

- (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.