OVERVIEW

As the business activities of the Group in the PRC increased rapidly in 2006, the Group's financial position and level of operations improved and its total assets base expanded substantially accordingly.

FINANCIAL RESULTS

The 60% owned subsidiary of the Company in Tianjin, the PRC, Tianjin Jinshun Pharmaceutical Co., Ltd. ("Tianjin Jinshun") operated for a full calendar year and our laboratory testing service business also recorded growth in 2006. As a result, consolidated turnover recorded by the Group for the year ended 31 December 2006 was approximately HK$144,383,000 and increased almost 12 times from the previous year.

During the year, Hong Jin Holdings Limited ("Hong Jin"), the controlling shareholder of the Company exercised its discretion to extend the maturity date of a HK$30 million zero-coupon convertible note (the "Note") to 7 December 2007. Accordingly, the Group recorded a gain on adjustment of amortised cost of the Note of HK$3,375,000. The Group also recognised a guarantee income of HK$2,775,000 receivable from two minority shareholders of Tianjin Jinshun and reversed provisions for legal claims and employee benefits of approximately HK$1,828,000.

Administrative expenses dropped slightly by 1% to HK$10,774,000 (2005: HK$10,839,000) because of the various cost control measures adopted by the Company and the emoluments waived by certain Directors and managements.

Finance cost for the year ended 31 December 2006 was HK$4,494,000 (2005: HK$266,000) representing an increase of 1,589%. The increase was mainly attributable to the imputed interest incurred on the Note which had no cash outflow from the Group.

Consolidated loss reported for the year was HK$1,484,000 as compared to a profit of HK$12,278,000 in 2005 which included the gains of HK$13,021,000 and HK$8,700,000 arising from the reversal of losses of subsidiaries on deconsolidation and forfeiture of deposits received respectively recorded in 2005. Excluding these non-recurrent gains, the Group had actually reduced its loss in 2006.

Loss per share for the year was HK0.25 cents (2005: earnings per share of HK1.29 cents) because of the loss recorded for the year.

REVIEW OF OPERATIONS

The PRC

The Group's pharmaceutical business was affected by the control measures undertaken by the Chinese government on the pharmaceutical market and health institutions in early 2006. Governmental approvals for new pharmaceutical products also slowed down and the Group had to postpone its plan to introduce a number of new products into the market. Despite these circumstances, revenue contribution from the PRC segment enlarged substantially in 2006. Approximately 99.2% (2005: 91.3%) of the turnover of the Group was generated by the Group's pharmaceutical distribution business in the PRC.

Hong Kong

During the year, the pharmaceutical and health care unit of the Group - GenePro Medical Biotechnology Limited ("GenePro") increased its market share in paternity/forensic testing sector and activities related to the more expensive and yet more complicated cases, it reported a growth of 24.6% in turnover and accounted for approximately 0.8% (2005: 8.7%) of that of the Group in 2006. Since GenePro had also developed its own technology which utilised raw material from suppliers rather than expensive testing kits from external sources, its gross profit margin improved during the year.

Save for the operation of Tianjin Jinshun for a whole calendar year in 2006, there were no significant changes in respect of other activities of the Group as compared to 2005 and no material acquisitions and disposals of subsidiaries and associates during 2006.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group had total assets of approximately HK$49,354,000 (2005: HK$38,461,000), among which, HK$48,805,000 (2005: HK$37,861,000) were current assets comprised mainly of trade and other receivables of HK$30,522,000, bank balance and cash of HK$13,230,000.

Total liabilities of the Group amounted to approximately HK$71,297,000 (2005: HK$64,023,000) and all were classified as current liabilities at the year end. Among the total liabilities, approximately HK$26,544,000 was the carrying amount of the Note. The Note was issued to Hong Jin and will be mandatory and automatically converted into ordinary shares of the Company upon, inter alia, the trading of the shares of the Company resumes. During the year, the maturity date of the Note has been extended by Hong Jin to 7 December 2007. The other current liabilities included mainly other borrowings of HK$1,444,000, trade and other payables of HK$25,773,000 and the provisions of HK$17,402,000 made in previous years for employee benefits and legal claims etc.

The financial position of the Group further improved during the year ended 31 December 2006. The gearing ratio (total liabilities as a percentage of total assets) decreased to 144.5% at the end of 2006 (As at 31 December 2005: 166.5%). Current ratio improved from 59.1% to 68.5% as at 31 December 2006. Should the Note of HK$30,000,000 mentioned above be converted, the Group would probably improve from net liabilities position to net assets position.

Most of the sales, sales-related costs and expenses, and a portion of the assets and liabilities of the Group are denominated in Renminbi. Renminbi revenue and profit generated are applied to meet the Renminbi obligations of the Group. Other cash and cash equivalents, investments and borrowings of the Group were made in Hong Kong dollars. As such, no financial instruments had been used for hedging purpose. During the year, the Group had not been exposed to any material exchange rate fluctuation.

CHARGES ON ASSETS

As at 31 December 2006, certain assets of the Group with aggregate carrying value of approximately HK$255,000 were pledged to secure the Group's borrowing as compared to HK$191,000 as at 31 December 2005.

EMPLOYEE REMUNERATION POLICY AND NUMBER OF EMPLOYEES

As at 31 December 2006, the Group employed 65 employees in Hong Kong and the PRC. The remuneration policy and package, including the share options, of the Group's employees are maintained at competitive level and will be reviewed annually by the Remuneration Committee.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2006 are set out in note 32 to the financial statements.

OUTLOOK

Our pharmaceutical business in Tianjin delivered substantial improvement in the Group's results in 2006. Looking forward to 2007, the Company will continue to focus on its core competencies in the pharmaceutical business in the existing area. It has always been the view that the Group, at the right time, would actually want to extend to the nearby areas to explore new market and launch its own pharmaceutical products in these areas. The Directors are considering restructuring the Group's business strategies in DNA testing business and establishing a similar business base in East China in Mid 2007. The management believes that, with the persistent business growth and the new business developments, the Group could maintain strong financial results in the coming years.

To support its business developments, the Group will continue to negotiate with the controlling shareholder and the regulators regarding a proposed rights issue on fully underwritten basis and to solicit investors in making investments in or providing funding to the Group.

Trading of the shares of the Company remains suspended as at the date hereof. The Stock Exchange had rejected the resumption proposal submitted by the Company. The Company is currently seeking advice from its legal advisers and financial advisers on what possible actions available to the Company. Should there be any material developments and information in respect of the application for resumption of trading of its shares, the Company will make announcements to inform the shareholders in due course.