



Chairman's Statement

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On behalf of the Board of Directors, I am delighted to present the annual report and audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

BUSINESS REVIEW

During the year, the Group has made significant expansion in the gaming related business in Macau. Our LIVE Baccarat system has seen a significant increase in its installation base and has been added in a number of casinos in Macau. The LIVE Baccarat game has seen very strong performance amongst casino goers in 2006, and we foresee that this momentum will continue into the future. On the other segment of the Group, the biopharmaceutical business in China continued to see sales growth of 10%, year-on-year, from about HK\$83,730,000 in 2005 to a record high of about HK\$91,716,000 in 2006. Our China biopharmaceutical operations posted an operating loss of about HK\$12,860,000, representing an increase of about 161% compared with that of the previous year.

Turnover and Profit

The Group reported a turnover of about HK\$94,669,000 for the year ended 31 December 2006, representing an increase of about 11% as compared to about HK\$85,478,000 for the previous year. Overall, gross profit margin for the year ended 31 December 2006 dropped from about 30% to 16%, whereas operating loss of about HK\$23,095,000 for 2005 increased to about HK\$51,613,000 for the year ended 31 December 2006. The Group reported a loss attributable to equity holders of the Company of about HK\$47,704,000 or 1.65 Hong Kong cents per share for the year ended 31 December 2006, compared to a net loss attributable to equity holders of the Company of about HK\$24,095,000 or 0.9 Hong Kong cents per share for the previous year.

The loss was mainly attributed to an increase in costs of sales as well as administrative expenses. Due to increased competition in the PRC pharmaceutical industry, gross margins for the year ended 31 December 2006 inevitably narrowed. However, given this competitive backdrop, the Group continued to see expansion in its biopharmaceutical sales in 2006.

Gaming Related Business

The Group's gaming related business achieved outstanding progress in 2006. Our flagship product LIVE Baccarat system has entered the Macau gaming market under an income-sharing arrangement with casino operators. Our LIVE Baccarat system began its maiden operation with 20 terminals in May 2006, located in the New Century Greek Mythology Casino. Due to strong market demand, the number increased to 240 terminals by the end of December 2006, located in four casinos under the gaming concession of Sociedade de Jogos de Macau, S.A. ("SJM") as follows:

	<i>No. of terminals installed</i>	<i>Launch date</i>
• Lisboa-Monalisa Casino	120	November 2006
• Jai Alai Casino	40	December 2006
• Holiday Inn Diamond Casino	40	September 2006
• New Century Greek Mythology Casino	40	May 2006

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The customers' responses to the LIVE Baccarat game at these sites have exceeded our expectations in 2006. Very often during peak hours, customers found it difficult to find a terminal for participating in the game. Our customer survey poll conducted in 2006, indicated that LIVE Baccarat customers enjoyed playing LIVE Baccarat primarily for its comfortable wagering environment and the more rapid card dealing process compared to traditional baccarat tables. In addition, customers noted positively that they were free from disturbance by other players and bystanders as each customer placed bets through a touch screen on their own terminal.

LIVE Baccarat Performance in 2006

Gross Bet Turnover	HK\$633 million
Total Net Win	HK\$6.5 million
No. Of Terminals At Year End	240 units
No. Of Sites At Year End	4 casinos

LIVE Baccarat is conducted through our proprietary electronic gaming system which combines traditional baccarat card dealing by a live casino dealer with a digital network of touch screen betting terminals. It aims to provide a unique and exciting gaming experience for players of baccarat, which is the most popular casino game in Macau. Real time images of card dealing are broadcasted to the screens of the betting terminals. One unique advantage of the LIVE Baccarat system is that it can largely enhance the productivity of a casino table as a dealer can serve more customers with our system than a dealer at a traditional baccarat table. For example, at our LIVE Baccarat site at the Lisboa-Monalisa Casino, only two dealers are required to operate four LIVE Baccarat dealing tables which link up to 120 terminals. On average over 1,000 games are dealt by a LIVE Baccarat table per day, exceeding the 600 games handled by a traditional baccarat table. Our LIVE Baccarat system offers casino operators a timely solution to the acute shortage of skilled card dealers and escalating staffing costs in Macau.

The gaming business of the Group is conducted through our subsidiary, LT Game Limited ("LT Game"). In April 2006, LT Game entered into a gaming income sharing agreement with SJM, the leading gaming concessionaire in Macau, for the launch of the LIVE Baccarat system in SJM's casinos. Under the agreement with SJM, LT Game shall supply LIVE Baccarat the system to SJM and bear staffing costs of card dealers. In return, LT Game is entitled to share 31% of pretax gaming income from the LIVE Baccarat gaming activities and install LIVE Baccarat system in one or more of the casinos operated by SJM.

LT Game holds all the intellectual property rights of the LIVE Baccarat system. LT Game has filed a patent application for the rules and system of LIVE Baccarat in the United States and Macau. The application for the product invention has also been filed under the Patent Cooperation Treaty. These patent applications were published in August and September of 2006 in United States and Macau, respectively. LT Game has also engaged Technical Systems Testing Pty. Ltd. ("TST"), one of the world's leading gaming equipment certification bodies, to conduct an evaluation on the LIVE Baccarat system. The First Pass Evaluation Report was issued by TST in March 2007.

As a majority of the LIVE Baccarat terminals were launched in the last quarter of 2006, the gaming division did not contribute significantly to the Group's turnover and operating income, despite the strong market response to the game. Net win generated by LIVE Baccarat in 2006 amounted to about HK\$6,500,000, of which 31% was shared by LT Game.

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Biopharmaceutical Business

The Group's biopharmaceutical business is conducted under LifeTec Pharmaceutical Limited ("LifeTec Pharmaceutical"). The turnover of LifeTec Pharmaceutical for the year ended 31 December 2006 increased from about HK\$83,730,000 to about HK\$91,716,000, representing a year-on-year rise of about 10%. Gross profit for the year ended 31 December 2006 decreased by about 14% compared to that of the previous year. Gross profit for the year ended 31 December 2006 reduced due to the intense market competition. The cost control measures effectively reduced marketing, selling and distribution expenses from about HK\$19,906,000 for previous year to about HK\$15,628,000 for the year ended 31 December 2006.

Marketing, Sales and Distribution

LifeTec Pharmaceutical adopted new initiatives to consolidate direct sales team by teaming up with renowned drug distributors. The replacement of sales agents in a number of cities resulted in a dramatic increase in sales performance. In 2006, LifeTec Pharmaceutical sponsored and participated in the first Beijing Ditan Infectious Diseases Symposium. Over 300 infectious disease experts joined the symposium. Highlights of the event included a leading liver disease expert delivered an in-depth presentation on the characteristics and efficacy of Wei Jia, LifeTec Pharmaceutical's leading Hepatitis B drug. The event helped to further strengthen the position of Wei Jia amongst medical professionals in China. In addition, LifeTec Pharmaceutical's sales representatives were present at the 55th Zhengzhou National Medicine Trade Fair, where they improved communication with its distribution agents and recruited new sales agents in areas where sales of Wei Jia have historically had low penetration rates. To broaden the sales base, the division introduced a wider range of generic drugs for distribution and extended the geographical span of its drug distribution business.

Research and Development

Satisfactory progress has been made in research and development projects in 2006, which has provided encouraging prospects for the following projects. Fibrocorin patent is in the final approval stage in the United States and is simultaneously being filed for the China national phase entry. Other generic injectable formulations are ready for final State Food and Drug Administration ("SFDA") approval for registration and are expected to be available for commercial production, sale and distribution in 2007.

Fibrocorin

Fibrocorin is a recombinant fusion protein and a potential new drug candidate for anti-cancer and anti-fibrosis applications. It was invented by LifeTec Pharmaceutical in conjunction with the research team of the City University of Hong Kong. Fibrocorin is a genetically engineered protein comprising an active component to alleviate fibrosis and a human immunoglobulin Fc region which extends the degradation rate. This novel recombinant protein has a more sustainable and profound treatment effect. Patent application has been filed by LifeTec Pharmaceutical for Fibrocorin in the United States (final stage) and China (national phase entry).

Recombinant Human Augmenter for Liver Regeneration ("rhALR")

rhALR is a revolutionary compound for the gene therapy of various kinds of liver diseases. Timely and satisfactory progress has been made in the rhALR project. We have gathered encouraging results in a rat liver model to demonstrate reduction in mortality and relief of liver failure. The next phase of experiments for rhALR would involve testing on human subjects. This involves approval by the SFDA based on the preclinical experimental data and the approval of hospital ethic committees. The expected duration for human trials will be around 18-24 months.

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Pazufloxacin

Pazufloxacin is indicated for the treatment of bronchitis, complicated urinary tract infections and gonorrhoea. Significant progress has been made in the Pazufloxacin project. The clinical trial design has been approved by ethic committees of participating hospitals. Phase I clinical trial has been completed by Clinical Pathology Laboratory, Beijing People's Liberation Army 301 Hospital. Based on the Phase I clinical trial results, safety and tolerability data on human subjects were established. Phase II clinical trials are expected to take approximately one year to complete, with results analysed before proceeding to registration approval.

Generic Drugs

A number of generic drugs are undergoing application procedures for production permits issued by the SFDA. These generic drugs can help to better utilize our existing sales channels which have been developed through our experience in selling Wei Jia. For each of these drugs, we have performed quality control tests to establish the return yield, purification process, production wastage, stability, clarity, heat tolerability and sterility. It is expected that the commercial production approval process for these drugs will commence in the second half of 2007.

We will continue to enrich our pharmaceutical product mix and strengthen our distribution network in China. By leveraging our existing network and client base, we are confident in our ability to improve our biopharmaceutical sales performance in this highly competitive market. As the PRC government is dedicated to improving the national public and private healthcare system, the prospects for infectious diseases medicine are highly promising. While we will be introducing more generic drugs to the China market, we will continue to dedicate efforts to our novel drugs under development in order to render more thorough solutions to various liver diseases in the long run.

Prospects

LIVE Baccarat system represents a new driver to the future growth of our Group. Our LIVE Baccarat system and business model are gaining more recognition amongst the market players. During first quarter of 2007, LT Game signed a collaboration agreement with Galaxy Casino, S.A., another leading gaming concessionaire in Macau, for the launch of the LIVE Baccarat system in Galaxy's Waldo Casino using a net win sharing basis. This collaboration brought the installation base of LIVE Baccarat terminals in Macau to 280 units in 5 casinos in April 2007. The net win of LIVE Baccarat has also picked up strongly in different sites since January 2007.

We also see strong demand for our gaming system in the international market. A number of casino operators in Asia and Europe have indicated their strong interest in installing the LIVE Baccarat system in their casinos. To strengthen our presence in the gaming equipment industry, we will participate in a number of gaming industry trade shows to exhibit our new gaming products in Macau and the United States in 2007.

Investors have also made their strong vote of confidence in our gaming related business. Four investors through an investment holding company subscribed a 18% interest in LT Game for about US\$2 million in December 2006. These investors are experienced operators in the slot machine business and entertainment business in Japan and Korea, respectively. In March 2007, the founder of the Mocha Slot Group Limited (which runs a number of slot machines halls in Macau), subscribed HK\$33 million worth of convertible notes issued by the Company, specifically for funding the Group's gaming related business. Their investments not only provide financing for LT Game, but also represent their endorsement of LT Game's business prospects and model. The Group also benefits from the expertise of these investors as they help to formulate our gaming business strategy.

Management is confident in its ability to expand the network of the LIVE Baccarat terminals in more casinos in Macau in 2007. At the same time, we plan to increase the number of terminals in existing LIVE Baccarat sites. Last but not least, we are developing other innovative casino games for the booming Macau gaming market. It is anticipated that the rapidly expanding LIVE Baccarat terminal base will give us the competitive edge to make our new games a success in Macau.

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Liquidity and Financial Resources

As at the balance sheet date, the Group's aggregate bank borrowings and finance leases stood at about HK\$1,011,000 of which about HK\$263,000 was payable within 12 months and about HK\$748,000 was payable between 2 to 5 years. Current liabilities of the Group increased from about HK\$24,964,000 to about HK\$61,468,000, representing a rise of about 146%. The Group's net current assets decreased from about HK\$84,235,000 to about HK\$31,741,000 as at the balance sheet date. The Group's liabilities at the balance sheet date amounted to about HK\$87,698,000. The percentage of total liabilities to total assets as at 31 December 2006 stood at about 29% which is higher than the corresponding figure of about 13% as of 31 December 2005.

As at 31 December 2006, the cash on hand and available credit facilities are sufficient for financing ongoing activities of the Group.

The Group's operations are primarily based in China and the income derived and expenses incurred are denominated in Renminbi. There were no export sales in the year. On the other hand, the expenses of the headquarters and bank borrowings are denominated in Hong Kong dollars and are financed by Hong Kong dollar capital. Due to the relatively matched position in both Hong Kong and China and the stability of the exchange rates between Renminbi and Hong Kong dollars, the directors do not consider specific hedges for currency fluctuation to be necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2006, the assets of the Group which were subject to charges for securing bank borrowing and obligations under finance lease comprised HK\$1,019,000 in respect of a property in Hong Kong and a motor vehicle with carrying amount of about HK\$1,130,000 respectively.

ORGANIZATION AND STAFF

The Group has about 150 staff in total as at the balance sheet date. The majority of the staff includes sales and marketing executives located in China and service attendants of the Group's Macau gaming business. The Group is actively seeking key personnel to join the sales and marketing and research and development team in Macau in order to cope with the rapid growing operations.

The terms of employment of the staff, executives and directors conform to normal commercial practice. Share option benefits are granted to and included in the terms of selected senior executives of the Company.

APPRECIATION

The Group has made a number of outstanding records in 2006 in the launch of the Macau gaming related business. On behalf of the Board of Directors of the Company (the "Board"), I would like to thank our shareholders, bankers, professional parties and customers for their continuous support. I would also like to thank our executives and staff for their dedication and professionalism.

By Order of the Board

Jay Chun

Chairman

Hong Kong, 27 April 2007