TMC LIFE SCIENCES BHD. (624409-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2006

624409 - A

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

CONTENTS	**PAGE**

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 9 to the financial statements.

There has been no change in the nature of these activities during the year.

RESULTS

	Group RM	Company RM
Profit for the year	8,934,602	1,316,523

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends paid by the Company during the financial year under review were as follows:

	RM
In respect of the financial year ended 31 December 2005:	
First and final dividend of 10% less 28% taxation, on 168,330,000 ordinary shares, declared on 15 June 2006 and paid on 14 July 2006.	1,211,976

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2006, of 10% less 27% taxation on 168,330,000 ordinary shares, amounting to a dividend payable of RM1,228,809 (0.73 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend.

DIVIDENDS (CONT'D)

Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Professor Dato' Dr Khalid Bin Abdul Kadir
Dr. Lee Soon Soo
Amos Siew Boon Yeong
Dato' Dr. Tan Kee Kwong
Dr. Wong Pak Seng
Dr. Yap Teck Long
Dr. Francis Lisa Muga
Lee Soon Swee
Dr. Surinder Singh A/L Ranbir Singh (Alternate to Dr. Wong Pak Seng)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.10 each			
	1.1.2006	**Acquired**	**Sold**	**31.12.2006**
The Company				
Direct Interest:				
Professor Dato' Dr. Khalid Bin Abdul Kadir	20,000	383,000	-	403,000

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares of RM0.10 each			
	1.1.2006	Acquired	Sold	31.12.2006
The Company (Contd.)				
Dr. Lee Soon Soo	82,773,009	185,000	-	82,958,009
Amos Siew Boon Yeong	3,075,287	-	(1,391,987)	1,683,300
Dato' Dr. Tan Kee Kwong	10,000	-	-	10,000
Dr. Wong Pak Seng	1,000,000	100,000	-	1,100,000
Dr. Yap Teck Long	-	10,000	-	10,000
Dr. Francis Lisa Muga	2,000	10,000		12,000
Dr. Surinder Singh A/L Ranbir Singh	900,000	-	-	900,000
Lee Soon Swee	5,600	374,000	-	379,600

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April 2007.

Dr. Lee Soon Soo

Dr. Wong Pak Seng

Kuala Lumpur, Malaysia

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dr. Lee Soon Soo and Dr. Wong Pak Seng, being two of the Directors of TMC Life Sciences Berhad., do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 8 to 48 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cashflows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April 2007.

Dr. Lee Soon Soo | Dr. Wong Pak Seng

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dr. Lee Soon Soo, being the Director primarily responsible for the financial management of TMC Life Sciences Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 48 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Dr. Lee Soon Soo
in Kuala Lumpur, Malaysia
on 11 April 2007.

Dr. Lee Soon Soo

Before me,

624409 - A

REPORT OF THE AUDITORS TO THE MEMBERS OF TMC LIFE SCIENCES BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 8 to 48. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965, and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the period then ended; and

    (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS TO THE MEMBERS OF TMC LIFE SCIENCES BERHAD (CONTD.)
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanation required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young	Wong Lai Wah
AF : 0039	No. 1956/04/07(J)
Chartered Accountants	Partner

Kuala Lumpur, Malaysia

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

		Group		Company	
		2006	2005	2006	2005
	Note	RM	RM	RM	RM
Revenue		24,904,196	13,268,955	2,180,000	1,962,000
Other income	3	662,586	295,685	5,830	1,775
Cost of drugs, consumables used and locum charges		(4,183,828)	(1,072,279)	-	-
Staff and consultancy costs	5	(5,005,640)	(3,410,040)	(99,000)	(23,800)
Depreciation and amortisation		(1,090,489)	(332,168)	-	-
Other operating expenses		(2,687,563)	(1,859,623)	(212,401)	(32,971)
Profit from operations	4	12,599,262	6,890,530	1,874,429	1,907,004
Finance costs		-	(4,597)	-	-
Profit before taxation		12,599,262	6,885,933	1,874,429	1,907,004
Income tax expense	7	(3,664,660)	(2,209,755)	(557,906)	(549,360)
Profit after taxation		8,934,602	4,676,178	1,316,523	1,357,644
Earnings per share	8	5.31 sen	5.57 sen		

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2006

		Group		Company	
	Note	**2006**	**2005**	**2006**	**2005**
ASSETS		**RM**	**RM**	**RM**	**RM**
Non-current assets					
Property, plant and equipment	10	20,080,184	3,871,072	-	-
Investment in subsidiaries	9	-	-	11,803,002	11,802,998
Prepaid land lease payments	11	19,395,833	19,600,000	-	-
Intangible assets	12	6,914,021	4,403,180	-	-
		46,390,038	27,874,252	11,803,002	11,802,998
Current Assets					
Inventories	13	681,837	497,103	-	-
Trade receivables	14	686,538	697,865	-	-
Other receivables and prepayment	15	1,003,803	790,928	53,994	1,936
Amount due from subsidiary company	16	-	-	16,835,500	16,573,387
Cash and bank balances	17	11,889,617	17,219,547	32,209	243,255
		14,261,795	19,205,443	16,921,703	16,818,578
TOTAL ASSETS		60,651,833	47,079,695	28,724,705	28,621,576
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	20	16,833,000	16,833,000	16,833,000	16,833,000
Share premium		10,324,678	10,324,678	10,324,678	10,324,678
Retained profits	22	21,807,551	13,852,764	1,456,144	1,351,597
Total Equity		48,965,229	41,010,442	28,613,822	28,509,275
Non-current liability					
Deferred taxation	21	3,190,997	3,250,251	-	-
Current liabilities					
Trade payables	18	1,168,428	1,014,193	-	-
Other payables	19	6,371,331	729,810	110,883	112,301
Tax payable		955,848	1,074,999	-	-
		8,495,607	2,819,002	110,883	112,301
Total liabilities		11,686,604	6,069,253	110,883	112,301
TOTAL EQUITY AND LIABILITIES		60,651,833	47,079,695	28,724,705	28,621,576

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Distributable Retained Earnings RM	Total RM
At 1 January 2005	2	-	-	(6,047)	(6,045)
Issue of share capital	16,832,998	-	-	-	16,832,998
Share premium	-	11,788,000	-	-	11,788,000
Net profit for the year	-	-	-	4,676,178	4,676,178
Listing expenses	-	(1,463,322)	-	-	(1,463,322)
Arising on consolidation	-	-	9,182,633	-	9,182,633
At 31 December 2005	16,833,000	10,324,678	9,182,633	4,670,131	41,010,442
At 1 January 2006					
As previously stated	16,833,000	10,324,678	9,182,633	4,670,131	41,010,442
Effect of adopting FRS 3	-	-	(9,182,633)	9,182,633	-
At 1 January 2006 (Restated)	16,833,000	10,324,678	-	13,852,764	41,010,442
Reversal of deferred tax liabilities (Note 21)	-	-	-	232,161	232,161
Profit for the year	-	-	-	8,934,602	8,934,602
Dividends	-	-	-	(1,211,976)	(1,211,976)
At 31 December 2006	16,833,000	10,324,678	-	21,807,551	48,965,229

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2005	2	-	(6,047)	(6,045)
Issue of share capital				
Acquisition of subsidiary	11,802,998	-	-	11,802,998
Issued for cash	5,030,000	11,788,000	-	16,818,000
Listing expenses	-	(1,463,322)	-	(1,463,322)
Net profit for the year	-	-	1,357,644	1,357,644
At 31 December 2005	16,833,000	10,324,678	1,351,597	28,509,275
At 1 January 2006	16,833,000	10,324,678	1,351,597	28,509,275
Net profit for the year	-	-	1,316,523	1,316,523
Dividends	-	-	(1,211,976)	(1,211,976)
At 31 December 2006	16,833,000	10,324,678	1,456,144	28,613,822

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	2006 RM	2005 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,599,262	6,885,933
Adjustments for:		
Interest expense	-	4,597
Interest income	(474,416)	(234,062)
Provision for doubtful debts	-	40,780
Depreciation	586,130	319,923
Amortisation of prepaid lease payment	204,167	-
Amortisation of intangible assets	300,192	12,245
Property, plant and equipment written off	1,199	-
Operating profit before working capital changes	13,216,534	7,029,416
Interest received	474,416	234,062
Increase in inventories	(184,734)	(65,503)
(Increase)/decrease in receivables	(149,054)	39,442
Increase/(decrease) in payables	5,795,756	(183,389)
Development costs incurred	(2,811,033)	(1,387,543)
Cash generated from operations	16,341,885	5,666,485
Tax paid	(3,663,398)	(1,797,246)
Net cash generated from operating activities	12,678,487	3,869,239
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,796,441)	(527,384)
Acquisition of subsidiaries, net of cash	-	5,200,958
Net cash (used in)/generated from investing activities	(16,796,441)	4,673,574
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(6,673,349)
Interest paid	-	(4,597)
Dividend paid	(1,211,976)	-
Proceeds from issuance of ordinary shares	-	15,354,678
Net cash (used in)/generated from financing activities	(1,211,976)	8,676,732

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	2006 RM	2005 RM
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,329,930)	17,219,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	17,219,547	2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 17)	11,889,617	17,219,547

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

COMPANY'S CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	2006 RM	2005 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,874,429	1,907,004
Adjustments for:		
Dividend income	(2,180,000)	(1,962,000)
Interest income	(5,830)	(1,775)
Operating profit before working capital changes	(311,401)	(56,771)
Interest received	5,830	1,775
Decrease/(increase) in receivables	436	(1,501)
Decrease in payables	(1,418)	(263,564)
Net changes in related company balances	(262,113)	(16,573,387)
Cash used in operations	(568,666)	(16,893,448)
Net cash used in operating activities	(568,666)	(16,893,448)
CASH FLOW FROM INVESTING ACTIVITIES		
Net dividends received	1,569,600	1,412,640
Investment in subsidiaries	(4)	(11,802,998)
Net cash generated from/(used in) investing activities	1,569,596	(10,390,358)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	-	28,620,998
Listing expenses incurred	-	(1,093,939)
Dividends paid	(1,211,976)	-
Net cash (used in)/generated from financing activities	(1,211,976)	27,527,059
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(211,046)	243,253
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	243,255	2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 17)	32,209	243,255

The accompanying notes form an integral part of the financial statements.

TMC LIFE SCIENCES BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Mesdaq Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 312, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor. The principal place of business is located at 55, Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The financial statements of the Group and of the Company have been prepared on a historical cost convention unless otherwise indicated and presented in Ringgit Malaysia (RM).

At the beginning of current year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.2.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(i) Adoption of mandatory new and revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition, the Group has early adopted FRS 117 Leases for the financial period beginning 1 January 2006.

(ii) New Standards and Interpretations that are not yet effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRSs and Issues Committee Interpretations ("IC Interpretation") were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRSs and IC Interpretations	Effective for financial periods beginning on or after
FRS 124: Related Party Disclosures	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(ii) New Standards and Interpretations that are not yet effective (Contd.)

FRSs, Amendments to FRSs and IC Interpretations	**Effective for financial periods beginning on or after**
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRSs, amendments to FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the following:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Cont'd.)

(i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM9,182,633 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effect on consolidated balance sheet as at 31 December 2006 are set out in Note 2.2(c)(i). This change has no impact on the Company's financial statements.

(ii) Other intangible assets

Prior to 1 January 2006, all intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Development costs are considered to have finite useful lives and therefore, continue to be stated at cost less accumulated amortisation and impairment losses.

With the adoption of FRS 138, the Group changed its accounting policy and classification of certain acquired computer software and licences whereby computer software and licences that are not an integral part of the related hardware as of the balance sheet date are reclassified as other intangible assets from property, plant and equipment (“PPE”). The current year’s balance sheets are presented after the reclassification, with the prior year comparatives restated as set out in Note 2.2(c)(ii) to conform with the current year’s presentation. This change in presentation has no impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(b) FRS 117: Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of revised FRS 117 has resulted in a change in the accounting policy relating to the reclassification of lease of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.2 (c)(ii). The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 2.2 (c)(i). There were no effect on the consolidated income statement for the year ended 31 December 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(c) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year:

(i) Effects on balance sheets as at 31 December 2006

	← Increase/(Decrease) →			
Description of change	**FRS 3 Note 2.2(a)(i)**	**FRS 138 Note 2.2(a)(ii)**	**FRS 117 Note 2.2(b)**	**Total**
Group				
Property, plant and equipment	-	(18,074)	(19,395,833)	(19,413,907)
Prepaid land lease payments	-	-	19,395,833	19,395,833
Intangible assets	-	18,074	-	18,074
Consolidation reserves	(9,182,633)	-	-	(9,182,633)
Retained earnings	9,182,633	-	-	9,182,633
Company				
Consolidation reserves	(9,182,633)	-	-	(9,182,633)
Retained earnings	9,182,633	-	-	9,182,633

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(c) Summary of effects of adopting new and revised FRSs on the current year's financial statements

(ii) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of change	Previously stated	← Increase/(Decrease) FRS 3 Note 2.2(a)(i)	FRS 138 Note 2.2(a)(ii)	FRS 117 Note 2.2(b) →	Restated
Group					
Property, plant and equipment	23,488,957	-	(17,885)	(19,600,000)	3,871,072
Prepaid land lease payments	-	-	-	19,600,000	19,600,000
Intangible assets	-	-	17,885	-	17,885
Consolidation reserves	9,182,633	(9,182,633)	-	-	-
Retained earnings	4,670,131	9,182,633	-	-	13,852,764
Company					
Consolidation reserves	9,182,633	(9,182,633)	-	-	-
Retained earnings	4,670,131	9,182,633	-	-	13,852,764

(d) FRS 124: Related Party Disclosures, Amendments to FRS 119_{2004} Employee Benefits and FRS 6: Exploration for and Evaluation of Mineral Resources

The Directors anticipate that the adoption of FRS 124 and amendments to FRS 119 in future periods will not have a material impact on the financial statements of the Group and of the Company except for some reclassifications and additional disclosure requirements. FRS 6 is not applicable to the Group and the Company.

(e) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 application has been deferred to a date yet to be announced by Malaysian Accounting Standards Board. The Directors anticipate that the adoption of FRS 139 in future periods will not have a material impact on the financial statements of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Impairment of intangible assets - development costs on procedures not yet available for use

The Group determines whether intangible amounts relating to development costs on procedures not yet available for use are tested on impairment at least on an annual basis. This requires an estimation of the value-in-use of the development costs. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the development costs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of development costs as at 31 December 2006 was RM6,895,947 (2005: RM4,385,295).

(b) Amortisation of development costs on procedures available for use

The development cost classified under intangible asset is amortised on a straight-line basis over the asset's useful life. Management estimates the useful life of the development cost to be 5 years.

Changes in the biotechnological developments could impact the economic useful lives, therefore future amortisation charges could be revised. A 31% difference in the average useful lives of these assets from management's estimates would result in approximately 1% variance in profit for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(ii) Basis of Consolidation

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Intangible Assets

(i) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the event or changes in circumstances indicate that the carrying value may be impaired either individually or at the CGU level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(ii) Research and development costs

Medical development expenditures incurred on individual projects are carried forward when its future recoverability can reasonably be regarded as assured. Following initial recognition, the cost model is applied requiring the cost to be carried at cost less any accumulated impairment loss. On completion, any expenditure carried forward is amortised to the year of expected future benefits from the related project. The carrying value of development costs is reviewed for impairment when indications of impairment arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Buildings-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Furniture and fittings	10% - 15%
Medical equipment	10% - 15%
Computer system	30%
Office equipment	10%
Plant and machinery	10%
Motor vehicles	20%

Capital work-in-progress are not depreciated.

The residual values, useful life and depreciation method are reviewed at each year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(d) Impairment of Non-Financial Assets

The carrying amounts of the Group’s assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first in, first out method. Costs includes materials and direct overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(f) Provisions for Liabilities

Provisions for liabilities are recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of an amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

(g) Income Tax

Income tax on the profit or loss for the year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer’s interest is the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Operating Leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(i) Employee Benefits (Cont'd.)

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(j) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from services rendered is recognised net of discounts as and when the services are performed.

(k) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Instruments (Cont'd.)

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at balance sheet date.

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for services rendered.

(iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. OTHER INCOME

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income	474,416	234,062	5,830	-
Miscellaneous	188,170	61,623	-	1,775
	662,586	295,685	5,830	1,775

4. PROFIT FROM OPERATIONS

The following amounts have been included in arriving at profit before taxation:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Employee benefit expenses (Note 5)	5,005,640	3,410,040	99,000	23,800
Auditors' remuneration:	48,000	34,750	11,000	11,000
Amortisation of prepaid land lease payments (Note 11)	204,167	-	-	-
Amortisation of intangible assets (Note 12)	300,192	12,245	-	-
Depreciation (Note 10)	586,130	319,923	-	-
Provision for doubtful debts	-	40,780	-	-
Property, plant and equipment written off	1,199	-	-	-
Rental of business premises	618,989	585,747	-	-
Rental of car park	11,200	5,650	-	-
Interest expense	-	4,597	-	-

5. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Wages and salaries	4,367,540	3,747,076	99,000	23,800
Social security costs	19,067	10,990	-	-
EPF	453,061	465,300	-	-
Consultancy fees	1,855,114	515,627	-	-
Other staff related expenses	92,255	54,036	-	-
	6,787,037	4,793,029	99,000	23,800
Less: Capitalised on development project costs	(1,781,397)	(1,382,989)	-	-
	5,005,640	3,410,040	99,000	23,800

5. EMPLOYEE BENEFIT EXPENSES (CONT'D.)

Included in staff costs of the Group is Executive Directors' remuneration amounting to RM4,339,560 (2005: RM3,041,485) as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Executive directors' remuneration:				
Other emoluments	4,339,560	3,041,485	-	-
	4,339,560	3,041,485	-	-
Non-executive directors' remuneration:				
Fees	78,000	19,500	78,000	19,500
Other emoluments	-	-	-	-
Total	4,417,560	3,060,985	78,000	19,500

The number of Directors of the Group whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2006	2005
Executive Directors:		
RM1 - RM100,000	-	-
RM100,001 - RM200,000	-	2
RM200,001 - RM500,000	2	1
RM500,001 - RM1,000,000	1	-
RM1,000,001 - RM2,000,000	-	-
RM2,000,001 - RM3,000,000	1	1
Non-Executive Directors:		
RM1 - RM100,000	5	5

7. INCOME TAX EXPENSE

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Current income tax:				
Malaysian income tax	3,672,718	2,101,760	600,490	549,360
Overprovision in in prior years	(180,965)	(44,106)	(42,584)	-
Deferred tax (Note 21):				
Relating to origination of temporary differences	14,536	97,101	-	-
Underprovided in prior years	158,371	55,000	-	-
	3,664,660	2,209,755	557,906	549,360

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Profit before taxation	12,599,268	6,885,933	1,874,429	1,907,004
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	3,527,795	1,928,061	524,840	533,961
Effect of different tax rate for qualified small and medium companies	(120,000)	-	-	-
Utilisation of previously unrecognised unabsorbed capital allowances	(10,123)	-	-	-
Expenses not deductible for tax purposes	289,582	208,903	75,650	15,399
Underprovision of deferred tax in prior year	158,371	55,000	-	-

7. INCOME TAX EXPENSE (CONT'D.)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(Over)/under provision of tax expense in prior years	(180,965)	17,791	(42,584)	-
Tax expense for the year	3,664,660	2,209,755	557,906	549,360

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year by the Company.

	Group	
	2006	2005
Net profit for the year (RM)	8,934,602	4,676,178
Weighted average number of ordinary shares in issue	168,330,000	82,885,679
Basic earnings per share (sen)	5.31	5.57

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Unquoted shares at cost	11,803,002	11,802,998

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest Held (%) 2006	2005
Damansara Women's Specialist Centre Sdn. Bhd. ("DWSC")	Malaysia	Gynaecological and fertility problem management	100	100

9. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (Cont'd.):

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest Held (%) 2006	Equity Interest Held (%) 2005
Held by the Company:				
IVF Technologies Sdn. Bhd. ("IVFT")	Malaysia	Provision of consultancy, R&D services	100	100
TMC Stemcells Sdn. Bhd.	Malaysia	Provision of storage of cord blood and adult stem cells, stem cell therapy, application and research and development	100	-
TMC Fertility (Penang) Sdn. Bhd.	Malaysia	Provision of fertility services and the establishment and operation of women's clinic	100	-
Held through subsidiary:				
Damansara Fertility Centre Sdn. Bhd.	Malaysia	Gynaecological and fertility problem management	100	100

9. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Acquisition of subsidiaries

During the year, the Company acquired 100% equity interest in TMC Fertility Sdn. Bhd. (Penang) and TMC Stemcells Sdn. Bhd. respectively, both of which are incorporated in Malaysia. TMC Fertility (Penang) Sdn. Bhd. is involved in the provision of fertility services and the establishment and operation of women's clinic and TMC Stemcells Sdn. Bhd. is involved in the provision of storage of cord blood and adult stem cells, stem cell therapy, application, and research and development

The cost of acquisition comprised the following:

	RM
Purchase consideration satisfied by cash	4
Total cost of acquisition	4

The cash ouflow on acquisition is as follows:

	2006 RM
Purchase consideration satisfied by cash	4
Costs attributable to the acquisition, paid in cash	-
Total cash outflow of the Company	4
Cash and cash equivalents of subsidiaries acquired	-
Net cash outflow of the Group	4

In the previous financial year ended 31 December 2005, 2 subsidiaries were acquired by the Company.

As part of the cost of acquisition, the Company issued 11,802,998 new ordinary shares of RM1 each with the fair value of RM1 each, being the published price of the shares of the Company at the date of acquisition.

The acquired subsidiaries have contributed the following results to the Group:

	2005 RM
Revenue	13,868,955
Profit for the year	4,731,174

9. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Acquisition of subsidiaries (Cont'd.)

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount RM
Property, plant and equipment (Note 10)	3,638,218
Prepaid lease payments (Note 11)	19,634,455
Intangible assets (Note 12)	2,999,882
Inventories	431,599
Trade and other receivables	743,879
Expenses carried forward	376,423
Amount due from directors	68,695
Cash and bank balances	5,200,958
	33,094,109
Trade and other payables	(1,551,527)
Borrowings	(6,673,349)
Tax payable	(814,591)
Deferred tax liabilities (Note 21)	(3,098,150)
Accumulated losses	29,139
	(12,108,478)
Fair value of net assets	20,985,631
Group's share of net assets	20,985,631
Goodwill on acquisition	(9,182,633)
Total cost of acquisition	11,802,998

The acquisition of the entire issued and fully paid-up capital of the subsidiaries comprising 2,181,000 ordinary shares of RM1 each for a purchase consideration of RM11,802,998 to be satisfied by the issuance of 11,802,998 new ordinary shares of RM1 each in the Company.

10. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2006	Medical Equipment RM	Furniture & Fittings RM	Office Equipment & Computers RM	Motor Vehicle RM	Capital WIP RM	Total 2006 RM
Cost						
At 1 January 2006	2,520,632	609,860	246,690	507,798	1,114,663	4,999,643
Additions	354,598	28,732	88,283	-	16,324,828	16,796,441
Write off	-	-	(1,221)	-	-	(1,221)
At 31 December 2006	2,875,230	638,592	333,752	507,798	17,439,491	21,794,863
Accumulated Depreciation						
At 1 January 2006	749,586	98,307	170,663	110,015	-	1,128,571
Charge for the year	339,798	81,235	63,537	101,560	-	586,130
Write off	-	-	(22)	-	-	(22)
At 31 December 2006	1,089,384	179,542	234,178	211,575	-	1,714,679
Net Carrying Amount						
At 31 December 2006	1,785,846	459,050	99,574	296,223	17,439,491	20,080,184
31 December 2005						
Cost						
At 1 January 2005	-	-	-	-	-	-
Acquisition of subsidiaries	2,462,303	489,494	201,404	507,798	786,027	4,447,026
Additions	59,604	126,614	46,985		294,181	527,384
Reclassification	(1,275)	(90)	(1,699)	-	34,455	31,391
Disposal	-	(6,158)	-	-	-	(6,158)
At 31 December 2005	2,520,632	609,860	246,690	507,798	1,114,663	4,999,643
Accumulated Depreciation						
At 1 January 2005	-	-	-	-	-	-
Acquisition of subsidiaries	577,814	96,654	84,031	50,309	-	808,808
Disposal	-	(160)	-	-	-	(160)
Charge for the year	171,772	1,813	86,632	59,706	-	319,923
At 31 December 2005	749,586	98,307	170,663	110,015	-	1,128,571
Net Carrying Amount						
At 31 December 2005	1,771,046	511,553	76,027	397,783	1,114,663	3,871,072

Included in the cost of capital work in progress is interest capitalised of RM880,343 (2005: RM880,343).

11. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	RM	RM
At 1 January	19,600,000	-
Acquisition of subsidiaries (Note 9)	-	19,634,455
Amortisation for the year (Note 4)	(204,167)	-
Transfer to property, plant and equipment	-	(34,455)
At 31 December	19,395,833	19,600,000
Analysed as:		
Short term leasehold land	19,395,833	19,600,000

As at the date of this report, the land title to the prepaid land lease payments has not been transferred to the Group.

(a) The prepaid land lease payments which were previously recorded as property, plant and equipment were stated at valuation based on an independent professional valuation conducted by registered valuers Lim Lian Hong from Messrs. Raine & Horne International Zaki + Partners Sdn. Bhd. and P'ng Soo Theng from Messers. CH Williams Talhar & Wong Sdn Bhd. The details of the valuation are as follows:

Date of Valuation	Description of Property	Valuation amount	Basis of Valuation
26 March 2004	Leasehold land in Kota Damansara, Selangor.	RM19,600,000	Comparison method

As permitted by the transitional provisions of FRS 117, the last revalued amount stated above less accumulated amortisation is now treated as the surrogate carrying amount of prepaid land lease payments.

12. INTANGIBLE ASSETS

	Software RM	Development costs RM	Total RM
Group			
Cost			
At 1 January 2005	-	-	-
Acquisition of subsidiaries (Note 9)	32,815	2,967,067	2,999,882
Additions	8,000	1,418,228	1,426,228
At 31 December 2005 and 1 January 2006	40,815	4,385,295	4,426,110
Additions	17,761	2,793,272	2,811,033
At 31 December 2006	58,576	7,178,567	7,237,143
Accumulated amortisation			
At 1 January 2005	-	-	-
Acquisition of subsidiaries	10,685	-	10,685
Amortisation (Note 4)	12,245	-	12,245
At 31 December 2005 and 1 January 2006	22,930	-	22,930
Amortisation (Note 4)	17,572	282,620	300,192
At 31 December 2006	40,502	282,620	323,122
Net carrying amount			
At 31 December 2005	17,885	4,385,295	4,403,180
At 31 December 2006	18,074	6,895,947	6,914,021

(i) Development costs

Included in development costs are the following:

	Group 2006 RM	Group 2005 RM
Development costs:		
Staff costs	4,535,732	2,766,843
Laboratory materials and overheads	2,360,215	1,618,452
	6,895,947	4,385,295

12. INTANGIBLE ASSETS (CONT'D.)

(a) Impairment tests for development costs

Key assumptions used in value-in-use calculation

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five year period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the past.

(ii) Number of Assisted Reproductive Technology ("ART") Cycle

Management believe the increase in the number of ART cycle is justified based on past experiences, increase in demand for treatment as well as increased capacity via new medical branches across Malaysia.

(iii) Discount rate of 7.75%

The discount rate used is pre-tax and is based on the incremental borrowing rate of the Group.

13. INVENTORIES

	Group 2006 RM	Group 2005 RM
Drugs and consumables, at cost	681,837	497,103

14. TRADE RECEIVABLES

	Group 2006 RM	Group 2005 RM
Trade receivables	731,600	742,927
Less: Provision for doubtful debts	(45,062)	(45,062)
	686,538	697,865

The Group's normal trade credit term ranges from 30 to 60 days (2005: 30 to 60 days) and has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

15. OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Prepayments	715,048	490,020	-	-
Deposits	33,740	63,271	1,500	1,500
Other receivables	202,521	237,637	-	436
Tax recoverable	52,494	-	52,494	-
	1,003,803	790,928	53,994	1,936

16. AMOUNT DUE FROM SUBSIDIARY COMPANY

The amount due from subsidiary company is unsecured, interest-free and has no fixed terms of repayment.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash on hand and at banks	4,985,356	374,637	32,209	41,775
Deposits with licensed banks	6,904,261	16,844,910	-	201,480
Cash and bank balances	11,889,617	17,219,547	32,209	243,255

The average interest rate for deposit was ranging from 3.1% to 4.5% (2005: 3.5%) for 2006.

18. TRADE PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade payables	1,168,428	1,014,193	-	-

The normal trade credit terms granted to the Group and the Company is between 30 to 90 days (2005: 30 to 90 days).

19. OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Accruals	892,958	695,502	93,863	112,301
Other payables	5,478,373	34,308	17,020	-
	6,371,331	729,810	110,883	112,301

Included in other payables of the Group is an amount of RM5.2 million due to a contractor for the construction of Tropicana Medical Centre.

20. SHARE CAPITAL

Before shares split of its existing ordinary shares RM1.00 each into 10 ordinary shares of RM0.10 each.

	Number of Ordinary Shares of RM1.00 Each 2005	Amount 2005 RM
Authorised:		
At 1 January	25,000,000	25,000,000
Created during the year	-	-
At 31 December	25,000,000	25,000,000
Issued and fully paid up:		
At 1 January	2	2
Acquisition of subsidiaries	11,802,998	11,802,998
Special Issue	820,000	820,000
At 31 December	12,623,000	12,623,000

After shares split of its existing ordinary shares RM1.00 each into 10 ordinary shares of RM0.10 each.

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised:				
At 1 January	250,000,000	25,000,000	25,000,000	25,000,000
Share split 1 to 10	-	225,000,000	-	-
At 31 December	250,000,000	250,000,000	25,000,000	25,000,000
Issued and fully paid up:				
At 1 January	168,330,000	12,623,000	16,833,000	12,623,000
Share split 1 to 10	-	113,607,000	-	-
Initial public offer	-	42,100,000	-	4,210,000
At 31 December	168,330,000	168,330,000	16,833,000	16,833,000

21. DEFERRED TAXATION

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At 1 January	3,250,251	-	-	-
Acquisition of subsidiaries	-	3,098,150		
Recognised in the income statement (Note 7)	172,907	152,101	-	-
Recognised in equity	(232,161)	-	-	-
At 31 December	3,190,997	3,250,251	-	-

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM
At 1 January 2006	3,250,251
Recognised in income statement (Note 7)	172,907
Recognised in equity	(232,161)
At 31 December 2006	3,190,997
At 1 January 2005	-
Acquisition of subsidiaries	3,098,150
Recognised in income statement (Note 7)	152,101
At 31 December 2005	3,250,251

22. RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained earnings as at 31 December 2006.

23. COMMITMENTS

(a) Capital Commitments

	Group And Company 2006 RM	2005 RM
Approved for:		
Construction of hospital building	42,636,728	39,989,880

On 19 January 2006, the Company has awarded a contract worth RM39,989,880 to a third party for the design and construction of Tropicana Medical Centre and additional of RM2,646,848 on design and construction contract during the year.

(b) Non-cancellable Operating Lease Commitments

	Group	
	2006 RM	2005 RM
Future minimum rentals payable:		
Not later than 1 year	552,029	483,389
Later than 1 year and not later than 5 years	439,200	407,829
	991,229	891,218

Operating lease payment represents rentals payable by the Group for use of business premises. Lease is negotiated for an average term of three years and rentals are fixed for an average of three years.

(c) Non-cancellable Nursing Sponsorship Commitments

	Group	
	2006 RM	2005 RM
Future minimum fees payable:		
Not later than 1 year	267,589	106,240
Later than 1 year and not later than 5 years	378,011	37,760
	645,600	144,000

Nursing sponsorship payments represents fees payable by the Group for expenses carried forward granted to student nurses for training. The courses are for a duration of three years.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
(a) Transactions with related parties:				
Dividend income from subsidiaries	-	-	2,180,000	1,962,000
Rental of premise from a Director, Dr. Lee Soon Soo	9,600	-	-	-
Rental of premises from SS Lee Medical Sdn Bhd, a company substantially owned by a Director, Dr. Lee Soon Soo	420,000	295,200	-	-
	429,600	295,200	2,180,000	1,962,000

The Directors are of the opinion that all transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group and the Company's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group and the Company policy is to borrow principally using fixed rate debt. The objectives for the fixed rate borrowings are to reduce the impact of an upward change in interest rates.

25. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

The investment in financial assets which are short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits. The deposit placements at balance sheet date are short term and therefore its exposure to the effects of future changes in the prevailing level of interest is limited.

(c) Liquidity Risk

The Group and the Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(d) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group and the Company's associations to business partners with high creditworthiness.

(e) Fair Values

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the relatively short term maturity of these financial instruments.

26. COMPARATIVES

The comparative figures have been reclassified to present post acquisition amounts for each of the line items in the consolidated income statement and the consolidated cash flow statement and the notes to the financial statements of the previous year.