Notes to the Financial Statements

For the year ended 31st December, 2006

1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company and immediate holding company are Ming Yuan Holdings Limited and Ming Yuan Investments Group Limited, respectively, both of which are incorporated in the British Virgin Islands with limited liability. The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The functional currency and the presentation currency of the Company is Hong Kong dollars.

The Company is an investment holding company. The principal activities of its subsidiaries at 31st December, 2006 are set out in note 42.

The Company and its subsidiaries (the "Group") are mainly engaged in (i) manufacturing and trading of protein chips and related equipments and (ii) operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, the People's Republic of China ("PRC"). In previous years, the Group also engaged in the trading of information technology products (segment of information technology products and services division) and trading of properties held for sale (segment of property investment division). These operations were discontinued during the year ended 31st December, 2006 (see Note 13) and certain income statement items for the year ended 31st December, 2005 have been re-presented under loss for the year from discontinued operations in accordance with Hong Kong Financial Reporting Standard 5 "Non-Current Assets Held For Sale and Discontinued Operations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial positions of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating Segment[7]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st March, 2006.
[3] Effective for annual periods beginning on or after 1st May, 2006.
[4] Effective for annual periods beginning on or after 1st June, 2006.
[5] Effective for annual periods beginning on or after 1st November, 2006.
[6] Effective for annual periods beginning on or after 1st March, 2007.
[7] Effective for annual periods beginning on or after 1st January, 2009.
[8] Effective for annual periods beginning on or after 1st January, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting polices set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment (other than properties under development) are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Intangible assets

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible assets below).

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, deposits placed with financial institutions and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

Other financial liabilities include trade and other payables, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible bonds

Convertible bonds issued by the Company that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity (share option reserve) will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3, management has made the following judgment that have most significantly effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31st December, 2006, management of the Group determined that there were no impairment on goodwill. Details of the impairment testing on goodwill are disclosed in Note 18.

5. FINANCIAL INSTRUMENTS

5(a). Financial risk management objectives and policies

The Group's major financial instruments include deposits placed with financial institutions, bank balances, trade and other receivables, trade and other payables, amount due to a related company, bank borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31st December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions with high-credit-ratings.

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 69% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 32% of the Group's total sales. At 31st December, 2006, the Group's five largest customers comprised approximately 76% of the Group's trade receivables and the balance of the trade receivable attributable to the Group's largest customer was approximately 32% of the Group's trade receivables. The management currently is seeking new customers base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentration of credit risk.

Market risk

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 28 for details of these borrowings).

5. FINANCIAL INSTRUMENTS (Continued)

5(a). Financial risk management objectives and policies (Continued)

Market risk *(Continued)*

Fair value interest rate risk

In addition, short-term bank deposits exposed the Group to fair value interest rate risk. The directors consider this exposure to be insignificant because the bank balances are held within short maturity period.

The Group's fair value interest rate risk relates primarily to convertible bonds.

The Group currently does not have hedging policy in relation to fair value and cash flow interest rate risks. However, management monitors the interest rate exposure closely and will consider interest rate risk hedging should the need arises.

Currency risk

A subsidiary of the Company has foreign currency bank balances (see Note 25). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5(b). Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

6. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Sales of protein chips and related equipments	**150,865**	126,985
Hospital operation	**9,970**	–
	160,835	126,985
Discontinued operations *(Note 13)*		
Sale of information technology products	**14,740**	144,322
Sale of properties held-for-sale	**–**	10,828
	14,740	155,150
	175,575	282,135

7. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into the following two major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

Protein chips division	–	Manufacturing and trading of protein chips and related equipments
Hospital operation	–	Operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, the PRC（上海市虹口区妇幼保健院）

In previous year, the Group also engaged in the (i) trading of information technology products and related accessories (information technology products and services segment) and (ii) trading of properties held for sale (property investment segment). These operations were discontinued on 30th September, 2006 and 1st January, 2006 respectively.

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segments is as follows:

	Continuing operations			Discontinued operations			
	Protein chips division HK$'000	Hospital operation HK$'000	Sub-total HK$'000	Information technology products and services division HK$'000	Property investment division HK$'000	Sub-total HK$'000	Consolidated HK$'000
For the year ended 31st December, 2006							
REVENUE							
External sales	150,865	9,970	160,835	14,740	–	14,740	175,575
Results							
Segment results	103,106	1,059	104,165	(738)	–	(738)	103,427
Unallocated expenses			(14,752)			–	(14,752)
Interest income			7,703			8	7,711
Gain on disposal of property, plant and equipment	12,067	–	12,067			–	12,067
Finance costs			(16,740)			(489)	(17,229)
Gain on disposal/dissolution of subsidiaries			2,608			–	2,608
Profit before taxation			95,051			(1,219)	93,832
Taxation			(18,933)			–	(18,933)
			76,118			(1,219)	74,899
Loss on disposal of discontinued operations			–			(1,937)	(1,937)
Profit for the year			76,118			(3,156)	72,962

	Protein chips division HK$'000	Hospital operation HK$'000	Consolidated HK$'000
Assets and liabilities at 31st December, 2006			
Assets			
Segment assets	746,893	71,601	818,494
Goodwill	47,115	57,125	104,240
Unallocated assets			2,468
Consolidated total assets			925,202
Liabilities			
Segment liabilities	18,641	26,140	44,781
Unallocated liabilities			309,564
Consolidated total liabilities			354,345

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Continuing operations			Discontinued operations		
	Protein chips division HK$'000	Hospital operation HK$'000	Unallocated HK$'000	Information technology products and services division HK$'000	Property investment division HK$'000	Consolidated HK$'000
Other information for the year ended 31st December, 2006						
Capital expenditure	**91,019**	**38,691**	**–**	**–**	**–**	**129,710**
Depreciation on property, plant and equipment	**4,747**	**359**	**369**	**67**	**–**	**5,542**
Share based payment	**–**	**–**	**4,796**	**–**	**–**	**4,796**
Amortisation of prepaid lease payment	**135**	**200**	**–**	**–**	**–**	**335**
Amortisation of intangible asset	**–**	**86**	**–**	**–**	**–**	**86**

	Continuing operations		Discontinued operations			
	Protein chips division HK$'000	Sub-total HK$'000	Information technology products and services division HK$'000	Property investment division HK$'000	Sub-total HK$'000	Consolidated HK$'000
For the year ended 31st December, 2005						
Revenue						
External sales	126,985	126,985	144,322	10,828	155,150	282,135
Results						
Segment results	86,954	86,954	(114)	439	325	87,279
Unallocated expenses		(22,103)			–	(22,103)
Interest income		4,879			20	4,899
Gain on disposal of property, plant and equipment	16,222	16,222	179	–	179	16,401
Finance costs		(13,828)			(1,937)	(15,765)
Profit (loss) before taxation		72,124			(1,413)	70,711
Taxation		–			(676)	(676)
Profit (loss) for the year		72,124			(2,089)	70,035

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Protein chips division HK$'000	Information technology products and services division HK$'000	Property investment division HK$'000	Consolidated HK$'000
Assets and liabilities at 31st December, 2005				
Assets				
Segment assets	601,076	23,971	1,801	626,848
Goodwill	47,115	–	–	47,115
Unallocated assets				107,218
Consolidated total assets				781,181
Liabilities				
Segment liabilities	9,457	2,885	371	12,713
Unallocated liabilities				267,298
Consolidated total liabilities				280,011

	Continuing operations		Discontinued operations		
	Protein chips division HK$'000	Unallocated HK$'000	Information technology products and services division HK$'000	Property investment division HK$'000	Consolidated HK$'000
Other information for the year ended 31st December, 2005					
Capital expenditure	102,362	32	519	–	102,913
Depreciation on property, plant and equipment	5,015	567	674	–	6,256
Share based payment	–	9,655	–	–	9,655
Amortisation of prepaid lease payment	797	–	–	–	797

7. SEGMENT INFORMATION (Continued)

Geographical segments

The following table provides an analysis of the Group's revenue by geographic markets, irrespective of the origin of the goods and services:

	Revenue by geographical market	
	2006	2005
	HK$'000	HK$'000
Continuing operations		
Hong Kong	**637**	7,640
PRC	**160,198**	119,345
	160,835	126,985
Discontinued operations		
Hong Kong	**–**	15,740
PRC	**14,740**	139,150
Canada	**–**	260
	14,740	155,150
	175,575	282,135

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions of property, plant and equipment and intangible assets	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**49,747**	5,124	**323**	546
PRC	**768,747**	621,724	**129,387**	102,367
	818,494	626,848	**129,710**	102,913

8. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income	**7,703**	4,879	**8**	20	**7,711**	4,899
Gain on disposal of property, plant and equipment	**12,067**	16,222	**–**	179	**12,067**	16,401
Gain on disposal of investment properties	**–**	–	**–**	779	**–**	779
Others	**873**	2,311	**897**	523	**1,770**	2,834
	20,643	23,412	**905**	1,501	**21,548**	24,913

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank borrowings wholly repayable within five years	**5,103**	2,356	**489**	1,937	**5,592**	4,293
Effective interest expenses on convertible bonds	**12,275**	11,472	**–**	–	**12,275**	11,472
Total borrowing costs	**17,378**	13,828	**489**	1,937	**17,867**	15,765
Less: Amounts capitalised	**(638)**	–	**–**	–	**(638)**	–
	16,740	13,828	**489**	1,937	**17,229**	15,765

10. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation has been arrived at after charging:						
Depreciation	**5,475**	5,582	**67**	674	**5,542**	6,256
Amortisation of prepaid lease payment	**335**	797	**–**	–	**335**	797
Amortisation of intangible assets included in administrative expenses	**86**	–	**–**	–	**86**	–
Staff costs						
– directors' remuneration *(Note 11(a))*	**4,329**	6,667	**–**	–	**4,329**	6,667
– other staff costs	**16,802**	10,706	**867**	1,342	**17,669**	12,048
– share-based payments	**3,558**	7,064	**–**	–	**3,558**	7,064
– retirement benefits scheme contributions, excluding directors	**120**	20	**–**	29	**120**	49
Total staff costs	**24,809**	24,457	**867**	1,371	**25,676**	25,828
Auditors' remuneration	**1,300**	1,200	**100**	50	**1,400**	1,250
Loss on disposal of investments in securities held for trading	**–**	4,895	**–**	–	**–**	4,895
Allowances for bad and doubtful debts	**–**	–	**–**	702	**–**	702
Cost of inventories recognised as an expense	**19,421**	7,746	**10,846**	135,397	**30,267**	143,143
Research and development expenditure	**1,118**	1,076	**–**	–	**1,118**	1,076
and after crediting:						
Net rental income in respect of premises after outgoings of approximately (2005: HK$49,000)	**–**	–	**–**	69	**–**	69

11. DIRECTORS AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	2006 HK$'000	2005 HK$'000
Directors' fees:		
(i) Executive		
– Yao Yuan	**1,714**	1,800
– Chien Hoe Yong, Henry	**420**	300
– Hu Jun	**–**	–
– Yu Ti Jun	**120**	120
– Hu Geng Xi	**–**	1,200
– Iu Chung	**450**	–
	2,704	3,420
(ii) Independent non-executive		
– Lam Lee G.	**120**	120
– Lee Jin Hua	**–**	–
– Lee Sze, Ho, Henny	**120**	120
– Xiao Chuan Guo	**–**	–
– Hu Jin Hua	**120**	70
	360	310
Total directors' fees	**3,064**	3,730

11. DIRECTORS AND EMPLOYEES' REMUNERATION (Continued)

(a) Directors' remuneration (Continued)

	2006 HK$'000	2005 HK$'000
Other emoluments of executive directors:		
(i) Salaries and other benefits		
– Yao Yuan	–	–
– Chien Hoe Yong, Henry	–	–
– Hu Jun	–	–
– Yu Ti Jun	–	–
– Hu Geng Xi	–	–
– Iu Chung	–	–
	–	–
(ii) Retirement benefits scheme contribution		
– Yao Yuan	12	12
– Chien Hoe Yong, Henry	12	12
– Hu Jun	–	–
– Yu Ti Jun	–	–
– Hu Geng Xi	–	12
– Iu Chung	3	–
	27	36
(iii) Share-based payments		
– Yao Yuan	–	–
– Chien Hoe Yong, Henry	706	1,156
– Hu Jun	266	436
– Yu Ti Jun	266	436
– Hu Geng Xi	–	873
– Iu Chung	–	–
	1,238	2,901
Total other emoluments of executive directors	1,265	2,937
Total	4,329	6,667

None of the directors has waived any emoluments during the year.

11. DIRECTORS AND EMPLOYEES' REMUNERATION (Continued)

(b) Employees' remuneration

The five highest paid individuals in the Group include two directors of the Company (2005: two), details of whose remuneration are set out above. The aggregate remuneration of the remaining highest paid individuals, who are employees of the Group, is as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,060**	2,680
Retirement benefits scheme contributions	**33**	36
Share-based payments	**1,082**	1,327
	4,175	4,043

The number of employees whose remuneration falls within the bands set out below is as follows:

HK$	**2006 Number of employees**	2005 Number of employees
Nil to 1,000,000	**1**	1
1,500,001 to 2,000,000	**2**	2

12. TAXATION

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge (credit) comprises:						
Hong Kong Profits Tax						
– Current year	**–**	–	**–**	(771)	**–**	(771)
Overprovision in prior years	**671**	–	**–**	–	**671**	–
Taxation in other jurisdictions						
– Overprovision in prior years	**–**	–	**–**	97	**–**	97
Taxation in other regions in the PRC	**(19,604)**	–	**–**	(2)	**(19,604)**	(2)
	(18,933)	–	**–**	(676)	**(18,933)**	(676)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year ended 31st December, 2005.

12. TAXATION (Continued)

Taxation arising in other jurisdictions of the PRC is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

The taxation for the year can be reconciled to the profit before taxation as per the consolidated income statement as follows:

	2006	2005
	HK$'000	HK$'000
Profit (loss) before taxation:		
Continuing operations	**95,051**	72,124
Discontinued operations *(Note 13)*	**(3,156)**	(1,413)
	91,895	70,711
Tax at the domestic income tax rate at 33% (2005: 33%) *(Note a)*	**30,326**	23,335
Tax effect of income not taxable in determining taxable profit	**(525)**	(1,606)
Tax effect of expenses not deductible for tax purpose	**10,270**	8,762
Tax effect of tax losses not recognised	**–**	42
Overprovision in prior years	**(671)**	(97)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,571**	7,536
Effect of tax exemptions granted to PRC subsidiaries	**(24,164)**	(38,071)
Others	**126**	775
Taxation for the year	**18,933**	676

Notes:

(a) Being tax rate in PRC where the operation of the Group is substantially based.

(b) As at 31st December, 2006, the Group had unused tax losses of approximately HK$38,214,000 (2005: HK$38,214,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. Such tax losses can be carried forward indefinitely.

13. DISCONTINUED OPERATIONS

On 1st January, 2006, the management of the Group resolved to discontinue its property investment segment. No properties held for sales were held by the Group as at 31st December, 2005 and 31st December, 2006.

On 7th August, 2006, the Group entered into an agreement to dispose of a subsidiary, 上海龙祥电脑有限公司 ("上海龙祥"), which carried out all of the Group's activities in its information technology products and services segment. The disposal was completed during the year and control of 上海龙祥 was passed to the acquirer on 30th September, 2006.

13. DISCONTINUED OPERATIONS (Continued)

The loss for the year from the discontinued operations is analysed as follows:

	2006 HK$'000	2005 HK$'000
Loss of information technology products and services division for the year	**(1,219)**	(1,754)
Loss on disposal of subsidiaries engaged in information technology products and services division *(see Note 34)*	**(1,937)**	–
Loss of property investment division for the year	**–**	(335)
	(3,156)	(2,089)
Attributable to:		
Equity holder of the Company	**(2,559)**	(1,230)
Minority interests	**(597)**	(859)
	(3,156)	(2,089)

The results of (i) the information technology products and services segment for the period from 1st January, 2006 to 30th September, 2006 and (ii) the property investment segment for the year ended 31st December, 2005, which have been included in the consolidated income statement, were as follows:

	Information technology products and services division		Property investment division	Total	
	1.1.2006 to 30.9.2006 HK$'000	1.1.2005 to 31.12.2005 HK$'000	1.1.2005 to 31.12.2005 HK$'000	**1.1.2006 to 30.9.2006 HK$'000**	1.1.2005 to 31.12.2005 HK$'000
Revenue	**14,740**	144,322	10,828	**14,740**	155,150
Cost of sales	**(14,645)**	(140,370)	(10,747)	**(14,645)**	(151,117)
Other income	**905**	720	781	**905**	1,501
Selling and distribution costs	**(14)**	(17)	–	**(14)**	(17)
Administrative expenses	**(1,716)**	(4,574)	(419)	**(1,716)**	(4,993)
Finance costs	**(489)**	(1,930)	(7)	**(489)**	(1,937)
Loss before taxation	**(1,219)**	(1,849)	436	**(1,219)**	(1,413)
Taxation	**–**	95	(771)	**–**	(676)
Loss for the period/year	**(1,219)**	(1,754)	(335)	**(1,219)**	(2,089)

During the year, 上海龙祥contributed HK$28,759,090 (2005: HK$5,612,000) to the Group's net operating cash flows, contributed HK$8,000 (2005: HK$18,000) in respect of investing activities and paid HK$28,496,000 (2005: HK$6,037,000) in respect of financing activities.

The property investment segment did not make any significant contributions to the Group's cashflows.

The carrying amounts of the assets and liabilities of上海龙祥at the date of disposal are disclosed in note 34.

14. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Dividends recognised as distribution during the year:		
Interim – HK$0.01 per share (2005: Nil)	**26,881**	–
Dividends proposed		
Final – HK$0.01 per share (2005: Nil)	**26,881**	–

The final dividend of HK$0.01 per share (2005: Nil) has been proposed by the directors and is subject to approval by shareholders in forthcoming general meeting.

15. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of basic earnings per share attributable to the equity holders of the parent is based on the following data:

	2006 **HK$'000**	2005 HK$'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to the equity holders of the parent)	**73,559**	70,096

	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,688,107,099**	2,688,100,846

The computation of diluted earnings per share does not assume the exercise of the share options since the exercise price of the Company's share options was higher than the average market price.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in profit per share.

15. EARNINGS PER SHARE (Continued)

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the parent is based on the following data:

Earnings figures are calculated as follows:

	2006	2005
	HK$'000	HK$'000
Profit for the year attributable to equity holders of the parent	**73,559**	70,096
Add: Loss for the year from discontinued operations attributable to the equity holders of the parent *(Note 13)*	**2,559**	1,230
Earnings for the purposes of basic earnings per share from continuing operations	**76,118**	71,326

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is 0.09 HK cent per share (2005: 0.04 HK cent per share), based on the loss for the year from the discontinued operations attributable to the equity holders of the parent of HK$2,559,000 (2005: HK$1,230,000) and the denominators detailed above for basic earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Office equipment	Motor vehicles	Leasehold improvements	Furniture and fixtures	Buildings under construction	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost								
At 1st January, 2005	6,590	23,923	1,910	3,373	1,656	629	–	38,081
Exchange adjustments	190	690	40	45	–	9	–	974
Additions	87	11,438	106	1,097	–	5	90,180	102,913
Disposals	–	(9,065)	(20)	(558)	(19)	–	–	(9,662)
At 31st December, 2005	6,867	26,986	2,036	3,957	1,637	643	90,180	132,306
Exchange adjustments	275	1,072	60	70	–	10	3,607	5,094
Additions	4	12,185	162	1,475	–	22	93,775	107,623
Acquired on acquisition of subsidiaries	5,300	1,961	64	35	1,566	721	7,250	16,897
Eliminated on disposal of subsidiaries	–	(54)	(10)	(463)	–	(418)	–	(945)
Disposals	–	(12,881)	–	(842)	–	–	–	(13,723)
At 31st December, 2006	**12,446**	**29,269**	**2,312**	**4,232**	**3,203**	**978**	**194,812**	**247,252**
Depreciation								
At 1st January, 2005	517	6,169	955	1,326	1,061	313	–	10,341
Exchange adjustments	18	235	21	17	–	5	–	296
Provided for the year	231	3,987	513	1,063	306	156	–	6,256
Eliminated on disposals	–	(2,654)	(11)	(409)	–	–	–	(3,074)
At 31st December, 2005	766	7,737	1,478	1,997	1,367	474	–	13,819
Exchange adjustments	38	378	45	31	–	7	–	499
Provided for the year	359	3,495	320	972	301	95	–	5,542
Eliminated on disposal of subsidiaries	–	(54)	–	(154)	–	(270)	–	(478)
Eliminated on disposals	–	(953)	–	(689)	–	–	–	(1,642)
At 31st December, 2006	**1,163**	**10,603**	**1,843**	**2,157**	**1,668**	**306**	**–**	**17,740**
Carrying Values								
At 31st December, 2006	**11,283**	**18,666**	**469**	**2,075**	**1,535**	**672**	**194,812**	**229,512**
At 31st December, 2005	6,101	19,249	558	1,960	270	169	90,180	118,487

The above items of the property, plant and equipment are depreciated on a straight-line basis, at the following rates per annum:

Buildings	Over 2% or the term of the lease or land use rights, if shorter
Plant and equipment	10% to 30%
Office equipment	15% – 50%
Motor vehicles	15% – 33%
Leasehold improvements	10% – 33% or the term of the lease, if shorter
Furniture and fixtures	20% – 33%

The buildings held by the Group at the balance sheet date shown above were held under medium lease terms located in the PRC.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent payments for land use rights under medium-term lease located in the PRC. The Group has acquired rights to the use of land (the "land use rights") in the PRC. While the subsidiaries have paid substantially the full consideration of the purchase consideration, the relevant government authorities have not yet granted formal title to certain of these land use rights to that subsidiaries. The net book value of the land use rights for which the Group had not yet been granted formal title as at 31st December, 2006 was approximately HK$28,850,000 (2005: Nil).

	2006	2005
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current assets	**1,429**	796
Non-current asset	**67,635**	38,198
	69,064	38,994

18. GOODWILL

	HK$'000
Cost	
At 1st January, 2005	54,892
Elimination of accumulated amortisation upon the application of HKFRS 3	(7,777)
At 31st December, 2005	47,115
Arising on acquisition of subsidiaries *(Note 35)*	57,125
At 31st December, 2006	**104,240**

Particulars regarding impairment testing on goodwill are disclosed below:

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, the carrying amount of goodwill has been allocated to the following cash generating units which represent the two business segments of the Group:

	2006	2005
	HK$'000	HK$'000
Segment of protein chips division	**47,115**	47,115
Segment of hospital operation	**57,125**	–
	104,240	47,115

During the year ended 31st December, 2006, management of the Group determines that there is no impairment in either of these two cash generating units containing goodwill.

18. GOODWILL (Continued)

The basis of the recoverable amounts of above cash generating units and their major underlying assumptions are summarised below:

Cash generating unit for segment of protein chips division

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with zero growth rate, and a discount rate of 15% per annum. Goodwill is expected to generate cash flow from an identified period. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sale and gross margin, such estimation is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this cash generating unit to exceed the aggregate recoverable amount of this cash generating unit.

Cash generating unit for segment of hospital operation

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 10 year period with a 2% growth rate for the first five year and remained constant for the remaining five years, and a discount rate of 9.5% per annum. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this cash generating unit to exceed the aggregate recoverable amount to this cash generating unit.

19. INTANGIBLE ASSET

	Distribution right HK$'000
Cost	
Acquired on acquisition of subsidiaries and at 31st December, 2006	5,190
Amortisation	
Provided for the period and at 31st December, 2006	86
Carrying Value	
At 31st December, 2006	**5,104**
At 31st December, 2005	–

The above distribution right was purchased as part of a business combination during the year. The distribution right entitles the Group to distribute HPV Detection products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 years.

The above intangible asset has a definite useful lives of 20 years and it is being amortised on a straight-line basis over 20 years.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2006 HK$'000	2005 HK$'000
Equity securities listed outside Hong Kong	**418**	–
Unlisted investments	**528**	–
	946	–

The above unlisted investment represents a 5% interest in unlisted equity securities issued by a private entity incorporated in the PRC. The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so wide that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amount represents deposits paid for the acquisition of property, plant and equipment in relation to the Group's expansion of its protein chips operations.

22. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials	**5,173**	4,005
Work in progress	**1,284**	3,535
Finished goods	**1,003**	6,431
	7,460	13,971

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2006 HK$'000	2005 HK$'000
Trade receivables *(Note)*	**45,584**	56,565
Less: accumulated impairment	**(1,960)**	(2,662)
	43,624	53,903
Prepayments for purchases	**–**	15
Deposits and other receivables	**6,821**	19,152
	50,445	73,070

The carrying amount of the Group's trade and other receivables at balance sheet date approximates the corresponding fair value.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Note:

The Group normally allows a credit period of 30 to 90 days to its trade customers. An aged analysis of the trade receivables at the balance sheet date is as follows:

	2006	2005
	HK$'000	HK$'000
0 – 60 days	**43,035**	32,026
61 – 90 days	**589**	11,301
Over 90 days	**–**	10,576
	43,624	53,903

24. LOANS AND INTEREST RECEIVABLES

The amounts were unsecured, interest-bearing at prevailing market rate. The amounts were fully repaid during the year.

25. PLEDGED BANK DEPOSITS/DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH

The pledged bank deposits represents bank deposits pledged to a bank to secure the banking facilities for bank borrowings due within one year granted to the Group and therefore are classified as current asset. The deposits carry interest at 2.07% per annum (2005: 2% per annum). The fair value of the pledged bank deposits at the balance sheet date approximates the corresponding carrying amount.

The deposits placed with financial institutions carry interest at prevailing market rate of 4% per annum. The fair value of the Group's deposits placed with financial institutions at the balance sheet date approximates the corresponding carrying amount.

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market rate. All bank deposits are with a maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.72% to 3.61% per annum (2005: 0.28% to 3.29% per annum). The fair values of the amounts at the balance sheet date approximate the corresponding carrying amounts.

25. PLEDGED BANK DEPOSITS/DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH (Continued)

The amount of the Group's bank balances and cash denominated other than the functional currency of the relevant group entities are set out below:

	US Dollar
	HK$'000
At 31st December, 2006	
Bank balances and cash	**75**
At 31st December, 2005	
Bank balances and cash	211,092

26. TRADE AND OTHER PAYABLES

	2006	2005
	HK$'000	HK$'000
Trade payables	**3,137**	3,201
Accruals and other payables	**31,310**	10,199
	34,447	13,400

An aged analysis of trade payables at the balance sheet date is as follows:

	2006	2005
	HK$'000	HK$'000
0 – 60 days	**1,565**	2,605
61 – 90 days	**1,407**	104
Over 90 days	**165**	492
	3,137	3,201

The carrying amount of the Group's trade and other payables at the balance sheet date approximates the corresponding fair value.

27. AMOUNT DUE TO A RELATED COMPANY

Details of an amount due to a related company are as follows:

	2006	2005
	HK$'000	HK$'000
上海铭源实业集团有限公司("上海铭源实业")	**11,741**	6,728

上海铭源实业 is a company in which Mr. Yao Yuan has a significant interest.

The amount is unsecured, non-interest bearing and is repayable on demand. The carrying amount at the balance sheet date approximates its fair value.

28. BANK BORROWINGS

	2006 HK$'000	2005 HK$'000
Bank borrowings repayable:		
– On demand or within one year	**70,500**	47,962
– More than one year but not exceeding two years	**1,625**	28,577
– More than two years but not more than five years	**23,000**	–
	95,125	76,539
Less: Amounts due within one year under current liabilities	**(70,500)**	(47,962)
Amounts due after one year	**24,625**	28,577
Analysed as:		
Secured	**44,000**	76,539
Unsecured	**51,125**	–
	95,125	76,539

During the year, the Group obtained new bank loans of HK$80,125,000. The loans bear interests at prevailing market rate and will be repayable by instalments over a period of one to three years. The proceeds were used as general working capital of the Group.

The bank borrowings bear interest at prevailing market rates ranging from 4.92% to 6.04% per annum (2005: ranging from 4.45% to 6.89% per annum) and are repayable by instalments within a period of one to three years. The secured bank borrowings are secured by bank deposits and buildings of the Group.

The carrying amount of the Group's bank borrowings at balance sheet date approximates the corresponding fair value.

29. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	4,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1st January, 2005	2,688,096,230	134,405
Conversion of convertible bonds	10,869	–
At 31st December, 2005 and 31st December, 2006	2,688,107,099	134,405

30. CONVERTIBLE BONDS

The Company issued HK$200,000,000 1% convertible bonds due 2010 ("2010 Bonds") at a par value of HK$200,000,000 on 6th January, 2005. The convertible bonds are denominated in Hong Kong dollars.

The 2010 Bonds bear interest at the rate of 1% per annum on the principal amount. Interest is payable in arrear on 6th January in each year commencing on 6th January, 2005. The initial conversion price is HK$0.92 per share, subject to anti-dilutive adjustment.

The 2010 Bonds entitles the holders to convert their 2010 Bonds into ordinary shares of HK$0.05 each of the Company at any time on or after 15 days after 6th January, 2005 up to the close of business 15 days prior to 6th January, 2010.

Unless previously redeemed, purchase and cancelled or converted, the Company will redeem each of 2010 Bonds at 113.41% of its principal amount on 6th January, 2010.

During the year ended 31st December, 2005, HK$10,000 of the 2010 Bonds were converted into ordinary shares of HK$0.05 each of the Company.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading "Convertible bond equity reserve". The effective interest rate of the liability component is 6.77% per annum.

The movement of the liability component of the convertible bonds for the year is set out below:

	2006	2005
	HK$'000	HK$'000
Carrying amount at the beginning of the year	**183,153**	–
Issue of convertible bonds	**–**	171,681
Interest charged	**12,275**	11,472
Interest paid	**(2,000)**	–
Carrying amount at the end of the year	**193,428**	183,153

The fair value of the liability component of the convertible loan notes at 31st December, 2006, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, was approximately HK$186,936,000 (2005: HK$175,086,000).

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities provided by the Group and movements thereon during the current and prior reporting periods:

	Revaluation of property, plant and equipment and prepaid lease payments
	HK$'000
At 31st December, 2005 and 1st January, 2006	–
Arising on acquisition of subsidiaries	8,602
At 31st December, 2006	**8,602**

32. BALANCE SHEET OF THE COMPANY

The Company's balance sheet at the balance sheet date are as follows:

	2006 HK$'000	2005 HK$'000
Non-Current Assets		
Property, plant and equipment	**39**	171
Interests in subsidiaries	**–**	412,958
	39	413,129
Current Assets		
Amounts due from subsidiaries	**487,714**	79,238
Other receivables, deposits and prepayments	**1,821**	2,374
Bank balances and cash	**121**	134
	489,656	81,746
Current Liabilities		
Other payables and accruals	**1,530**	3,711
Amounts due to subsidiaries	**50,915**	46,451
Amount due to a related company	**–**	3,703
Bank borrowings – due after one year	**8,000**	–
	60,445	53,865
Net Current Assets	**429,211**	27,881
	429,250	441,010
Capital and Reserves		
Share capital	**134,405**	134,405
Reserves (Note)	**101,417**	123,452
	235,822	257,857
Non current liability		
Convertible bonds	**193,428**	183,153
	429,250	441,010

32. BALANCE SHEET OF THE COMPANY (Continued)

Note:

	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2005	150,345	–	–	12,804	(36,331)	126,818
Issue of shares	9	–	–	–	–	9
Recognition of equity component of convertible bonds	–	20,343	–	–	–	20,343
Recognition of equity-settled share based payments	–	–	9,965	–	–	9,965
Net loss for the year	–	–	–	–	(33,683)	(33,683)
At 31st December, 2005	150,354	20,343	9,965	12,804	(70,014)	123,452
Issue of shares						
Recognition of equity settled share based payments	–	–	4,796	–	–	4,796
Net profit for the year	–	–	–	–	50	50
Dividends paid	–	–	–	–	(26,881)	(26,881)
At 31st December, 2006	**150,354**	**20,343**	**14,761**	**12,804**	**(96,845)**	**101,417**

33. SHARE OPTIONS

Equity-settled share option scheme

On 31st May, 2005 (the "Adoption Date"), the Company adopted a share option scheme ("the Scheme") for the primary purpose of providing incentives to any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries (the "Group") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group ("Participants") who the board of directors considers, in its sole discretion, have contributed or shall contribute to the Group. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Under the Scheme, the board of directors of the Company may grant options to the Participants to subscribe for shares in the Company.

As at 31st December, 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 133,400,000 (2005: 157,000,000) representing 4.96% (2005: 5.84%) of the shares of the Company in share at that date.

33. SHARE OPTIONS (Continued)

The maximum number of shares which may be issued upon exercise of all outstanding options under the Scheme shall not exceed 10% of the shares in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders.

The maximum number of shares issued and to be issued upon exercise of all options granted and to be granted to a specifically identified single grantee under the Scheme shall not (when aggregated with any shares which are subject of options under any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares in issue.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. In each grant of options, the board of directors may at its discretion determine the specific vesting period and exercise period. Options may be exercised at any time from the date of grant (or after the expiry of the vesting period, if any) to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the higher of (i) the closing price; (ii) the average closing price of the Company's shares of the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses the movement of the Company's share options during the year:

					Number of share options				
Directors	**Date of grant**	**Exercise price**	**Vesting period**	**Exercisable period**	**Outstanding at 1.1.2006**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2006**
Directors	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	9,300,000	–	–	–	9,300,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	9,300,000	–	–	–	9,300,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	9,300,000	–	–	–	9,300,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	9,300,000	–	–	–	9,300,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	9,300,000	–	–	–	9,300,000
					46,500,000	–	–	–	46,500,000
Employees	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	22,100,000	–	–	(4,000,000)	18,100,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	22,100,000	–	–	(4,000,000)	18,100,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	22,100,000	–	–	(5,200,000)	16,900,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	22,100,000	–	–	(5,200,000)	16,900,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	22,100,000	–	–	(5,200,000)	16,900,000
					110,500,000	–	–	(23,600,000)	86,900,000
Total					157,000,000	–	–	(23,600,000)	133,400,000
Exercisable at 31st December, 2006									**54,800,000**

33. SHARE OPTIONS (Continued)

Directors	Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options: Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Outstanding at 31.12.2005
Directors	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	–	9,300,000	–	9,300,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	–	9,300,000	–	9,300,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	–	9,300,000	–	9,300,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	–	9,300,000	–	9,300,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	–	9,300,000	–	9,300,000
					–	46,500,000	–	46,500,000
Employees	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	–	22,100,000	–	22,100,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	–	22,100,000	–	22,100,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	–	22,100,000	–	22,100,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	–	22,100,000	–	22,100,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	–	22,100,000	–	22,100,000
					–	110,500,000	–	110,500,000
Total					–	157,000,000	–	157,000,000
Exercisable at 31st December, 2005								31,400,000

The fair values of the options granted on 8th April, 2005 ranged from HK$0.07 to HK$0.15. The fair values were calculated using the Binomial Model pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.728
Exercise price	HK$0.728
Expected share volatility	40%
Expected life	2 – 5 years
Weighted average risk-free rate	3.834%
Expected dividend yield	3%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of HK$4,796,000 was charged as an equity-settled expense for the year ended 31st December, 2006 (2005: HK$9,965,000).

34. DISPOSAL/DISSOLUTION OF SUBSIDIARIES

During the year ended 31st December, 2006, the Group disposed of its 51% interest in 上海龙祥 for a total consideration of HK$4,200,000 and disposed of its 80% interest in Beijing Health Digit Co., Ltd. ("Beijing HD") for a total consideration of RMB8,000,000 (equivalent to HK$7,692,000).上海龙祥engaged in the business of trading of computer products and related accessories and Beijing HD was engaged in investment holding. Details of the assets and liabilities of the subsidiaries disposed of were as follows:

	Beijing HD	Dissolved subsidiaries	Subtotal	上海龙祥	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net assets disposed/dissolved of:					
Property, plant and equipment	10	–	10	457	467
Inventories	–	–	–	982	982
Trade and other receivables	9,641	2	9,643	12,220	21,863
Bank balances and cash	10	–	10	531	541
Trade and other payables	–	–	–	(162)	(162)
	9,661	2	9,663	14,028	23,691
Minority interests	(1,870)	–	(1,870)	(6,454)	(8,324)
	7,791	2	7,793	7,574	15,367
Translation reserves realised	(91)	(2,618)	(2,709)	(793)	(3,502)
Statutory reserve realised	–	–	–	(644)	(644)
(Loss) gain on disposal of subsidiaries	(8)	2,616	2,608	(1,937)	671
Consideration	7,692	–	7,692	4,200	11,892
Satisfied by:					
Cash					11,892
Net cash inflow arising on disposal:					
Cash consideration					11,892
Bank balances and cash disposed of					(541)
					11,351

The financial impact of 上海龙祥 on the Group's results and cash flows in the current and prior periods is disclosed in note 13.

During both year, Beijing HD and other dissolved subsidiaries did not make any significant contribution to the Group's results and cash flow.

35. ACQUISITION OF SUBSIDIARIES

On 31st August, 2006, the Group acquired 51% of the issued share capital of Shanghai Weiyi Hospital Investment & Management Co., Ltd. ("Shanghai Weiyi") at a consideration of HK$60,000,000. Shanghai Weiyi is an investment holding company and holding (i) a 100% subsidiary, namely Shanghai Woman and Child Healthcare Hospital of Hong-Kou District（"上海市虹口区妇幼保健院"）and (ii) a distribution right to distribute HPV Detection products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 years. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$57,125,000.

The assets and liabilities acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amounts before combination	**Fair value adjustments**	**Fair value**
	HK$'000	HK$'000	HK$'000
Assets and liabilities acquired:			
Property, plant and equipment	14,237	2,660	16,897
Prepaid lease payments	12,653	16,197	28,850
Available-for-sale investment	371	528	899
Intangible assets	6,090	(900)	5,190
Inventories	777	–	777
Bank balance and cash	2,484	–	2,484
Trade and receivables	19,229	–	19,229
Trade and other payable	(22,086)	–	(22,086)
Bank borrowings	(38,000)	–	(38,000)
Deferred tax liabilities	–	(8,602)	(8,602)
	(4,245)	9,883	5,638
Minority interest			(2,763)
			2,875
Goodwill			57,125
			60,000
Total consideration satisfied by:			
Cash			60,000
Net cash outflow arising on acquisition:			
Cash consideration paid			60,000
Bank balances and cash acquired			(2,484)
			57,516

35. ACQUISITION OF SUBSIDIARIES (Continued)

The goodwill arising on the acquisition is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Shanghai Weiyi and its subsidiaries contributed HK$1,235,000 to the Group's profit for the period between the date of acquisition and the balance sheet date. The directors are of the view that it is impracticable to disclose the revenue and the result of Shanghai Weiyi and its subsidiaries for the period from 1st January, 2006 to 31st December, 2006 as if the acquisition had been effected on 1st January, 2006 since such financial information was not provided by the vendor.

36. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2006	2005
	HK$'000	HK$'000
Contracted for but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**90,222**	44,294

37. OPERATING LEASE COMMITMENTS

The Group as lessor

During the year, the Group had no property rental income (2005: HK$118,000).

At 31st December, 2006 and 31st December, 2005, the Group had no contracted tenants.

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of approximately HK$2,360,000 (2005: HK$2,161,000) in respect of land and buildings, other equipment and staff quarter.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which would fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**2,709**	1,171
In the second to fifth years inclusive	**3,898**	106
	6,607	1,277

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarter. Leases are negotiated for an average term of two years.

38. CONTINGENT LIABILITIES

As at 31st December, 2006 and 31st December, 2005, the Group did not have any significant contingent liabilities.

39. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to income of HK$147,000 (2005: HK$85,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2006, contributions of HK$23,000 (2005: HK$nil) due in respect of the reporting period had not been paid over to the schemes.

40. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure general banking and credit facilities granted to the Group:

	2006 **HK$'000**	2005 HK$'000
Buildings	**5,992**	6,101
Buildings under construction	**23,587**	–
Pledged bank deposit	**10,000**	190
	39,579	6,291

41. RELATED PARTY/CONNECTED PARTY TRANSACTIONS

During the year ended 31st December, 2005, 上海铭源实业, a company in which Mr. Yao Yuan has a significant interest, gave a corporate guarantee to the extent of RMB28,000,000 (equivalent to approximately HK$26,923,000) to secure banking facility granted to a non-wholly owned subsidiary of the Company. Such guarantee was released during the year.

During the year ended 31st December, 2005, Mr. Yao Yuan has given a personal guarantee to the extent of HK$40,000,000 to secure banking facility granted to a wholly-owned subsidiary of the Company. Such guarantee was released during the year.

The remuneration of directors and other members of key management during the year was as follows.

	2006	2005
	HK$'000	HK$'000
Short-term benefits	**5,764**	6,100
Post-employment benefits	**60**	72
Share-based payments	**2,320**	4,228
	8,144	10,400

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the Group's balances with related parties are set out in note 27.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	**Place of incorporation/ establishment**	**Nominal value of issued share/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
MY Technology Limited	British Virgin Islands	US$1	–	100%	Trading of computer products and related accessories
HD Global Limited	British Virgin Islands	US$2,000,000	–	100%	Investment holding
上海数康生物科技有限公司 *(Note a)*	PRC	RMB40,000,000	–	100%	Research and development activities
湖洲数康生物科技有限公司 *(Note a)*	PRC	RMB10,000,000	–	100%	Manufacturing and trading of protein chips and related equipments

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
上海铭源数康生物芯片有限公司*(Note a)*	PRC	US$29,800,000	–	100%	Manufacturing and trading of protein chips and related equipment
上海唯依医院投资管理有限公司*(Note a)*	PRC	RMB15,000,000	–	51%	Investment holding
上海市虹口区妇幼保健院 *(Note b)*	PRC	N/A	–	51%	Providing woman and child health care services

Notes:

(a) These companies are registered in the form of wholly-owned foreign investment enterprise.

(b) These companies are registered in the form of 事业法人.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.