

**FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LTD :
THE CAI AND CHEN FAMILY SUCCESS STORY**

To be sure, it is not a very sexy company in terms of modern-day, hi-tech and Internet-related companies, and it is unlikely, ever, to be included in the Top Ten Most Active issues on The Stock Exchange of Hongkong Ltd.

Nevertheless, it is a success story, which has just come to the market -- and the attention of TARGET.

The company is new listing Far East Pharmaceutical Technology Company Ltd (Code: 399), the application lists for 16 million New Issue Shares on offer, having just closed on Wednesday with the first day of trading, scheduled for next Wednesday.

Far East Pharmaceutical describes itself on Page One of the Prospectus as being '*principally engaged in the manufacturing, marketing and distribution of pharmaceutical products in the PRC (People's Republic of China) under the Group's Ta Shan brandname. At present, the Group has obtained production approval from the Ministry of Health, Fujian Province, the PRC to manufacture 41 types of pharmaceutical products which can generally be classified into six categories: (i) anti-viral drugs; (ii) anti-biotics; (iii) vitamins (iv) analgesics; (v) Chinese patent medicines; and (vi) Chinese tonic liquor.*'

While not everybody is a believer in Chinese medicines and tonics and spiritualism, what nobody can deny is that, since this Company was founded in 1991, it has become a roaring success story.

The following is the past 45 months' trading results:

	Financial Year ended June 30			
	1997	1998	1999	9 Months to March 31, 2000
All Figures are Denominated in \$HK'000				
Turnover:				
Anti-viral drugs	41,844	1,109	98,288	116,125
Anti-biotics	17,063	21,268	43,203	62,933
Vitamins	12,148	14,472	27,177	24,609
Analgesics	3,466	4,792	9,454	15,902
Chinese Patent Medicines	4,482	4,254	7,450	13,567
Chinese Tonic Liquor	<u>11,451</u>	<u>11,250</u>	<u>18,455</u>	<u>19,484</u>
TOTAL	<u>90,454</u>	<u>107,315</u>	<u>204,027</u>	<u>252,620</u>
Cost of Sales	(58,205)	(68,801)	(128,250)	(157,057)
Gross Profit	32,249	38,514	75,777	95,563
Other Revenue	Nil	34	33	86
Selling and Distribution Costs	(7,420)	(9,305)	(15,801)	(17,401)
Administrative Expenses	(5,917)	(6,517)	(8,236)	(7,959)
Other Operating Expenses	(20)	(1)	(3)	(1)
Profit from Operating Activities	18,892	22,725	51,770	70,288
Finance Costs	(315)	(317)	(337)	(148)
Profit before Taxation	18,577	22,408	51,433	70,140
Taxation	Nil	Nil	(4,000)	(8,411)
Net Profit Attributable to Shareholders	18,577	22,408	47,433	61,729

For the Financial Year, ended June 30, 2000, the Company is forecasting a Net Profit Attributable to Shareholders before Extraordinary Items of '*not less than HK\$80 million.*'

So, this Company is going to the market at the time that its profits have hit a record level.

Smart!

What should be very apparent by reading the above table is that, since 1997, this Company has had to suffer very little in the way of financing costs.

The reason for this is simple: Far East Pharmaceutical does not borrow much money, if at all.

Far East Pharmaceutical does not over-trade, unlike many publicly listed companies that TARGET could name without thinking very hard.

Smart!

In fact, Page 70 of the Company's Prospectus states that, as at May 31, 2000, Far East Pharmaceutical had zero debt.

Appendix I at Page 108 of the Prospectus indicates that, as at March 31, 2000, this Company had cash and bank balances of about \$HK17.31 million, with another \$HK70.81 million, being accounts receivable.

With Current Assets, standing at about \$HK103.57 million, as at March 31, 2000, and with Current Liabilities, standing at about \$HK32.47 million, as at that same date, the Current Ratio (Current Assets divided by Current Liabilities) stood at about 3.25 times.

The Quick Ratio, a good measure of a company's liquidity, defined as Current Assets minus Inventories divided by Current Liabilities, worked out to be a massive 2.74 times.

There are very few companies that can boast of being this financially strong.

Summarising the above, therefore, this Company is moving from one plateau of financial profitability to an even higher plateau of financial profitability -- ... [CLICK TO ORDER FULL ARTICLE](#)

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