

Fudan Biotech is owned as to 99% by Shanghai Fudan Biotech Limited. Shanghai Fudan Biotech Limited is owned as to 75% by Shanghai Biowindow.

HK Biowindow owned 80% of the share capital of FPL.

These interests have also been in the corporate interests of Dr. Mao Yu Min and Dr. Xie Yi as disclosed under the heading "Directors' interests and short positions in shares and underlying share" above.

Save as disclosed above, as at 30 September 2006, no person, other than certain directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for the following deviations as detailed in the Company's last annual report:

- (a) Code provision A1.3 stipulates that 14-days notice should be given for each regular board meeting. The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.
- (b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the independent non-executive Directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the Directors ought to be committed to representing the long term interest of the Company's shareholders.

- (c) Code provision A4.2 stipulates that every director should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall not be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/managing Director and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable continuity of directorship which is to the best interest of the Company's shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conducts for securities transactions with terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Following specific enquiry made with the directors of the Company, the Company has confirmed that each of its directors has complied with the required standard set out in the Model Code regarding securities transactions by directors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Sales and Gross Profit

Following the revitalising year of 2005/6, we have experienced a dynamic business environment and at the same time a demanding market in the first half of 2006/7.

The consolidated turnover of the Group for six months ended 30 September 2006 (the "2006 Interim Period") was approximately HK\$69.0 million, represented a slight drop of approximately HK\$1.5 million or 2.1% from approximately HK\$70.5 million in the six months ended 30 September 2005 (the "2005 Interim Period"). This result is composed of the mild growth in the trading sector (Imported Pharmaceuticals Sector) and a decrease in sales in the manufacturing sector (Manufactured Pharmaceuticals Sector) due to keen competitions in the market.