**	(32,497)
Profit/(loss) before tax		**747,570**	(21,692)
Income tax expense	12	**(776)**	(31)
Profit/(loss) for the period	13	**746,794**	(21,723)
Attributable to:			
Equity holders of the Company	16	**746,775**	(21,740)
Minority interests		**19**	17
		746,794	(21,723)
Earnings/(loss) per share	18		(Restated)
Basic (HK cents per share)		**13.48**	(9.99)
Diluted (HK cents per share)		**N/A**	N/A

Consolidated Balance Sheet

At 31 December 2008

	Notes	31 December 2008 HK$'000	30 June 2008 HK$'000
Non-current assets			
Property, plant and equipment	19	**1,084**	24,383
Prepaid lease payments	20	**—**	10,368
		1,084	34,751
Current assets			
Inventories	21	**2,821**	5,641
Prepayments, deposits and other receivables		**70,979**	344
Trade receivables	22	**9,086**	10,828
Prepaid lease payments	20	**—**	241
Bank and cash balances	23	**42,504**	1,710
		125,390	18,764
Current liabilities			
Bank loans	24	**—**	674,146
Trade payables	25	**9,286**	24,599
Accruals and other payables	26	**6,997**	141,810
Current tax liabilities		**692**	—
		16,975	840,555
Net current assets/(liabilities)		**108,415**	(821,791)
Total assets less current liabilities		**109,499**	(787,040)
Non-current liabilities			
Deferred taxation	27	**—**	1,430
NET ASSETS/(LIABILITIES)		**109,499**	(788,470)
Capital and reserves			
Share capital	28	**60,823**	2,176
Reserves	29	**48,151**	(791,152)
Equity attributable to equity holders of the Company		**108,974**	(788,976)
Minority interests		**525**	506
TOTAL EQUITY		**109,499**	(788,470)

Approved by:

Tai Kai Hing	**Shen Xiao-dong**
Director	Director

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2008

	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 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)
At 1 July 2008	**2,176**	**385,249**	**998**	**3,410**	**(924)**	**(1,179,885)**	**(788,976)**	**506**	**(788,470)**
Translation difference	**—**	**—**	**—**	**—**	**(53)**	**—**	**(53)**	**—**	**(53)**
Revaluation surplus on buildings	**—**	**—**	**—**	**176**	**—**	**—**	**176**	**—**	**176**
Net income recognised directly in equity	**—**	**—**	**—**	**176**	**(53)**	**—**	**123**	**—**	**123**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**746,775**	**746,775**	**19**	**746,794**
Total recognised income and expense for the period	**—**	**—**	**—**	**176**	**(53)**	**746,775**	**746,898**	**19**	**746,917**
Shares issued on group restructuring	**58,647**	**91,295**	**—**	**—**	**—**	**—**	**149,942**	**—**	**149,942**
Deconsolidation of subsidiaries	**—**	**—**	**(998)**	**(3,586)**	**1,110**	**4,584**	**1,110**	**—**	**1,110**
At 31 December 2008	**60,823**	**476,544**	**—**	**—**	**133**	**(428,526)**	**108,974**	**525**	**109,499**

Consolidated Cash Flow Statement

For the six months ended 31 December 2008

	Note	Six months ended 31 December 2008 HK$'000	2007 HK$'000 (Unaudited)
Cash flows from operating activities			
Profit/(loss) before tax		**747,570**	(21,692)
Adjustments for:			
Depreciation		**1,024**	1,350
Loss on written off of property, plant and equipment		**108**	—
Amortisation of prepaid lease payments		**101**	109
Impairment on an amount due from a subsidiary deconsolidated		**3,226**	—
Gain on deconsolidation of the subsidiaries		**(134,516)**	—
Other income arising from release of a bank loan and other liabilities pursuant to the Scheme		**(631,378)**	—
Interest income		**(28)**	—
Other income on waive of trade payables and other payables		**—**	(13,573)
Finance cost		**633**	32,497
Operating loss before working capital changes		**(13,260)**	(1,309)
Change in inventories		**2,820**	(700)
Change in prepayments, deposits and other receivables		**(71,015)**	610
Change in trade receivables		**138**	362
Change in trade payables		**240**	60
Change in accruals and other payables		**2,307**	1,921
Cash (used in)/generated from operating activities		**(78,770)**	944
Finance cost paid		**(633)**	(413)
Tax paid		**(84)**	(31)
Net cash (used in)/generated from operating activities		**(79,487)**	500

Consolidated Cash Flow Statement

For the six months ended 31 December 2008

	Note	Six months ended 31 December 2008 HK$'000	2007 HK$'000 (Unaudited)
Cash flows from investing activities			
Interest received		**28**	—
Purchase of property, plant and equipment		**(29)**	(11)
Advancement to a subsidiary deconsolidated		**(3,226)**	—
Deconsolidation of the subsidiaries	10	**(1,127)**	—
Net cash used in investing activities		**(4,354)**	(11)
Cash flows from financing activities			
Proceeds from issuance of share capital		**149,942**	—
Repayments of borrowings		**(229)**	—
New bank loans raised		**—**	82
Settlement of a bank loan and other liabilities pursuant to the Scheme		**(25,000)**	—
Net cash generated from financing activities		**124,713**	82
Net increase in cash and cash equivalents		**40,872**	571
Effect of foreign exchange rate changes		**(78)**	(768)
Cash and cash equivalents at beginning of period		**1,710**	1,007
Cash and cash equivalents at end of period		**42,504**	810
Analysis of cash and cash equivalents			
Bank and cash balances		**42,504**	810
		42,504	810

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. 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 on which 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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 period 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 consolidated 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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

— 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 consolidated income statement during the period in which they are incurred.

Revaluation increases of buildings are recognised in the consolidated 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 consolidated 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Revenues from the distribution of gene-testing services are recognised when the testing services cards have been sold to the customers and the Group has no further obligation 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 consolidated income statement represents contributions payable by the Group to the funds.

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated 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 consolidated 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 assets 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, prepaid lease payments, inventories, trade and other 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

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

Financial results of 山東特利爾醫藥有限公司 ("the CJV")

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 consolidated financial statements have been prepared on the basis that those sales and purchases for the six months ended 31 December 2008 have been included in the Group's current period results. In view of the various terms stipulated in the agency agreement, the Directors regard such accounting treatments as 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 the 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 period and the estimate will be changed in the future period.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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 have 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 estimated 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 realisable 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.

(d) Allowance for deposits paid

On 2 May 2008, Main Wealth Limited ("Main Wealth"), a subsidiary of the Group, 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 Hong Kong. On 12 August 2008, Main Wealth paid a non-interest bearing deposit of HK$40,000,000 to China United as a guarantee that the annual turnover of Main Wealth would meet the minimum annual sales figures (HK$120,000,000 for the first year) (the "Target Sales") set out in the exclusive distribution agreement.

Due to the worsening economic situation and that Main Wealth only generated a turnover of approximately HK$26,964,000 for the period from 2 May to 31 December 2008, a letter was issued by China United subsequently. This letter depicts that the minimum annual sales figures of HK$120,000,000 for the first year would be adjusted to HK$60,000,000 if Main Wealth's first year turnover could not meet the Target Sales. In light of the Directors' estimation that Main Wealth could meet the adjusted sales target of HK$60,000,000, no allowance for the deposit was made in these consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity 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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities or United States dollars for Hong Kong dollar functional currency Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2008 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, the management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the 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, the 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. All financial liabilities of the Group are matured within 1 year.

(d) 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 is as follows:

	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	**20,438**	—
	189,166	162,663

8. 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	**—**	532
	631,406	14,105

9. 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:

	Manufacturing and distribution		Distribution of gene-testing services		Corporate and others		Total	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2008 HK$'000	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (Unaudited)
Turnover	**168,728**	162,663	**20,438**	—	**—**	—	**189,166**	162,663
Segment results	**(4,430)**	(3,027)	**3,194**	—	**(16,483)**	(304)	**(17,719)**	(3,331)
Other income							**631,406**	14,136
Profit from operations							**613,687**	10,805
Gain on deconsolidation of the subsidiaries							**134,516**	—
Finance cost							**(633)**	(32,497)
Profit/(loss) before tax							**747,570**	(21,692)

	31 December 2008 HK$'000	30 June 2008 HK$'000	**31 December 2008 HK$'000**	30 June 2008 HK$'000	**31 December 2008 HK$'000**	30 June 2008 HK$'000	**31 December 2008 HK$'000**	30 June 2008 HK$'000
Segment assets	**7,941**	46,902	**79,610**	6,526	**38,923**	87	**126,474**	53,515
Segment liabilities	**5,194**	60,954	**5,800**	5,577	**—**	—	**10,994**	66,531
Unallocated liabilities							**5,981**	775,454
Total liabilities							**16,975**	841,985

9. SEGMENT INFORMATION *(Continued)*

Other segment information

	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2008 HK$'000	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (Unaudited)	**2008 HK$'000**	2007 HK$'000 (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.

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES

	Six months ended 31 December	
	2008 HK$'000	2007 HK$'000 (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.

10. GAIN ON DECONSOLIDATION OF THE SUBSIDIARIES *(Continued)*

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

	HK$'000
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	(1,495)
Net liabilities deconsolidated	(135,626)
Release of foreign currency translation reserve	1,110
Gain on deconsolidation of the subsidiaries	(134,516)
Net cash outflow arising on deconsolidation of the subsidiaries:	
Cash and cash equivalents of the subsidiaries deconsolidated	(1,127)

11. FINANCE COST

	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
		(Unaudited)
Interest on bank loans	**633**	32,497

12. 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	**684**	—
Overseas	**92**	31
	776	31

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.

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

	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
		(Unaudited)
Profit/(loss) before tax	**747,570**	(21,692)
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**123,349**	(3,796)
Tax effect of expenses that are not deductible and income not taxable	**(122,604)**	3,812
Effect of difference in tax rates of subsidiaries operating in other jurisdictions	**31**	15
	776	31

13. PROFIT/(LOSS) FOR THE PERIOD

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

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

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2008

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of each Director were as follows:

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Name of Directors				
Chiu Koon Shou, Victor	**82**	**—**	**—**	**82**
Tai Kai Hing	**—**	**163**	**6**	**169**
Chung Wai Man	**82**	**—**	**—**	**82**
Choi Suk Ching (note c)	**—**	**151**	**6**	**157**
Leung Wai Cheung (note a)	**82**	**—**	**—**	**82**
Shen Xiao-dong (note b)	**—**	**42**	**—**	**42**
Jiang Jian (note b)	**—**	**42**	**—**	**42**
Total for the six months ended 31 December 2008	**246**	**398**	**12**	**656**
Chiu Koon Shou, Victor	90	—	—	90
Tai Kai Hing	—	—	—	—
Chung Wai Man	—	—	—	—
Total for the six months ended 31 December 2007 (unaudited)	90	—	—	90

Notes:

(a) Appointed on 9 July 2008.

(b) Appointed on 19 November 2008.

(c) Appointed on 9 July 2008 and resigned on 18 December 2008.

14. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the period included 5 (2007: 1) Directors whose emolument are reflected in the analysis presented above. The emoluments of the remaining nil (2007: 4) individuals are set out below:

	Six months ended 31 December	
	2008	2007
	HK$'000	HK$'000
		(Unaudited)
Basic salaries and allowances	**—**	61

The emoluments fell within the following band:

	Number of individuals	
	Six months ended 31 December	
	2008	2007
		(Unaudited)
Nil–HK$1,000,000	**—**	4

During the period, 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.

15. 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 subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are 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 these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

16. PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the period attributable to equity holders of the Company included a profit of approximately HK$614,910,000 (2007 (unaudited): loss of approximately HK$32,378,000) which has been dealt with in the consolidated financial statements of the Company.

17. DIVIDENDS

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

18. 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.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation					
At 1 July 2007	15,869	23,389	680	234	40,172
Additions	—	20	—	19	39
Written off	—	—	—	(277)	(277)
Deficit on revaluation	(2,066)	—	—	—	(2,066)
Exchange differences	1,654	2,441	70	24	4,189
At 30 June and 1 July 2008	15,457	25,850	750	—	42,057
Additions	—	29	—	—	29
Written off	—	(108)	—	—	(108)
Deconsolidation of subsidiaries	(14,594)	(25,661)	(754)	—	(41,009)
Exchange differences	68	111	4	—	183
At 31 December 2008	931	221	—	—	1,152
Accumulated depreciation					
At 1 July 2007	—	13,264	675	—	13,939
Charge for the year	553	2,278	6	—	2,837
Exchange differences	—	1,382	69	—	1,451
Written back on revaluation	(553)	—	—	—	(553)
At 30 June and 1 July 2008	—	16,924	750	—	17,674
Charge for the period	234	790	—	—	1,024
Written back on revaluation	(234)	—	—	—	(234)
Written back on deconsolidation of subsidiaries	—	(17,720)	(754)	—	(18,474)
Exchange differences	—	74	4	—	78
At 31 December 2008	—	68	—	—	68
Carrying amounts					
At 31 December 2008	931	153	—	—	1,084
At 30 June 2008	15,457	8,926	—	—	24,383

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
The analysis of the cost or valuation at 31 December 2008 of the above assets is as follows:					
At cost	—	221	—	—	221
At valuation	931	—	—	—	931
	931	221	—	—	1,152
The analysis of the cost or valuation at 30 June 2008 of the above assets is as follows:					
At cost	—	25,850	750	—	26,600
At valuation	15,457	—	—	—	15,457
	15,457	25,850	750	—	42,057

The Group's buildings were revalued by the Directors at 31 December 2008 on the open market value basis by reference to market evidence of recent transactions and cost of replacement for similar properties.

20. PREPAID LEASE PAYMENTS

	31 December 2008 HK$'000	30 June 2008 HK$'000
Leasehold land in the PRC		
Medium-term lease	—	10,609
Analysed for reporting purpose as:		
Non-current asset	—	10,368
Current asset	—	241
	—	10,609

At 31 December 2008, the carrying amount of prepaid lease payments pledged as security for the Group's bank loans was nil (30 June 2008: approximately HK$10,609,000).

21. INVENTORIES

	31 December 2008 HK$'000	30 June 2008 HK$'000
Raw materials	—	1,022
Finished goods	2,821	4,619
	2,821	5,641

22. 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:

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

22. TRADE RECEIVABLES *(Continued)*

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

	31 December 2008 HK$'000	30 June 2008 HK$'000
The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
Renminbi ("RMB")	**2,476**	4,302
Hong Kong dollars	**6,610**	6,526
	9,086	10,828

23. BANK AND CASH BALANCES

As at 31 December 2008, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,302,000 (30 June 2008: approximately HK$1,662,000). 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.

24. BANK LOANS

	31 December 2008 HK$'000	30 June 2008 HK$'000
Bank loans	—	674,146
The borrowings are repayable as follows:		
On demand or within one year	—	674,146
	—	674,146
Less: Amount due for settlement within 12 months (shown under current liabilities)	—	(674,146)
Amount due for settlement after 12 months	—	—

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

	USD HK$'000	**RMB** HK$'000	**Total** HK$'000
30 June 2008			
Bank loans	646,524	27,622	674,146

The average interest rates at 31 December and 30 June 2008 were as follows:

	31 December 2008	30 June 2008
Bank loans	—	9%

In July 2004, an event of default occurred in respect of a syndicated loan totaling approximately HK$646,524,000 as at 30 June 2008 and such amount has become repayable on demand. The loan was released on 18 July 2008 under the Scheme, details of which was set out in the 2008 Annual Report. In additions, banks loans of Desheng Anqing denominated in RMB totaling approximately HK$27,622,000 as at 30 June 2008 was deconsolidated from the Group on 19 December 2008. Details of the deconsolidation were set out in notes 2 and 10 to the consolidated financial statements.

25. TRADE PAYABLES

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

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

	31 December 2008 HK$'000	30 June 2008 HK$'000
The carrying amounts of the Group's trade payables are denominated in the following currencies:		
RMB	**4,170**	19,170
Hong Kong dollars	**5,116**	5,429
	9,286	24,599

26. ACCRUALS AND OTHER PAYABLES

	31 December 2008 HK$'000	30 June 2008 HK$'000
Accruals and other payables	**4,036**	17,003
Due to deconsolidated subsidiaries	**—**	115,827
Due to related companies	**—**	5,936
Due to directors of subsidiaries	**1,946**	1,946
Due to a minority shareholder	**1,015**	1,098
	6,997	141,810

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

27. DEFERRED TAXATION

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

	Revaluation of buildings HK$'000
At 1 July 2007	1,637
Credit to equity for the year	(378)
Exchange differences	171
At 30 June and 1 July 2008	1,430
Charge to equity for the period	58
Exchange differences	7
Deconsolidation of subsidiaries	(1,495)
At 31 December 2008	—

28. SHARE CAPITAL

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.

	31 December 2008 HK$'000	30 June 2008 HK$'000
Authorized (Note b):		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
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)	**60,823**	2,176

28. SHARE CAPITAL *(Continued)*

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

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

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.

28. SHARE CAPITAL *(Continued)*

(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 HK2,175,742 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.

Agreements	**Subscriber/Placee**	**Shares issued**	**Price**	**Total money raised**	**Share capital**	**Share premium**
			HK$ per share	HK$'000	HK$'000	HK$'000
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
		5,864,679,791		149,942	58,647	91,295

29. RESERVES

(a) Group

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

29. RESERVES *(Continued)*

(b) Company

	Notes	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2007		385,249	104,915	(1,141,470)	(651,306)
Loss for the period	16	—	—	(32,378)	(32,378)
At 31 December 2007		385,249	104,915	(1,173,848)	(683,684)
At 1 July 2008		385,249	104,915	(1,151,347)	(661,183)
Profit for the period	16	—	—	614,910	614,910
Shares issued pursuant to subscription/placing agreements	28	91,295	—	—	91,295
At 31 December 2008		476,544	104,915	(536,437)	45,022

(c) Nature and purpose of reserves

(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 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.

29. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(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 and completed on 26 July 2002, 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 consolidated 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 consolidated financial statements.

30. 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 HKD113 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.

31. LEASE COMMITMENTS

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2008 HK$'000	30 June 2008 HK$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings		
— within one year	**372**	312

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.

32. 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 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.

33. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Lucky Full Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
First Jumbo Trading Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Clear Rich International Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
山東特利爾醫藥有限公司	PRC	Registered capital of RMB2.1M	—	80%	Distribution of pharmaceutical products
Main Wealth Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Distribution of gene-testing services
Bestdone Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Distribution of gene-testing services

山東特利爾醫藥有限公司 is a sino foreign cooperative joint venture established in the PRC.

34. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 January 2009.