

Sea Ascent is an investment holding company. Its sole shareholder, Mr. Wang Wei, was principally engaged in the investments of real properties and health care products in Jiangsu, the PRC. He has extensive experience in investment at Pi Zhou City, Jiangsu, the PRC, where the pharmaceutical manufacturing plant is proposed to be established. The Directors consider that the new arrangements can successfully diversify the risk of such investment cost to Sea Ascent on one hand, and can ensure that the Oral Insulin Enteric-Coated Soft Capsules can be launched to the market in a timely and efficient manner. The management considered that this mode of cooperation is prudent and to the best benefit of shareholders of the Group.

New Products In the Pipeline

The ability of research, development and introduction of quality and innovative pharmaceutical products has set a solid ground to maintain our distinguished market position. In our last annual report, we have announced that there are several new products in the pipeline pending for SFDA approvals. These products are:

- (i) Lu Ling Huang Capsule, expecting to have the new drug licence in a few months; and
- (ii) Trimetazidine Dihydrochloride Tablet, the new drug licence has been issued and we are in the preparation of manufacturing and launching this product. Trimetazidine Dihydrochloride Tablet is used for prophylactic treatment for angina pectoris, auxiliary treatment for dizziness and tinnitus. It is believed that the demand for the product will be great in the PRC market.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2006, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises three INEDs with terms of reference in compliance with Code provision C3.3, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results. The Directors are also in the progress of reviewing the internal control systems of the Group.