銘源醫療

Mingyuan Medicare Development Company Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE : 00233

Annual Report 2013

MISSION

EARLY DETECTION AND PREVENTION OF DISEASES

MINGYUAN MEDICARE

Development Company Limited (the "Company") principally engages in provision of innovative medicare solutions for the early detection and prevention of diseases particularly in China.

With "Care for Health, Passion for Life" as our motto, the Company dedicates to the development and application of advanced biotech screening and diagnostic solutions for early detection and prevention of diseases including cancer. The Company is aiming to be a leading and comprehensive biotech screening and diagnostic solutions provider in Asia Pacific region, particularly China.

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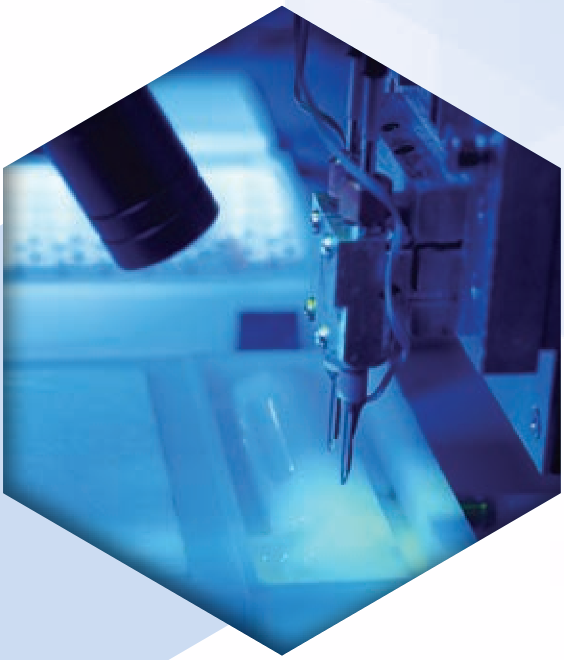

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Yao Yuan
Mr. Chien Hoe Yong, Henry
Mr. Zhou Li Qun
Mr. Zhao Chao

Non-Executive Directors
Mr. Yu Ti Jun

Independent Non-Executive Directors
Mr. Lee Sze Ho, Henry
Mr. Tang Yan Qin
Mr. Chow Wing Kin

AUDIT COMMITTEE

Mr. Lee Sze Ho, Henry *(Chairman)*
Mr. Tang Yan Qin
Mr. Chow Wing Kin

REMUNERATION COMMITTEE

Mr. Lee Sze Ho, Henry *(Chairman)*
Mr. Chien Hoe Yong, Henry
Mr. Tang Yan Qin

NOMINATION COMMITTEE

Mr. Yao Yuan *(Chairman)*
Mr. Lee Sze Ho, Henry
Mr. Tang Yan Qin

AUTHORISED REPRESENTATIVES

Mr. Chien Hoe Yong, Henry
Mr. Wong Kwan Pui

COMPANY SECRETARY

Mr. Wong Kwan Pui

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Appleby

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

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REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS

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PLACE OF SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODES

The Stock Exchange of Hong Kong Limited: 233
Reuters: 233.HK
Bloomberg: 233 HK

CHAIRMAN'S STATEMENT

RESULTS

Total revenue for the year ended 31 December 2013 was HK$404.2 million, representing an increase of 25.2% over last year. The loss for the year in 2013 amounted to HK$1,188.1 million (2012: loss for the year of HK$127.7 million). Loss per share was 24.10 HK cents (2012: loss of 2.55 HK cents). The loss for the year in 2013 was primarily due to an increase of HK$37.2 million in amortisation of other intangible assets, a substantial increase in impairment losses on goodwill of HK$304.4 million, a substantial increase in impairment losses on other intangible assets of HK$170.0 million and a substantial increase in written off of other receivable of HK$507.2 million.

REVIEW OF OPERATION

2013 was a very challenging year for the Group. China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. According to the National Bureau of Statistics, China's GDP growth slowed to only 7.7% in 2013, the slowest year-on-year growth in the past 13 years. It is likely that the China economy has bid farewell to the era of high growth. We are likely entering a prolonged phase of structural rebalancing and moderate growth.

Despite such adversity, we remain confident in China's economic growth over the longer run, which we believe will continue to underpin demand for enhanced healthcare supports. We believe that today's advancement in biomedical can offers patients more and better healthcare choices. Our corporate mission is to provide a viable and effective alternative to the people who understand the benefits of early screening of life threatening diseases such as cancer and has successfully raised the general awareness of the availability of early screening for cancer at affordable costs for the Chinese population.

As a pioneer and believer that new, innovative diagnostics and biological therapies are changing the ways that human diseases are prevented and/or are treated, we are expanding our early screening and detection products to include leukemia and lymphoma diseases, and gradually establishing a bio-drug platform to provide for biological therapies for life threatening diseases.

A new drug license for the testing of tuberculosis was obtained during the later part of the year 2013. This is the first ever drug license approved in China for the testing of T cell for tuberculosis by enzyme-linked technique. Sales under this newly approved drug license will commence in 2014. We are confident that sales would pick up rapidly in the next couple of years.

Globally, countries are increasingly switching medical resources from reactive care to preventative care and are placing strong emphasis on disease prevention. While committing to an objective of providing healthcare insurance and quality healthcare services to all Chinese citizens by 2020, China recognizes prevention and early detection of diseases to be extremely important for improving the quality of healthcare as well as controlling costs. It is widely accepted that early screening can identify diseases earlier, and hence subsequent treatment can be more effective and cost less, and at the same time rewards lifestyle choices and behaviours.

A difficult year 2013 is behind us. Year 2014 is still full of challenges. In the face of various short term challenges and a prospect of relatively slower growth, we are fully prepared. We are prepared to make necessary adjustments to our business tactics to adapt to changes in the market environment. At the same time the Group still remains optimistic on the medium and long term potential of future development. Being an early and leading pioneer of innovative biomedical solutions provider in China, we aspire to work alongside with established biomedical research institutions that share our corporate mission to bring a diversity of cost effective disease screening products and solutions to our customers both at home and abroad. Through this methodology of technology, production and distribution partnership, we aspire to build a more global product platform and to further raise the corporate profile of the company in the biomedical industry.

Lastly, the Board is committed to its corporate mission, and we believe that the diversification of our reach to medical screening services and bio drugs will contribute towards a harmonious society by way of enhancing human health and quality of life, and build a solid foundation for shareholders' value by way of sustainable revenue generating capability and growth.

Mr. Yao Yuan,
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is one of China's leading bio-medical companies in the area of early screening and detection of major diseases. C-12 protein chips, the Group's most profitable product, HPV DNA testing kits, and the new specialised molecular diagnostic kits for leukemia, lymphoma and individualised target cancer therapy provide a very wide range of products for early screening and detection of major diseases.

2013 was a very challenging year for the Group. China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. According to the National Bureau of Statistics, China's GDP growth slowed to only 7.7% in 2013, the slowest year-on-year growth in the past 13 years.

Under this subdued environment, the Group still managed to record a very steady turnover. Total turnover of the Group in 2013 was HK$404.2 million, representing an increase of 25.2% as compared to the total revenue of HK$322.8 million in 2012. Gross profit increased from HK$220.6 million to HK$278.0 million, representing an increase of 26.0%. Meanwhile, the gross profit margin increased from 68.3% in 2012 to 68.8% in 2013. The Group recorded a loss for the year of HK$1,188.1 million as compared to a loss for the year of HK$139.2 million in 2012 from continuing operations. The loss for the year in 2013 was primarily due to an increase of HK$37.2 million in amortisation of other intangible assets, a substantial increase in impairment losses on goodwill of HK$304.4 million, a substantial increase in impairment losses on other intangible assets of HK$170.0 million and a substantial increase in written off of other receivable of HK$507.2 million.

Despite such adversity, we remain confident in China's economic growth over the longer run, which we believe will continue to underpin demand for enhanced healthcare supports. As the leading brand and provider of medical solutions in the area of early screening and detection of major diseases products in China, we will continue to maintain and strengthen our long-term competitive advantages, such as national distribution and sales network as well as innovative research and development. We will stick to our well-established business strategy and business objectives of satisfying consumers' demand for better life, better health.

MARKET REVIEW

In the last five years, the China economy have grown 67 percent with an average annual growth of 8.9 percent and the China economy is currently the third largest economy in the world. Confronting economic complexity both at home and abroad, the China Government had successfully engaged a flexible and prudent macro-economic policies to introduce more timely measures to expand domestic demand, speed up the construction of public facilities and improve living standards of the poor to achieve steady and relative fast economic growth.

While the global economy is slowly recovering, the China Government continue to engage on strategic and fundamental changes in the economic structure of the country and to place more emphasis on building a sustainable domestic economy based on heavy investments and strong domestic spending.

The China Government is committed to provide basic medical security to all Chinese in both urban and rural areas, improve the quality of medical services, and make medical services more accessible and affordable for ordinary people and to pave the road for further medical reforms in the healthcare industry.

With the healthcare reform in full momentum, the healthcare industry in China will continue to be one of the fastest growing healthcare markets in the world. Underpinning such phenomenal growth are enhanced living standard, increase in per capital income, growth of the aging population, increasing healthcare consciousness, and the China Government's commitment to reform and to increase the healthcare budget for both the urban and rural medical systems as part of its committed effort to establish a harmonious society and will invariably drive up strong demands for medical products and services in the coming decade.

According to the National Bureau of Statistics of China, the eligible participants in State Basic Medical Insurance program have grown from 43.3 million in 2000 to 573 million in 2013, representing an increase of over 529.7 million participants with annual averages of 23.3 percent.

Under the 12th Five Year Plan, it is estimated that at the end of 2015 the urban population in China will increase to 51.5 percent of total population, and at the end of 2013, the urban population reached 53.7 percent of the total population. The continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

The Group currently operates five business segments, namely the protein chips division ("PCD"), health care division ("HCD"), medical centres management ("MCM"), individualised target therapy division ("ITTD"), and bio-drugs division ("BDD").

Protein Chips Division

The Group manufactures and distributes its C-12 products to hospitals, medical centres and life insurance companies in China. The C-12 product is capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the year, the Group continued to experience steady demand for C-12 products. C-12 products have been listed on the Basic Medical Insurance System ("BMIS") as a reimbursable drug in several provinces of China and on the BMIS of Shanghai Municipality in October 2009. The Group believes that more provinces and municipalities will include C-12 products on their BMIS. Despite a weak and unstable global economy and limited export sales, the Group expects the overall growth for the protein chips sales based on domestic demand to be promising and sustainable in the future.

Turnover contributed by the sales of the C-12 products amounted to HK$304.3 million (2012: HK$267.4 million), representing an increase of approximately 13.8 percent over that of last year. The year 2011 was the first year that most of the distributors shift to sell the up-graded C-12 products instead of the old C-12 products. After two years of learning the up-graded C-12 product, our distributors were more acquainted with this new product and sales of C-12 products had picked up steadily. We are confident that sales of C-12 products would maintain a steady growth rate in the next few years and that C-12 products would remain one of the main profit contributor to the Group.

A new drug license for the testing of tuberculosis was obtained during the later part of the year. This is the first ever drug license approved in China for the testing of T cell for tuberculosis by enzyme-linked technique. Sales under this newly approved drug license will commence in 2014. We are confident that sales would pick up rapidly in the next couple of years.

Health Care Division

Under this division, the Group launched a coordinated and nationwide sales and marketing campaign for its HPV DNA testing kits and making important progress to register its products for distribution to female patients at hospitals nationwide.

The HPV DNA testing kits offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear test (50-60%). Besides, it does not require a large upfront capital investment on specialised equipment. According to the World Health Organization, cervical cancer is fully preventable and curable if pre-cancerous lesions are detected and treated early.

Cervical cancer is caused by a common virus called human papillomavirus ("HPV"). High-risk, cancer-causing types of HPV can be detected using DNA technology. Women above age 18 are recommended to take annual examination to screen cervical disease or cancer.

The division recorded total sales of HK$20.9 million (2012: HK$16.4 million), representing an increase of 27.4 percent over last year.

Medical Centres Management

The division is principally engaged in the provision of healthcare services for residents living in cities that demand attentive and quality healthcare services, and is complimentary to the Company's existing business activities particularly in strengthening and expanding capability to launch health screening packages to residents living in major cities in China.

The establishment of the division will also provide greater flexibility for the Company to expand its existing operations in China, to introduce new screening and diagnostic kits more effectively and to provide a more comprehensive servicing coverage for customer loyalty orientation. Turnover contributed by this division amounted to HK$71.5 million (2012: HK$38.1 million), representing an increase of approximately 87.7 percent.

Individualised Target Therapy Division

This new division was established following the acquisition of Shanghai Yuanqi Bio-Pharmaceutical Company Limited in August 2011. The division now has developed specialised molecular diagnostic kits for leukemia, lymphoma and individualised target cancer therapy.

In recent years, targeted cancer therapies have become focus for treating cancer due to their efficacy. Targeted cancer therapies are agents that selectively destroy cancer cells, and leave normal cells alone, while producing less toxicity than traditional chemotherapy agents. Traditional chemotherapy agents do kill cancer cells but they also typically kill other normal cells. There are various hallmarks that drive the growth of cancer. Targeted cancer therapies are agents that involve monoclonal antibodies or small molecule drugs that block the growth and proliferation of cancer cells by altering their signaling pathway involved in growth and proliferation of cancer cells. This new division contributed sales of HK$29.5 million for the year 2013 (2012: HK$15.3 million), representing an increase of approximately 92.8 percent over that of last year.

The division successful obtained four new drug licenses from the SDFA of China in the later part of 2012. Sales of this division had increased steadily over the years. The Board is confident that the division would be one of the major profit contributors to the Group in the next few years.

Bio-drugs Division

This unit is principally engaged in the development, production and commercialisation of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products. The unit is further expanded by the acquisition of Shanghai Huipu Bio-Pharmaceutical Company Limited by the Group in December 2011. The unit is still in its early stage of development and is not expected to make significant contribution to the Group in the next couple of years.

FINANCIAL PERFORMANCE

The loss for the year in 2013 amounted to HK$1,188.1 million (2012: loss for the year of HK$127.7 million). Loss per share was 24.10 HK cents (2012: loss of 2.55 HK cents). The loss for the year in 2013 was primarily due to an increase of HK$37.2 million in amortisation of other intangible assets, a substantial increase in impairment losses on goodwill of HK$304.4 million, a substantial increase in impairment losses on other intangible assets of HK$170.0 million and a substantial increase in written off of other receivable of HK$507.2 million.

Increase in Amortisation of other Intangible Assets

Total amortisation of other intangible assets included under other expenses for the year amounted to HK$93.4 million (2012: HK$56.6 million), representing an increase of HK$36.8 million. The Group expanded its operation through acquisition of various businesses over the last few years. Various other intangible assets, either a technical know-how or a useful customer base, would be identified during the course of acquisition. These other intangible assets so identified would be recognised at their fair value (which is regarded as their cost) at the acquisition date. Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. If the contractual or other legal rights of an intangible asset are conveyed for a limited term that can be renewed, the useful life of the intangible asset will include the renewal periods only if there is evidence to support renewal without significant cost. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The Group made two major acquisitions in the year 2011 to further expand its operation into individualised molecular diagnostic products and bio-drugs. Other intangible assets amounted to HK$755 million were created as a result of these two acquisitions. Amortisation of a portion of these newly acquired other intangible assets started in the year 2012, and full amortisation started in the year 2013. As such, the amortisation costs for the year 2013 increased.

Substantial Increase in Impairment Losses on Goodwill

Total impairment losses on goodwill for the year amounted to HK$384.3 million (2012: 79.9 million), representing an increase of HK$304.4 million. The impairment losses of goodwill in the year related to goodwill originally generated in the previous years on acquisition of MCM and ITTD.

	HK$'000
Impairment loss on goodwill:	
MCM	214,531
ITTD	169,777
Total	384,308

The Company acquired several business operations in previous years to further expand its operation into HPV operation, health care management operation and individualised molecular diagnostic products. Goodwill and other intangible assets arising out of these three acquisitions are now summarised as follows:

	HCD HK$'000	MCM HK$'000	ITTD HK$'000
Goodwill	79,910	236,832	169,777
Other intangible assets			
– technical know-how	276,114	–	343,989
– customer base	–	65,976	58,626
Total	356,024	302,808	572,392

Impairment losses on goodwill and other intangible assets incurred by the Company for the year ended 31 December 2013 for the three acquired operations are summarised as follows:

	HCD HK$'000	MCM HK$'000	ITTD HK$'000
Impairment losses			
– goodwill	–	214,531	169,777
– other intangible assets	170,000	–	–
Total impairment loss recognised in 2013	170,000	214,531	169,777
Impairment loss recognised in 2012	79,910	–	–

Income approach method of valuation is adopted by the Company to value the carrying value of goodwill and other intangible assets of these three acquired operations annually. The carrying value of goodwill and other intangible assets is the present worth of the expected future economic benefits of ownership of that operation and is valued through the application of the discounted cash flow method to devolve the values of expected future income generated by the operation into a present market value. This method is considered the most appropriate because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation.

When employing the income approach method of valuation, actual operating results of the three operating units for the past few years were used as the base for projecting expected future income to be generated by these units. After several years of operation, the Board believe that the Company is in a much more appropriate position to make the appropriate action to reflect the actual value of goodwill and other intangible assets under each operating units.

Turnover of the HCD for the year 2013 increased by 27.4% to HK$20.9 million. The HK$20.9 million turnover was about HK$6.8 million less than the expected turnover of the HPV operation for the year 2013 included in the valuation model built for calculating the carrying value of goodwill and other intangible assets of the HCD at 31 December 2012. Based on the HK$20.9 million turnover for the year 2013, turnover as well as profit generated by the unit in future years were adjusted downwards significantly when calculating the carrying value of goodwill and other intangible assets at 31 December 2013. As such, the carrying values of goodwill and other intangible assets calculated at 31 December 2013 was significantly lower than those calculated at 31 December 2012. Based on this, the company had to write down the carrying values of goodwill and other intangible assets of the HCD and hence significant increase in impairment losses on goodwill and other intangible assets were revealed.

Similar significant downward adjustments on future turnover and future profit were experienced in the when calculating the carrying values of goodwill and other intangible assets in the MCM and the ITTD at 31 December 2013. As such, both units recorded significant increase in impairment losses on goodwill and other intangible assets at 31 December 2013.

The potential markets for the three operating units in the PRC are huge. Major reasons for the unsatisfactory results experienced in these three operating units are explained as follows:

For HCD, the market for testing cervical cancer is very huge. The market, however, is floated with cheap pap-smear tests. Although HPV products offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear tests (50-60%), HPV products are rarely used. This is because (i) HPV products are much more expensive and (ii) that only a few people know that there is a HPV test that provides more accurate testing for cervical cancer other than the conventional pap-smear test. Should HPV products be able to share 10% of the existing pap-smear market in the PRC, every HPV company in the PRC could make huge profit. However, in light of current situation, HPV business could only grow very slowly in the PRC.

The MCM faced serious price war in the year 2013, Profit of the unit was much lower than what was expect due to serious price competition. In order for the unit to maintain its market position, the unit had to lower its price to many of its long term clients in the year 2013.

The ITTD was established in late 2011 after completion of the acquisition of 上海源奇生物医药科技有限公司 Shanghai Yuanqi Bio-Pharmaceutical Company Limited. Turnover of the unit increased to HK$29.5 million, representing an increase of 92.8% over that of 2012. The HK$29.5 million turnover for the year 2013 was about HK$12 million short of what was expected when calculating the carrying values of goodwill and other intangible assets at 31 December 2012. The lower than expected turnover was a result of unforeseen difficulties in the development of the hospital and sales network. The Company has already allocated additional resources to expedite the development of hospital and sales network. The market still increased at a rate much slower than what had been anticipated.

The basis of the recoverable amounts of MCM and ITTD and their major underlying assumptions are summarised below:

MCM

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 14.6% (2012: 14.4%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

ITTD

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 18.4% (2012: 16.5%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Based on the recoverable amounts of MCM and ITTD, the management of the Group determined that there are impairment losses of HK$214.5 million and HK$169.8 million on the goodwill of MCM and ITTD, respectively (2012: impairment losses of HK$79.9 million on the goodwill of HCD).

Substantial Increase in Impairment Losses on other Intangible Assets

Total impairment losses on other intangible assets for the year amounted to HK$170.0 million (2012: Nil). This impairment losses were related to other intangible assets of HCD. As mentioned above under the substantial increase in impairment losses on goodwill section, the recoverable amount of other intangible assets has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 18.8% (2012: 18.6%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Based on the recoverable amount of other intangible assets of HCD, the management of the Group determined that there is an impairment losses of HK$170.0 million to the other intangible assets of HCD (2012: Nil).

Substantial Increase in Written off of other Receivable

During the year, the Group advanced RMB396,000,000 (equivalent to approximately HK$507,197,000) to an unrelated entity incorporated in the PRC. The amount is interest-free, unsecured and repayable on demand. As at 31st December, 2013, the Directors are still in the negotiation with such entity in relation to the repayment of such advance but no agreement has yet to conclude. Despite the Directors are of the view that such advance can be recoverable but for prudence sake, the entire amount of the advance has been impaired during the current year.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$304.3 million (2012: HK$267.4 million), representing an increase of 13.8 percent over that of last year. Segment profit of this division amounted to HK$45.2 million (2012: HK$49.6 million), representing a decrease of approximately 8.9 percent over that of last year.

The Group sold a total of 2.15 million protein chips (2012: 1.88 million), an increase of 14.4 percent over last year. During the year, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilisation rate and diversification of chipset packaging.

Health Care Division

Turnover contributed by this division amounted to HK$20.9 million (2012: HK$16.4 million). The division incurred a segment loss of HK$18.0 million for the year (2012: segment loss of HK$17.8 million). The segment loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$20.4 million (2012: HK$20.2 million). In 2013, the Group sold 314,800 kits (2012: 250,000 kits), an increase of 25.9% over last year.

Medical Centres Management

Turnover contributed by this division amounted to HK$71.5 million (2012: HK$38.1 million). Segment loss of this division amounted to HK$14.8 million (2012: segment loss of HK$11.0 million).

One of the medical centres was under renovation in the year 2012. The renovation was to upgrade the whole facility for serving high end customers. The renovated centre was re-opened in April 2012. Turnover of this renovated centre for the year 2013 was HK$42.4 million (2012: HK$16.9 million), representing an increase of HK$25.5 million.

The segment loss for the year was primarily due to (i) amortisation of other intangible assets of HK$7.4 million and (ii) written off of HK$33.9 million of amounts due from subsidiaries of a joint venture.

Individualised Target Therapy Division

Turnover contributed by this division amounted to HK$29.5 million (2012: HK$15.3 million). The division incurred a segment loss of HK$47.4 million for the year (2012: segment loss of HK$46.9 million). The segment loss was due to the amortisation of technical know-how and customer base arising on acquisition of Shanghai Yuanqi Bio-Pharmaceutical Company Limited in the amount of HK$47.2 million (2012: HK$46.6 million).

PROSPECTS

The Group prides itself as one of China's leading bio-medical companies in the area of early screening and detection of diseases. The Group understands there are many challenges and risks associated with the industry, and is constantly reviewing and responding accordingly when implementing its business plans. While China represents one of the largest and rapidly growing markets for healthcare products and services, it is a very unique market that requires a comprehensive understanding of the existing medical industry, regulations and operational mechanism.

The Group believes that immunotherapy offers an innovative and attractive approach for treating life threatening diseases as the therapy often have fewer side effects, including less potential for creating resistance in microbial diseases and the new generation of non-specific nanotechnology immunomodulatory drugs provides a more effective and dynamic immunotherapeutic solution, than existing drugs.

Being a leading supplier of protein chips and solutions for early detection of diseases in the high growth healthcare industry in China, the Group has successfully expanded its business segments to include medical centres management and bio drugs to enable the Group to be a more self contained and diversified medicare solutions provider. Nevertheless, the Group appreciates the many challenges and risks that are associated with this high growth industry and believe that the Group is reasonably well placed to respond to the risks and challenges accordingly.

The Group is working closely with an increasing number of healthcare institutions including hospitals, medical centres, clinical laboratory testing centres, etc. to understand better testing needs of the patients in order to introduce innovative and effective screening and diagnostics products. The Group also understands the constant evolution of biomedical science and its applications, and will continue to expedite its business growth by actively pursuing new medical related opportunities through alliances, licensing and acquisitions. The Group is optimistic about its future and is in a state of readiness to face the many new challenges to come.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2013, the Group had a total of 1,186 employees (2012: 1,132 employees) in Hong Kong and the PRC. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice. The emolument of the Directors is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company, its subsidiaries nor its joint venture has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the year ended 31 December 2013, the Company has applied the principles and complied with the requirements of the Code of Corporate Governance Practices (the "Code") listed out in appendix 14 of the rules governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for following deviation:

Under Code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. The existing non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders. The board is reviewing the situation and will, where appropriate, take necessary steps including amendment of the Company's bye laws to ensure compliance with the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2013.

AUDIT COMMITTEE

The audit committee is comprised of three independent non-executive directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

The audit committee meets regularly to review the completeness, accuracy and fairness of the Company's financial statement. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control the Company has established to allow the board of directors to monitor the Group's overall financial position and to protect its assets.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013 in conjunction with the Group's auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.mymedicare.com.hk). The annual report of the Company for the year ended 31 December 2013 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

PROFILES OF DIRECTORS

MR. YAO YUAN

Mr. YAO Yuan, aged 58, is currently the Chairman of the Company. Mr. Yao is currently the Chairman of Shanghai Mingyuan Enterprise Group Company Limited, he has been leading the group for over 10 years and contributing to its success as one of the top 100 corporations in Shanghai.

MR. CHIEN HOE YONG, HENRY

Mr. CHIEN Hoe Yong, Henry, aged 50, is currently the Chief Executive Officer of the Company. Mr. Chien holds a bachelor of laws degree with honors from United Kingdom and has been admitted as a Barrister-at-Law in England and Wales since 1988. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales, and he is also a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chien has over 20 years of professional experience in international investment banking, corporate advisory, financial accounting and auditing with internationally reputable companies and banks. Mr. Chien had held senior managerial positions in several major investment banking firms in Hong Kong.

MR. ZHOU LI QUN

Mr. ZHOU Li Qun, aged 45, is currently the Executive Director of the Company. Mr. Zhou holds a bachelor degree in accountancy from Dong Hua University (东华大学). Mr. Zhou also holds a MBA degree from Asia International Open University (Macau) and he is a registered accountant in the PRC. Mr. Zhou held senior positions in various foreign investment enterprises in Shanghai. Mr. Zhou joined 上海铭源数康生物芯片有限公司 (SHMY HealthDigit Biochips Co., Ltd.), a wholly-owned subsidiary of the Company in 2012 as Vice President. Mr. Zhou has over 20 years of experience in accounting and financial planning.

MR. ZHAO CHAO

Mr. ZHAO Chao, aged 46, is currently the Executive Director of the Company. Mr. Zhao holds a bachelor degree in industrial enterprises management from Tianjin Commercial University. Mr. Zhao has over 17 years of experience in running medical devices related business in the PRC. Prior to his involvement in the medical device business, Mr. Zhao held senior position in 天津市委办公厅经济处. Mr. Zhao started his medical device related business in the year 1998 at the Tianjin He Bei Hospital (天津河北医院). Mr. Zhao was the head of Tianjin He Bei Hospital (天津河北医院) and was responsible for the whole operations of the hospital. Prior to joining the Company, Mr. Zhao was the general manager and chairman of a well-known health check centres network in the PRC.

MR. YU TI JUN

Mr. YU Ti Jun, aged 62, is currently the Non-Executive Director of the Company. Mr. Yu was appointed as an executive Director from 30 June 2004 to 23 April 2013 and re-designated from an executive Director to a non-executive Director with effect from 24 April 2013. Mr. Yu was Director of Shanghai Municipal Government Planning and Developing Research Institute, Visiting Professor of the Shanghai Fudan University, Chiao Tung University, East China Normal University, Distinguished Professor of Seminar Center of the Shanghai Library and the Shanghai Cadre Training Center. Mr. Yu is also the "National Health Education Specialist" of Ministry of Health, the Executive Director of China Association of Health Education, the Vice President of the Corporate Division of China Association of Health Education, the Vice Chairman of Eastern China Health Education Research Society, and the Vice President of Shanghai Corporate Health Management Promotion Committee. Mr. Yu was the author of various publications on enterprise management and strategic development. He also served as consultant to many Chinese and international enterprises on corporate planning and development. Mr. Yu has in-depth knowledge and rich experience in macroeconomic and corporate development in China.

MR. LEE SZE HO

Mr. LEE Sze Ho, Henry, aged 46, is currently the Independent Non-Executive Director of the Company. Mr. Lee holds a Bachelor Degree of Business Administration (Honours) and a Master Degree in International Accounting from the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants and Auditors and a member of the Taxation Institute of Hong Kong. Mr. Lee is also the Director of Lam, Lee & So C.P.A. Company Limited and has over 27 years of experience in international accounting and financial planning.

MR. TANG YAN QIN

Mr. TANG Yan Qin, aged 68, is currently the Independent Non-Executive Director of the Company. Mr. Tang graduated from Tianjin University with a Bachelor Degree of Engineering in 1970. Mr. Tang has rich experience in the area of economic, finance and company listing. He had held positions as head of the office of the marketing division and the finance & commercial division of Tianjin Municipal Party Committee, director of the organization division of the Planning and Work Committee of Tianjin Municipal Party Committee, deputy secretary of the Planning and Work Committee of Tianjin Municipal Party Committee, deputy officer of Tianjin Planning Committee, deputy secretary-general of Tianjin Municipal People's Government, head of Tianjin Municipal Labour and Social Security Bureau, secretary of the Party Leadership Group, chairman of TEDA International Holding (Group) Co., Ltd., chairman of Robeco TEDA (Tianjin) Equity Investment Management Company Limited, chairman of Lianhe Credit Information Service Co., Ltd. and party chief of the Communist Party of China. Mr. Tang is currently the vice president of China Association for Labour Studies and vice president of China Health Insurance Research Association.

MR. CHOW WING KIN

Mr. Chow Wing Kin, aged 47, is currently an Independent Non-Executive Director of the Company. Mr. Chow holds a bachelor degree in business management from Suffolk University, Boston, USA in 1992. Mr. Chow has over 20 years working experiences and he has earned responsible management position in IT Industries in USA and Asia. Mr. Chow also has solid experience and successful career in project management, marketing, promotion and business development in the PRC and Asia Pacific Regional area.

PROFILES OF SENIOR MANAGEMENT

DR. LIU FEI ZHOU

Dr. LIU Fei Zhou, aged 51, received his PhD from Baylor College of Medicine, Houston, Texas, USA. Dr. Liu was Assistant Professor at the Department of Neurology, Baylor College of Medicine. Dr. Liu's key research interests include development of medical products using biotechnology such as biochips, study of molecular mechanisms of human diseases, and development of model organisms. Dr. Liu is the Assistant to the President and General Manager of Product Center at Shanghai HealthDigit Company Limited.

MR. WONG KWAN PUI

Mr. WONG Kwan Pu, aged 55, is a graduate of the Hong Kong Polytechnic University in Accounting. Mr. Wong holds a CPA Practicing Certificate in Hong Kong. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 30 years of experience in international accounting and auditing, financial planning and management. Mr. Wong is the Company Secretary of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained.

The Company has applied the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the year except for the following deviations:

Deviations

Appointment and Re-election of Directors

Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The existing Independent Non-executive Directors and Non-executive Directors are not appointed for a specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed at all time to serve the Company and to represent the long-term interests of the shareholders.

Chairman Attending Annual General Meeting

Mr. Yao Yuan, Chairman of the Board and Chairman of Nomination Committee, and Mr. Lee Sze Ho, Henry, Chairman of Audit Committee and Remuneration Committee, were unable to attend the annual general meeting of the Company held on 6 June 2013 (the "2013 AGM") as both had business engagement. Mr. Zhou Li Qun, the executive director, was elected as the chairman of the 2013 AGM to ensure effective communication with shareholders of the Company at the meeting.

THE BOARD

The Board assumes responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs. Every Director ensures that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

The Board and Senior Management have clearly defined responsibilities under various internal control and check-and-balance mechanism. The day-to-day operations of the Company are delegated to the Senior Management while the Board provides leadership and approves strategic policies and plan with a view to enhance shareholders' interests. The Board reserves for its decisions on all major matters, including: senior officer appointments, annual budget and financial matters, equity related transactions such as issuance of shares/options, repurchase of shares, dividend, raising of capital loan; determination of major business strategy, merger and acquisition; disposal of business unit; major investment; annual financial budget; and matters as required by laws and ordinance.

When the Board delegates aspects of its management and administration functions to the Senior Management, it has given clear directions, in particular, with respect to the circumstances where the Senior Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Board Composition and Attendance Records of Directors

The Board currently composes of four Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. During the year, four full board meetings were held. Directors can attend board meetings in person or through other electronic means of communication. Agenda for each board meeting is prepared in advance and all directors have the opportunity to include matters into the agenda for the board meeting. Minutes of all of the board meetings were recorded in sufficient details. The number of board meetings held and attendance (either in person or through other electronic means of communication) record of each director at the meetings of the Board together with the meetings of the audit and remuneration committee during the year ended 31 December 2013 is set out below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2013 AGM**
Executive Directors					
Mr. Yao Yuan (*Chairman*)	4/4	N/A	N/A	1/1	Absent
Mr. Chien Hoe Yong, Henry (*CEO*)	0/4	N/A	0/2	N/A	Absent
Mr. Zhao Chao	3/4	N/A	N/A	N/A	Present
Mr. Zhou Li Qun	3/4	N/A	N/A	N/A	Present
Mr. Hu Jun	0/4	N/A	N/A	N/A	Absent
Non-Executive Directors					
Mr. Yu Ti Jun	3/4	N/A	N/A	N/A	Absent
Independent Non-Executive Directors					
Mr. Hu Jin Hua	1/4	1/2	N/A	N/A	Absent
Mr. Lee Sze Ho, Henry	2/4	2/2	2/2	1/1	Absent
Mr. Tang Yan Qin	4/4	2/2	2/2	1/1	Absent

The list of Directors and Their Role and Function has been maintained at the websites of the Company and the Stock Exchange. The Directors' biographies and the relationship among the board members, if any, are disclosed under the "Profiles of Directors" of this annual report and available on the Company's website. Saved as disclosed in such profiles, if any, there is no financial, business, family or other material/relevant relationship among the Directors.

Given the composition of the Board and the skills, knowledge and expertise that each director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

Responsibilities of Directors

The Non-Executive Directors and Independent Non-Executive Directors, with diversified expertise, skills and experience, play an important role on formulating strategy and ensuring that the Board maintains high standards of corporate governance. According to the Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Board had received from each Independent Non-Executive Director a written annual confirmation of his independence and satisfied that the independence of Independent Non-Executive Directors up to the date of this report is in accordance with the Listing Rules.

On a regular basis, senior management provides the Directors with operational and financial reports of the Group's performance, position and prospect. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's business in a timely manner.

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

Training and Continuous Development for Directors

Each newly appointed director is provided with comprehensive induction to ensure that he has a proper understanding of the operations and businesses of the Group as well as his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. For all directors to keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company, the Company had organised an internal workshop which covered topics of the CG Code and the have participated in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken. Also, the completed records are received from each of the Directors as confirmation.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer of the Company are segregated and assumed by separate individuals who have no relationship with each other, in order to maintain a balance of power and authority so that major job responsibilities are not concentrated on any one individual, Mr. Chien Hoe Yong, Henry, the Chief Executive Officer, is responsible for the implementation of the Company's overall strategies, and coordination of overall business operation. The Chairman, Mr. Yao Yuan, will continue to provide leadership in formulating overall strategies and policies of the Company, ensures the effective performance by the Board of its functions including compliance with good corporate governance practices. The Chairman also ensures effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information.

DIRECTORS

Appointment and Re-election of Directors

Provision A.4.1 of the Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The existing Independent Non-executive Directors and Non-executive Directors are not appointed for a specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed at all time to serve the Company and to represent the long-term interests of the shareholders.

Bye-law 109 of the Bye-laws of the Company provides that at each general meeting of the Company, with the exception of the Executive Chairman, one-third of the Directors of the Company (or if their number is not three or a multiple of three, the then number nearest to but not exceeding one-third) who have been longest in office since their last election shall retire from office and the retiring Directors shall be eligible for re-election.

Board Meetings

The Board met regularly throughout the year to discuss the overall strategy, the operational and financial performance of the Group. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. All accompanying papers relating to issues to be discussed at the board meeting were sent to the Directors in a timely manner. Adequate explanation and information were given to the directors by the management to facilitate the directors in decision making. Each director has to declare his interest and abstain from voting on any board resolution in which he or any of his associates has a material interest. Minutes of all board meetings are kept by the Company Secretary. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is opened for Directors' inspection.

THE BOARD COMMITTEES

The Board has established audit committee, remuneration committee and nomination committee. The latest versions of the terms of reference of the Board Committees which explain their respective role and the authority delegated to them by the Board are available on the websites of the Stock Exchange and the Company. The Board Committees are provided with sufficient resources, including external professional advice if necessary, to enable each committee to discharge its duties.

Audit Committee

The Audit Committee of the Company is comprised of three Independent Non-Executive Directors. Mr. Lee Sze Ho, Henry, was appointed Chairman of the Audit Committee on 28 August 2012. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee met twice a year in 2013 and the main duties of the Audit Committee during the year include:

(a) Reviewing the Group's annual and interim financial statements and reports and consider any significant or unusual items before submission to the Board.

(b) Reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) Reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

(d) Advising on material event or drawing the attention of the management on related risks.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Nomination Committee

The Nomination Committee is duly formed on 30 March 2012 and is comprised of two Independent Non-Executive Directors, namely: Mr. Tang Yan Qin and Mr. Lee Sze Ho and the Chairman of the Board, Mr. Yao Yuan (Chairman).

The main responsibilities of the Nomination Committee are to review the structure, size and composition, including the skills, knowledge and experience of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitable qualified to become Directors and select, or make recommendations to the Board for directorships.

The Nomination Committee held one meeting during the year 2013.

Remuneration Committee

The Company established the Remuneration Committee on 27 March 2006 with written terms of reference. The Remuneration Committee has three members comprising two Independent Non-Executive Directors, namely: Mr. Lee Sze Ho, Henry, and Mr. Tang Yan Qin and the Chief Executive Officer, Mr. Chien Hoe Yong, Henry.

The primary responsibilities of the Remuneration Committee include (but without limitation):

- making recommendations to the Board on the Group's remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;
- determining the terms of specific remuneration package of the Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and

The Remuneration Committee held two meeting during the year of 2013. The members of the Remuneration Committee reviewed the Group's remuneration policy for the year 2013 at the meeting. The Remuneration Committee has the right to seek any information it considers necessary to fulfill its duties, which includes the right to obtain appropriate external advice at the Company's expense.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial year to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that year. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 25.

COMPANY SECRETARY

Mr. Poon Kwong Wai, the former Company Secretary of the Company had resigned from the Company on 31 May 2013. Mr. Wong Kwan Pui was appointed as Company Secretary of the Company on 31 May 2013. Being the Company Secretary, Mr. Wong plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy are been followed. Mr. Wong is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters.

In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

INTERNAL CONTROL

The Board and Senior Management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive policies and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Board is of the view that the system of internal controls is in place for the year under review and up to the date of issuance of the annual report is sound and sufficient to safeguard the interests of shareholders, customers and employees, as well as the assets of the Company.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rule. The Model Code applies to all Directors and members of the Senior Management who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Specific enquiry has been made of all Directors and members of the Senior Management who have confirmed their compliance with the required standards set out in the Model Code during the year under review.

AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has been appointed as the External Auditor of the Company for the year under review. An amount of HK$1,590,000 (2012: HK$1,500,000) was charged to the 2013 financial statements of the Group for Deloitte's audit services. The amount paid by the Company for other non-audit services provided by Deloitte for the Company and its subsidiaries during the year under review was HK$69,000 (2012: HK$79,000).

The responsibilities of the external auditor with respect to financial reporting are set out in the section of "Auditor's Report".

COMMUNICATION WITH SHAREHOLDERS

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports and press announcements. Also, the corporate website is maintained to disseminate financial and non-financial information on the timely manner.

The Company regards the Annual General Meeting as an important event as it provides an opportunity for direct communications between the Board and its shareholders. The Chairman, all Directors, Senior Management and external auditors will make effort to attend such meetings to address shareholders' queries.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company's Bye-laws, the shareholders of the Company enjoy, among others, the following rights:

1. Convening Extraordinary General Meetings

Any one or more shareholders of the Company holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary. The Board shall then convene a special general meeting by serving sufficient notice in accordance with the Company's Bye-laws or statutory requirements to all shareholders of the Company.

2. Participation at General Meetings

The Company encourages shareholders to participate in general meetings, either in person or via proxies, to exercise their rights. The general meetings provide important opportunities for shareholders to express their views to the Board and management. The Company provides details of the general meetings to the shareholders in a notice prior to the meeting in compliance with the Bye-laws of the Company and the Listing Rules. Shareholders are encouraged to ask questions about or comment on the results, operations, strategy and/or management of the Group at general meetings. The chairman of the Board committees, appropriate management executives and auditors of the Company will be available at general meetings to answer questions from shareholders. Time is set aside in each general meeting for such question and answer session.

3. Enquiries and Proposals to the Board

Shareholders of the Company may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's investor relation staff for an initial review. The investor relation staff will maintain a log of the correspondences and forward either a summary or a copy of the correspondences to the Board for consideration at its next meeting. Apart from the above, the shareholders of the Company also have the right to nominate candidates to be Directors of the Company. Following the relevant procedures which are made available to the shareholders, the shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

CONCLUSION

The Company believes that corporate governance principles and practices are essential to the business communities. Effort will be employed to review the Company's corporate governance practices from time to time to accommodate any changes in circumstances. The Company will strive to maintain and strengthen the standard and quality of its corporate governance.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, an associate and a joint venture are set out in Notes 39, 21 and 20 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 26 and 27.

The directors do not recommend the payment of any dividend in respect of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 100 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2013, the Company's reserves available for distribution consisted of contributed surplus of HK$12,804,000 (2012: HK$12,804,000) and accumulated losses of HK$651,254,000 (2012: accumulated profits of HK$488,839,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 14% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 52% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 34% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors, owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Yao Yuan – Chairman	
Mr. Chien Hoe Yong, Henry – Chief Executive Officer	
Mr. Hu Jun	(resigned on 7th June, 2013)
Mr. Yu Ti Jun	(redesignated as non-executive director on 24th April, 2013)
Mr. Zhao Chao	(appointed on 24th April, 2013)
Mr. Zhou Li Qun	(appointed on 24th April, 2013)

Non-executive directors:

Mr. Yu Ti Jun	(redesignated as non-executive director on 24th April, 2013)

Independent non-executive directors:

Mr. Hu Jin Hua	(resigned on 24th April, 2014)
Mr. Lee Sze Ho, Henry	
Mr. Tang Yan Qin	
Mr. Chow Wing Kin	(appointed on 24th April, 2014)

In accordance with Bye-law 100 of the Company, Mr. Chow Wing Kin will retire from the office and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 109 of the Company, Mr. Chien Hoe Yong, Henry and Mr. Lee Sze Ho, Henry will retire from the office by rotation. Both Mr. Chien and Mr. Lee have informed the Company that they will not offer themselves for re-election as Director at the AGM as both gentlemen will like to to devote more time to their personal endeavours.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2013, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Ordinary shares of HK$0.05 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Position	Percentage of the issued share capital of the Company
Mr. Yao Yuan	Held by controlled corporation	946,169,075 (Note i)	Long	21.58%

Note:

(i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively.

Other than as disclosed above, none of the Company's directors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2013.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 32 to the consolidated financial statements.

Details of movements of the Company's share options during the year were as follows:

					Number of share options		
Category	Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1.1.2013	Exercised during the year	Outstanding at 31.12.2013
Employees	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	3,300,000	–	3,300,000

No share option was granted, exercised, cancelled and lapsed in accordance with the terms of the Company's share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Name	Capacity	Number of shares	Notes	Shareholding percentage
Ming Yuan Investments Group Limited	Beneficial owner	946,169,075	(i)	21.58%
Ming Yuan Holdings Limited	Held by controlled corporation	946,169,075	(i)	21.58%
Mr. Yao Yuan	Held by controlled corporation	946,169,075	(i)	21.58%
Mr. Iu Chung	Beneficial owner and held by controlled corporation	947,509,075	(i)&(ii)	21.61%

Notes:

(i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively.

(ii) Being the aggregate of personal interest held by Mr. Iu Chung of 1,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 946,169,075 shares.

Other than as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more in the issued share capital of the Company as at 31st December, 2013.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in Note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

AUDITOR

A resolution will be submitted at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. Yao Yuan
CHAIRMAN

31st March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED
铭源医疗发展有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mingyuan Medicare Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 99, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31st March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	7	**404,150**	322,797
Cost of sales		**(126,111)**	(102,186)
Gross profit		**278,039**	220,611
Other income	9a	**13,356**	12,246
Other gains and losses	9b	**10,092**	(4,264)
Distribution and selling expenses		**(126,293)**	(104,385)
Administrative expenses		**(68,107)**	(84,019)
Other expenses		**(104,284)**	(62,748)
Impairment losses on goodwill	18	**(384,308)**	(79,910)
Impairment losses on other intangible assets	19	**(170,000)**	–
Impairment losses on goodwill included in interest in an associate	21	**(20,310)**	–
Other receivable written off	25	**(507,197)**	–
Deposits paid for acquisition of intangible assets written off	9c	**(40,000)**	–
Amounts due from subsidiaries of a joint venture written off	26	**(33,859)**	–
Share of profit of a joint venture	20	**274**	702
Share of loss of an associate	21	**(11,828)**	(10,160)
Finance costs	10	**(12,453)**	(20,114)
Loss before tax		**(1,176,878)**	(132,041)
Income tax expense	11	**(11,264)**	(7,146)
Loss for the year from continuing operations	12	**(1,188,142)**	(139,187)
Discontinued operation			
Profit for the year from discontinued operation	33	**–**	11,445
Loss for the year		**(1,188,142)**	(127,742)
Other comprehensive income			
Exchange differences arising on translation of foreign subsidiaries, an associate and a joint venture that may be reclassified subsequently to profit or loss		**43,628**	25,756
Total comprehensive expense for the year		**(1,144,514)**	(101,986)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(1,056,705)**	(123,091)
– from discontinued operation		**–**	11,445
		(1,056,705)	(111,646)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(131,437)**	(16,096)
		(1,188,142)	(127,742)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(CONTINUED)*

For the year ended 31st December, 2013

	NOTE	2013 HK$'000	2012 HK$'000
Total comprehensive expense attributable to:			
Owners of the Company		**(1,017,107)**	(85,890)
Non-controlling interests		**(127,407)**	(16,096)
		(1,144,514)	(101,986)
LOSS PER SHARE	15		
From continuing and discontinued operations			
– Basic		**(24.10) HK cents**	(2.55) HK cents
– Diluted		**(24.10) HK cents**	(2.55) HK cents
From continuing operations			
– Basic		**(24.10) HK cents**	(2.81) HK cents
– Diluted		**(24.10) HK cents**	(2.81) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Property, plant and equipment	16	**337,123**	338,124
Prepaid lease payments	17	**43,283**	43,065
Goodwill	18	**47,115**	437,160
Other intangible assets	19	**807,379**	1,076,259
Interest in a joint venture	20	**14,765**	14,168
Interest in an associate	21	**58,754**	88,399
Deposits paid for acquisition of property, plant and equipment		**2,030**	6,117
Deposits paid for acquisition of intangible assets	9c	**–**	40,000
Amounts due from subsidiaries of a joint venture	26	**–**	28,363
		1,310,449	2,071,655
Current Assets			
Inventories	24	**24,631**	31,155
Prepaid lease payments	17	**1,060**	1,029
Loan receivable	22	**118,000**	118,000
Trade and other receivables, deposits and prepayments	25	**193,404**	317,753
Amount due from a director	23	**640**	622
Amounts due from related parties	26	**18,942**	8,179
Amounts due from subsidiaries of a joint venture	26	**721**	5,667
Pledged bank deposits	27	**35,863**	24,878
Bank balances and cash	27	**49,726**	286,256
		442,987	793,539
Current Liabilities			
Trade and other payables	28	**72,158**	57,532
Amounts due to related companies	26	**2,930**	5,584
Amount due to a subsidiary of a joint venture	26	**10,519**	6,671
Bank borrowings	29	**208,834**	189,733
Taxation payable		**27,024**	19,007
		321,465	278,527
Net Current Assets		**121,522**	515,012
Total Assets less Current Liabilities		**1,431,971**	2,586,667

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-Current Liabilities			
Deferred tax liabilities	31	**193,042**	202,863
Net Assets		**1,238,929**	2,383,804
Capital and Reserves			
Share capital	30	**219,195**	219,211
Reserves		**965,244**	1,982,696
Equity attributable to owners of the Company		**1,184,439**	2,201,907
Non-controlling interests		**54,490**	181,897
Total Equity		**1,238,929**	2,383,804

The consolidated financial statements on pages 26 to 99 were approved and authorised for issue by the Board of Directors on 31st March 2014 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Assets revaluation reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012	219,211	1,177,668	1,140	10,354	12,804	258,635	607,985	2,287,797	206,235	2,494,032
Loss for the year	–	–	–	–	–	–	(111,646)	(111,646)	(16,096)	(127,742)
Exchange differences arising on translation of foreign subsidiaries, an associate and a joint venture	–	–	–	–	–	25,756	–	25,756	–	25,756
Total comprehensive expense for the year	–	–	–	–	–	25,756	(111,646)	(85,890)	(16,096)	(101,986)
Release on disposal of a subsidiary (Note 33)	–	–	–	–	–	7,500	(7,500)	–	(8,242)	(8,242)
At 31st December, 2012	219,211	1,177,668	1,140	10,354	12,804	291,891	488,839	2,201,907	181,897	2,383,804
Repurchase of shares (Note 30)	(16)	(345)	–	–	–	–	–	(361)	–	(361)
Loss for the year	–	–	–	–	–	–	(1,056,705)	(1,056,705)	(131,437)	(1,188,142)
Exchange differences arising on translation of foreign subsidiaries, an associate and a joint venture	–	–	–	–	–	39,598	–	39,598	4,030	43,628
Total comprehensive expense for the year	–	–	–	–	–	39,598	(1,056,705)	(1,017,107)	(127,407)	(1,144,514)
At 31st December, 2013	219,195	1,177,323	1,140	10,354	12,804	331,489	(567,866)	1,184,439	54,490	1,238,929

Notes:

(i) The assets revaluation reserve of the Group represents the revaluation surplus arising from business combination in 2009.

(ii) The contributed surplus of the Group represents an amount due to a former holding company waived upon the change of the substantial shareholders in 2002.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	NOTE	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(1,188,142)**	(127,742)
Adjustments for:			
Income tax expense		**11,264**	7,146
Finance costs		**12,453**	14,215
Imputed interest expense on non-current interest-free loan to subsidiaries of a joint venture		**–**	3,690
Imputed interest expense on receivable from Weiyi (as defined in Note 9a)		**–**	2,209
Interest income		**(8,861)**	(7,656)
Depreciation of property, plant and equipment		**35,481**	37,493
Amortisation of prepaid lease payments		**1,044**	1,017
Amortisation of other intangible assets		**121,181**	84,016
Loss (gain) on disposal of property, plant and equipment		**618**	(243)
Gain on sale of an intellectual property		**(10,710)**	–
Gain on disposal of interest in a subsidiary		**–**	(11,445)
Impairment losses on trade receivables		**–**	12,030
Impairment losses on goodwill		**384,308**	79,910
Share of profit of a joint venture		**(274)**	(702)
Share of loss of an associate		**11,828**	10,160
Rental receivable from a related company written off		**–**	4,507
Imputed interest income on receivable from Weiyi		**(2,269)**	–
Impairment losses on other intangible assets		**170,000**	–
Impairment losses on goodwill included in interest in an associate		**20,310**	–
Deposits paid for acquisition of intangible assets written off		**40,000**	–
Amounts due from subsidiaries of a joint venture written off		**33,859**	–
Other receivable written off		**507,197**	–
Operating cash flows before movements in working capital		**139,287**	108,605
Decrease (increase) in inventories		**7,333**	(9,193)
Increase in trade and other receivables, deposits and prepayments		**(507,869)**	(10,868)
Decrease in held for trading investments		**–**	17
Increase in trade and other payables		**16,389**	14,001
Cash (used in) generated from operations		**(344,860)**	102,562
Income taxes paid		**(15,974)**	(19,876)
Interest paid		**(12,453)**	(14,215)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(373,287)**	68,471
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(10,985)**	(24,878)
Additions of property, plant and equipment		**(21,096)**	(21,878)
Advance to related companies		**(30,861)**	(5,651)
Deposits paid for acquisition of property, plant and equipment		**–**	(1,080)
Advance to subsidiaries of a joint venture		**(4,598)**	(1,020)
Advance to a director		**–**	(614)
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	33	**–**	76,057
Proceeds from disposal of intellectual property		**8,830**	–
Refund of deposit paid for acquisition of property, plant and equipment		**50,456**	45,711
Repayment from Weiyi	33	**82,294**	24,576
Interest received		**8,861**	7,656
Repayment from subsidiaries of a joint venture		**8,184**	3,032
Proceeds on disposal of property, plant and equipment		**40**	1,057
Repayment from related companies		**20,098**	705
NET CASH FROM INVESTING ACTIVITIES		**111,223**	103,673

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31st December, 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**205,671**	160,973
Advance from a related company	**–**	5,521
Repayment of bank borrowings	**(192,025)**	(146,388)
Repayment to a related company	**(2,018)**	–
Repayment to a shareholder	**–**	(61,440)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**11,628**	(41,334)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(250,436)**	130,810
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**286,256**	148,837
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**13,906**	6,609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**49,726**	286,256

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 of the Company is Renminbi. The consolidated financial statements are presented in Hong Kong dollars as in the opinion of the directors of the Company (the "Directors"), it will be more useful for the users as the Company is listed in Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries, an associate and a joint venture at 31st December, 2013 are set out in Notes 39, 21 and 20, respectively.

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

(a) Application of new and revised HKFRSs

The Group has applied the following new and revised to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as explained below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

- recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's transfer of financial assets. Detailed disclosures are set out in Note 40.

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

(a) Application of new and revised HKFRSs (CONTINUED)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investments in investees in accordance with the requirements of HKFRS 10. The Directors concluded the application of HKFRS 10 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement.

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

(a) Application of new and revised HKFRSs (CONTINUED)

Impact of the application of HKFRS 11 (CONTINUED)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The Directors concluded that the Group's interest in 天津红鬃马医院投资管理有限公司, which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method. Other than the above mentioned presentation changes, the application of HKFRS 11 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 20, 21 and 39a for details).

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

(b) New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014
2 Effective for annual periods beginning on or after 1st July, 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1st January, 2016

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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

(b) New and revised HKFRSs issued but not yet effective (CONTINUED)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

(i) The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and

(ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July, 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1st July, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

(b) New and revised HKFRSs issued but not yet effective (CONTINUED)

***Annual Improvements to HKFRSs 2010 – 2012 Cycle* (CONTINUED)**

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010 – 2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The *Annual Improvements to HKFRSs 2011 – 2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011 – 2013 Cycle* will have a material effect on the Group's consolidated financial statements.

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

(b) New and revised HKFRSs issued but not yet effective (CONTINUED)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors do not anticipate that the adoption of HKFRS 9 in the future will have a significant impact on the Group's consolidated financial statements.

The Directors anticipated that the application of the other new and revised HKFRSs will not have a material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consideration of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (CONTINUED)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control of joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in an associate and a joint venture (CONTINUED)

The result and assets and liabilities of an associate and a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised form part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when the relevant services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative expenses (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On derecognition of a group entity which is not a foreign operation, exchange differences accumulated in the translation reserve arising from translating the assets and liabilities of the relevant entity into the presentation currency of the Group, will be transferred directly to accumulated profits.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition are treated as assets and liabilities of that subsidiary and retranslated into the presentation currency at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

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 before tax" as reported in the consolidated statement of profit or loss and other comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (CONTINUED)

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in – first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised 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 that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits, amount due from a director, amounts due from related parties, amounts due from subsidiaries of a joint venture, loan receivable and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 270 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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 instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Financial liabilities and equity instruments (CONTINUED)

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related companies/a subsidiary of a joint venture and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 arrangements

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options 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 share options reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Useful life of other intangible assets – technical know-how

Other intangible assets – technical know-how is amortised over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the change take places. As at 31st December, 2013, the carrying amount of technical know-how is HK$734,375,000, net of accumulated amortisation and impairment loss of HK$401,382,000 (2012: HK$984,811,000, net of accumulated amortisation and impairment loss of HK$121,128,000. Details of these other intangible assets are set out in Note 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (CONTINUED)

Useful life of other intangible assets – customer base

Other intangible assets – customer base is amortised over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group, taking into account factors such as changes in market demand and customer loyalty. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the change take places. As at 31st December, 2013, the carrying amount of customer base is HK$73,004,000, net of accumulated amortisation and impairment loss of HK$62,848,000 (2012: HK$91,448,000, net of accumulated amortisation and impairment loss of HK$40,490,000). Details of these other intangible assets are set out in Note 19.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is higher of the fair value less cost to sell or value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use 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, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a further impairment loss may arise. As at 31st December, 2013, the carrying amount of goodwill is HK$47,115,000, net of accumulated impairment loss of HK$506,516,000 (2012: HK$437,160,000, net of accumulated impairment loss of HK$102,210,000). Details of the calculation of value in use are disclosed in Note 18.

Estimated impairment of other intangible assets

Determining whether other intangible assets are impaired requires an estimation of the recoverable amount which is higher of the fair value less cost to sell or value in use of the cash-generating units to which other intangible asset has been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the relevant assets or the cash-generating unit in which the relevant intangible assets belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an impairment loss may arise. As at 31st December, 2013, the carrying amount of other intangible assets is HK$807,379,000, net of accumulated amortisation and impairment loss of HK$464,230,000 (2012: HK$1,076,259,000, net of accumulated amortisation and impairment loss of HK$161,618,000). Details of the calculation of value in use are disclosed in Note 19.

Estimated impairment of loan receivable/trade and bills receivables/other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31st December, 2013, the carrying amount of loan receivable is HK$118,000,000 (2012: HK$118,000,000). Details are set out in Note 22.

As at 31st December, 2013, the carrying amount of trade receivables is HK$171,762,000, net of allowance for doubtful debts of HK$15,050,000 (2012: HK$172,062,000, net of allowance for doubtful debts of HK$14,616,000). Details are set out in Note 25.

During the current year, the Group deposited RMB396,000,000 (equivalent to approximately HK$507,197,000) to an unrelated entity incorporated in the People's Republic of China (the "PRC") for certain treasury arrangement. As at 31st December, 2013, the carrying amount of such receivables is nil, net of impairment loss of HK$507,197,000 (2012: nil). Details are set out in Note 25.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in Note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The Group is not subject to any externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables		
– Trade and other receivables	178,693	305,727
– Amounts due from related parties	18,942	8,179
– Amounts due from subsidiaries of a joint venture	721	34,030
– Amount due from a director	640	622
– Pledged bank deposits	35,863	24,878
– Bank balances and cash	49,726	286,256
– Loan receivable	118,000	118,000
	402,585	777,692
Financial liabilities		
Amortised cost		
– Trade and other payables	39,274	29,373
– Amounts due to related companies	2,930	5,584
– Amount due to a subsidiary of a joint venture	10,519	6,671
– Bank borrowings	208,834	189,733
	261,557	231,361

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount(s) with related parties/related companies companies/a subsidiary of a joint venture/subsidiaries of a joint venture/a director, loan receivable, bank balances and cash, pledged bank deposits, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC, and did not have significant sales or purchases denominated in currencies other than the functional currency of the relevant group entities. However, the Group has certain bank balances that are denominated in Hong Kong dollar ("HK dollar") and United States dollar ("US dollar"). As a result, the Group is exposed to fluctuations in exchange rates of US dollar and HK dollar against Renminbi ("RMB"). The Group did not enter into any derivative contracts nor did it have a foreign currency hedging policy aimed at minimising exchange rate risks during the year. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2013	**2012**
	HK$'000	**HK$'000**
US dollar	**112**	11
HK dollar	**25**	24

Sensitivity analysis

The Group is mainly exposed to US dollar and HK dollar. No sensitivity analysis was prepared since the Directors are of the opinion that the impact of the Group's foreign currency denominated monetary assets at the end of the reporting period is not significant.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings (see Notes 27 and 29 for details of bank balances and bank borrowings, respectively). It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate loan receivable, pledged bank deposits and bank borrowings (see Notes 22, 27 and 29 for details of loan receivable, pledged bank deposits and bank borrowings respectively).

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and policies (CONTINUED)

Market risk (CONTINUED)

(ii) Interest rate risk (CONTINUED)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rate for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2013 would increase/decrease by HK$210,000 and the Group's loss for the year ended 31st December, 2012 would decrease/increase by HK$642,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

Credit risk

As at 31st December, 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 1% (2012: 1%) and 9% (2012: 15%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. In addition, the Group has concentration of credit risk on loan receivable of HK$118 million (2012: HK$118 million) as at 31st December, 2013.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC, which accounted for all the trade receivables as at 31st December, 2012 and 2013.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

Other than the concentration of credit risk on trade receivables, loan receivable and liquid funds which are deposited with several banks with good reputation, the Group does not have any other significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and policies (CONTINUED)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent the interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

2013

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
Trade and other payables	–	34,200	5,074	–	39,274	39,274
Bank borrowings						
– fixed rate	6.79	–	–	119,419	119,419	115,912
– variable rate	6.48	–	–	96,360	96,360	92,922
Amount due to a subsidiary of a joint venture	–	10,519	–	–	10,519	10,519
Amounts due to related companies	–	2,930	–	–	2,930	2,930
		47,649	5,074	215,779	268,502	261,557

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and policies (CONTINUED)

Liquidity risk **(CONTINUED)**

Liquidity tables (CONTINUED)

2012

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
Trade and other payables	–	24,913	1,570	2,890	29,373	29,373
Bank borrowings						
– fixed rate	7.59	–	–	91,836	91,836	87,073
– variable rate	6.44	26,782	–	78,761	105,543	102,660
Amount due to a subsidiary of a joint venture	–	6,671	–	–	6,671	6,671
Amounts due to related companies	–	5,584	–	–	5,584	5,584
		63,950	1,570	173,487	239,007	231,361

As at 31st December 2012, bank loan amounted to HK$26,782,000 with a repayable on demand clause is secured by a pledged bank deposit of HK$24,878,000 as disclosed in Note 27. During the current year, the amount has been repaid in full.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

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

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

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

7. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013 HK$'000	2012 HK$'000
Sales from protein chips division	**281,293**	252,664
Sales from health care division	**20,893**	16,364
Medical centres management	**71,459**	38,085
Sales from individualised target therapy division	**29,467**	15,324
Sales from bio-drugs division	**1,038**	360
	404,150	322,797

8. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Protein chips division ("PCD")	–	Manufacture and trading of protein chips and related equipments
Health care division ("HCD")	–	Manufacture and trading of HPV detection products and related equipments
Medical centres management ("MCM")	–	Provision of medical diagnostic, health check and medical appraisal services
Individualised target therapy division ("ITTD")	–	Research, development and trading of individualised molecular diagnostic products
Bio-drugs division ("BDD")	–	Research, development and trading of specialised monoclonal antibody drugs.

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Individualised target therapy division HK$'000	Bio-drugs division HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31st December, 2013								
Continuing operations								
REVENUE								
External sales	281,293	20,893	71,459	29,467	1,038	404,150	–	404,150
Inter-segment sales	23,014	–	–	–	–	23,014	(23,014)	–
Total	304,307	20,893	71,459	29,467	1,038	427,164	(23,014)	404,150
Segment results	45,156	(17,958)	(14,774)	(47,356)	(37,043)	(71,975)	(519)	(72,494)
Unallocated expenses								(7,423)
Interest income								8,861
Share of profit of a joint venture								274
Share of loss of an associate								(11,828)
Impairment losses on goodwill								(384,308)
Impairment losses on goodwill included in interest in an associate								(20,310)
Impairment losses on other intangible assets								(170,000)
Other receivable written off								(507,197)
Finance costs								(12,453)
Loss before tax from continuing operations								(1,176,878)
For the year ended 31st December, 2012								
Continuing operations								
REVENUE								
External sales	252,664	16,364	38,085	15,324	360	322,797	–	322,797
Inter-segment sales	14,733	–	–	–	–	14,733	(14,733)	–
Total	267,397	16,364	38,085	15,324	360	337,530	(14,733)	322,797
Segment results	49,638	(17,736)	(11,014)	(46,863)	(852)	(26,827)	(26)	(26,853)
Unallocated expenses								(9,261)
Interest income								7,656
Share of profit of a joint venture								702
Share of loss of an associate								(10,160)
Impairment losses on goodwill								(79,910)
Finance costs								(14,215)
Loss before tax from continuing operations								(132,041)

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit and loss of each segment without allocation of central administration costs, directors' salaries, share of results of a joint venture and an associate, impairment losses on goodwill, other intangible assets and goodwill included in interest in an associate, other receivable, deposits paid for acquisition of intangible assets and amounts due from subsidiaries of a joint venture written off, investment income and certain finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

For the purpose of assessment by the chief operating decision maker, the amortisation of other intangible assets were included in segment results while the corresponding other intangible assets have not included in the segment assets.

Inter-segment sales are charged at cost-plus basis.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2013 HK$'000	2012 HK$'000
ASSETS – continuing operations		
Segment assets		
– PCD	531,632	740,917
– HCD	13,709	10,855
– MCM	37,122	63,822
– ITTD	18,287	17,480
– BDD	1,942	3,026
	602,692	836,100
Goodwill	47,115	437,160
Other intangible assets	807,379	1,076,259
Unallocated assets	296,250	515,675
Consolidated total assets	1,753,436	2,865,194
LIABILITIES – continuing operations		
Segment liabilities		
– PCD	43,068	36,832
– HCD	5,242	3,994
– MCM	29,581	7,398
– ITTD	2,006	4,128
– BDD	1,266	1,404
	81,163	53,756
Unallocated liabilities	433,344	427,634
Consolidated total liabilities	514,507	481,390

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (CONTINUED)

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments, other than goodwill, interest in a joint venture and an associate, other intangible assets, loan receivable, amounts due from related parties, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

– segment liabilities included trade and other payables allocated to operating segments.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Individualised target therapy division HK$'000	Bio-drugs division HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2013								
Continuing operations								
Additions to non-current assets (Note)	**12,278**	**774**	**7,686**	**3,893**	**645**	**25,276**	**–**	**25,276**
Depreciation of property, plant and equipment	**27,927**	**598**	**4,228**	**2,355**	**373**	**35,481**	**–**	**35,481**
Loss on disposal of property, plant and equipment	**618**	**–**	**–**	**–**	**–**	**618**	**–**	**618**
Gain on sale of an intellectual property	**(10,710)**	**–**	**–**	**–**	**–**	**(10,710)**	**–**	**(10,710)**
Amortisation of prepaid lease payments	**1,044**	**–**	**–**	**–**	**–**	**1,044**	**–**	**1,044**
Amortisation of other intangible assets	**10,000**	**20,443**	**7,377**	**47,239**	**36,122**	**121,181**	**–**	**121,181**
Deposits paid for acquisition of intangible assets written off	**40,000**	**–**	**–**	**–**	**–**	**40,000**	**–**	**40,000**
Amount due from subsidiaries of a joint venture written off	**–**	**–**	**33,859**	**–**	**–**	**33,859**	**–**	**33,859**
For the year ended 31st December, 2012								
Continuing operations								
Additions to non-current assets (Note)	7,311	946	13,363	2,100	274	23,994	–	23,994
Depreciation of property, plant and equipment	32,541	477	3,092	1,093	290	37,493	–	37,493
Loss (gain) on disposal of property, plant and equipment	66	76	–	(385)	–	(243)	–	(243)
Amortisation of prepaid lease payments	1,017	–	–	–	–	1,017	–	1,017
Amortisation of other intangible assets	10,000	20,160	7,274	46,582	–	84,016	–	84,016
Rental receivable from a related company written off	4,507	–	–	–	–	4,507	–	4,507

Note: Non-current assets excluded goodwill, other intangible assets and financial instruments.

There is no analysis for amounts not included in the measure of segment results or segment assets but regularly reviewed by the chief operating decision maker for both years.

8. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2013 HK$'000	2012 HK$'000
Continuing operations		
Protein chips	**306,281**	271,974
HPV detection products and related equipments	**20,893**	16,364
Medical diagnostic, health check and medical appraisal services	**46,471**	18,775
Individualised molecular diagnostic products	**29,467**	15,324
Bio-drugs products	**1,038**	360
	404,150	322,797

Geographical information

Around 100% (2012: 100%) of the Group's revenue are derived from the operation in the PRC and around 91% (2012: 98%) of the Group's non-current assets excluding financial instruments are located in the PRC, therefore, no geographical information is presented.

Information about major customers

For the years ended 31st December, 2013 and 2012, no single customer contributed more than 10% of the total sales of the Group.

9a. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest income		
– on bank deposits	**1,781**	557
– on loan receivable	**7,080**	7,099
Government subsidy (Note)	**1,937**	4,453
Imputed interest income on receivable from Shanghai Weiyi Hospital Investment and Management Company Limited ("Weiyi")	**2,269**	–
Sales of consumables	**53**	46
Others	**236**	91
	13,356	12,246

Note: The Group received government grants from the local municipal governments in relation to the encouragement of the development and advancement of the business of the Group. According to the relevant government grant documents, the grants are general subsidies for the business operations of the Group.

9b. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Continuing operations		
Gain on sale of an intellectual property (Note)	(10,710)	–
Loss (gain) on disposal of property, plant and equipment	618	(243)
Rental receivable from a related company written off (Note 38)	–	4,507
	(10,092)	4,264

Note: In 2012, the Group entered into a sale and purchase agreement in relation to an internally developed intellectual property with an independent third party for a consideration of RMB9,000,000. RMB2,000,000 had been received in 2012 and was recognised as receipt in advance under other payables. During the current year, as the transfer of ownership of such intellectual property was registered and the related consideration has been received in full, a gain on disposal of intellectual property amounting to RMB8,491,000 (equivalent to HK$10,710,000), net of tax was therefore recognised.

9c. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS WRITTEN OFF

The amount was related to the deposits paid for acquisition of two patents from two independent third parties in 2011 with a consideration of HK$32,000,000 and HK$35,000,000 respectively. In 2011, a deposit of HK$20,000,000 was paid to each of the two independent third parties. During the current year, the Directors are still in the negotiation with the two independent third parties in relation to the registration of transfer of ownership regarding the two patents and since the transfer of the titles is uncertain, the Directors consider the recovery of such deposits to be remote and the entire amount of HK$40,000,000 has been impaired accordingly.

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on bank borrowings wholly repayable within five years	12,305	14,215
Finance cost on discounted bills	148	–
Imputed interest expense on non-current interest-free loan to subsidiaries of a joint venture	–	3,690
Imputed interest expense on receivable from Weiyi	–	2,209
	12,453	20,114

11. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**23,122**	19,487
– Underprovision in prior years	**19**	–
	23,141	19,487
Other jurisdiction		
– Current year	**850**	842
Deferred tax (Note 31)		
– Current year	**(12,727)**	(13,183)
	11,264	7,146

No provision for Hong Kong Profits Tax has been made since the group entities operating in Hong Kong had no assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries, 上海铭源数康生物芯片有限公司 is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year is 2008 and the applicable tax rate for 2012 is 12.5%. The subsidiary was then approved as a "high and new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% starting from the current year until 2015.

The Group's another PRC subsidiary, 湖州数康生物科技有限公司 was approved as a "high and new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% for both years until 2013.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

11. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax (from continuing operations)	**(1,176,878)**	(132,041)
Tax credit at the domestic income tax rate at 25% (2012: 25%) (Note i)	**(294,220)**	(33,010)
Tax effect of share of result of a joint venture and an associate	**2,888**	2,365
Tax effect of income not taxable for tax purpose	**–**	(1,449)
Tax effect of expenses not deductible for tax purpose	**302,784**	33,608
Tax effect of tax losses not recognised (Note ii)	**722**	4,594
Income tax on concessionary rate	**(6,281)**	(2,612)
Underprovision in prior years	**19**	–
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries	**6,051**	4,581
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(918)**	(931)
Others	**219**	–
Income tax expense for the year	**11,264**	7,146

Notes:

(i) Being tax rate in the PRC where the operations of the Group are substantially based.

(ii) As at 31st December, 2013, the Group had unused tax losses of HK$87,686,000 (2012: HK$84,800,000) 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. The losses will expire within five years.

12. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	**35,481**	37,493
Amortisation of prepaid lease payments	**1,044**	1,017
Amortisation of other intangible assets (included in other expenses)	**93,361**	56,582
Amortisation of other intangible assets (included in cost of sales)	**27,820**	27,434
Staff costs		
– directors' emoluments (Note 13(i))	**3,844**	3,778
– other staff costs	**40,595**	30,588
– retirement benefits scheme contributions, excluding directors	**4,979**	4,423
Total staff costs	**49,418**	38,789
Auditor's remuneration	**1,659**	1,569
Cost of inventories recognised as expenses	**126,111**	74,752
Research and development expenditure (included in other expenses)	**10,925**	6,166
Impairment loss on trade receivables (included in administrative expenses)	**–**	12,030

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(i) Directors' and chief executive's emoluments

	2013 HK$'000	2012 HK$'000
Directors' and chief executive's fees:		
(a) Executive and chief executive		
– Yao Yuan	**1,524**	1,656
– Chien Hoe Yong, Henry	**253**	253
– Hu Jun*	**–**	–
– Yu Ti Jun***	**40**	120
– Zhao Chao*****	**82**	–
– Zhou Li Qun*****	**82**	–
	1,981	2,029
(b) Independent non-executive		
– Lam Lee G.**	**–**	50
– Hu Jin Hua	**120**	120
– Lee Sze Ho, Henry	**120**	120
– Tang Yan Qin	**120**	120
	360	410
(c) Non-executive		
– Yang Zhen Hua**	**–**	50
– Ma Yong Wei****	**–**	–
– Yu Ti Jun***	**80**	–
	80	50
Total directors' and chief executive's fees	**2,421**	2,489

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) Directors' and chief executive's emoluments (CONTINUED)

	2013 HK$'000	2012 HK$'000
Other emoluments of executive directors and chief executive's:		
(a) Salaries and other benefits		
– Yao Yuan	**276**	144
– Chien Hoe Yong, Henry	**1,117**	1,117
– Hu Jun*	**–**	–
– Yu Ti Jun***	**–**	–
– Zhao Chao*****	**–**	–
– Zhou Li Qun*****	**–**	–
	1,393	1,261
(b) Bonus (Note)		
– Yao Yuan	**–**	–
– Chien Hoe Yong, Henry	**–**	–
– Hu Jun*	**–**	–
– Yu Ti Jun***	**–**	–
– Zhao Chao*****	**–**	–
– Zhou Li Qun*****	**–**	–
	–	–
(c) Retirement benefits scheme contributions		
– Yao Yuan	**15**	14
– Chien Hoe Yong, Henry	**15**	14
– Hu Jun*	**–**	–
– Yu Ti Jun***	**–**	–
– Zhao Chao*****	**–**	–
– Zhou Li Qun*****	**–**	–
	30	28
Total other emoluments of executive directors and chief executive	**1,423**	1,289
Total directors' and chief executive's emoluments	**3,844**	3,778

Note: The bonus is determined based on performance of the Group and the current market environment.

Mr. Chien Hoe Yong, Henry is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) Directors' and chief executive's emoluments (CONTINUED)

Neither the Chief Executive nor any of the directors waived any emoluments during either year.

*	The director resigned on 7th June, 2013.
**	The directors resigned on 30th May, 2012.
***	The director was redesignated as non-executive director on 24th April, 2013.
****	The director resigned on 28th August, 2012.
*****	The directors were appointed on 24th April, 2013.

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors and the Chief Executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**4,653**	1,440
Retirement benefits scheme contributions	**30**	41
Bonus (Note)	**–**	–
	4,683	1,481

Note: The bonus is determined based on performance of the Group and the current market environment.

Their emoluments were within the following bands:

	2013 Number of employees	2012 Number of employees
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	–
	3	3

14. DIVIDENDS

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to the owners of the Company	**(1,056,705)**	(111,646)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share	**4,384,150,553**	4,384,212,800

For the years ended 31st December, 2013 and 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share for continuing operations.

15. LOSS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss figures are calculated as follows:		
Loss for the year attributable to the owners of the Company	**(1,056,705)**	(111,646)
Less: Profit for the year from discontinued operation	**–**	(11,445)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(1,056,705)**	(123,091)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

	2013 HK$'000	2012 HK$'000
Earnings		
Profit for the year attributable to the owners of the Company from discontinued operation for the purposes of basic and diluted earnings per share	**N/A**	11,445
Earnings per share (basic and diluted)	**N/A**	0.26 HK cents

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

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price for shares for both 2013 and 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and equipment HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Buildings under construction HK$'000	Total HK$'000
COST								
At 1st January, 2012	329,990	108,508	3,820	7,947	6,385	379	6,078	463,107
Exchange adjustments	3,369	1,305	116	66	116	4	(10)	4,966
Additions	66	6,360	6,797	528	3,801	259	6,183	23,994
Transfer	11,825	–	–	–	–	–	(11,825)	–
Disposals	–	(2,453)	(314)	(552)	–	(2)	–	(3,321)
At 31st December, 2012	345,250	113,720	10,419	7,989	10,302	640	426	488,746
Exchange adjustments	10,348	4,273	308	205	356	11	5	15,506
Additions	3,487	19,209	157	565	1,846	12	–	25,276
Transfer	431	–	–	–	–	–	(431)	–
Disposals	–	(757)	(88)	(401)	–	–	–	(1,246)
At 31st December, 2013	359,516	136,445	10,796	8,358	12,504	663	–	528,282
DEPRECIATION								
At 1st January, 2012	47,985	54,742	2,657	5,968	2,200	363	–	113,915
Exchange adjustments	691	914	27	48	40	1	–	1,721
Provided for the year	17,675	17,825	447	610	897	39	–	37,493
Eliminated on disposals	–	(1,662)	(309)	(534)	–	(2)	–	(2,507)
At 31st December, 2012	66,351	71,819	2,822	6,092	3,137	401	–	150,622
Exchange adjustments	2,272	2,969	95	149	154	5	–	5,644
Provided for the year	18,280	13,127	955	539	2,528	52	–	35,481
Eliminated on disposals	–	(139)	(88)	(361)	–	–	–	(588)
At 31st December, 2013	86,903	87,776	3,784	6,419	5,819	458	–	191,159
CARRYING VALUES								
At 31st December, 2013	272,613	48,669	7,012	1,939	6,685	205	–	337,123
At 31st December, 2012	278,899	41,901	7,597	1,897	7,165	239	426	338,124

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	Over 5% or the term of the lease or land use rights, if shorter
Plant and equipment	10% – 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 were erected on leasehold land under medium-term lease located in the PRC.

As at 31st December, 2013, the Group has not yet obtained the ownership certificate of a building with carrying amount of HK$2,960,000 (2012: Nil).

17. PREPAID LEASE PAYMENTS

	2013 HK$'000	2012 HK$'000
Analysed for reporting purpose as:		
Current asset	**1,060**	1,029
Non-current asset	**43,283**	43,065
	44,343	44,094

The Group's prepaid lease payments represent payments for land use rights under medium-term lease located in the PRC which is amortised on a straight-line basis over the term of the lease for 50 years.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2012	533,634
Exchange adjustments	5,736
At 31st December, 2012	539,370
Exchange adjustments	14,261
At 31st December, 2013	553,631
IMPAIRMENT	
At 1st January, 2012	22,300
Impairment loss recognised in the year	79,910
At 31st December, 2012	102,210
Impairment loss recognised in the year	384,308
Exchange adjustments	19,998
At 31st December, 2013	506,516
CARRYING VALUES	
At 31st December, 2013	47,115
At 31st December, 2012	437,160

For the purpose of impairment testing, the carrying amount of goodwill and other intangible assets has been allocated to their respective cash-generating units of PCD, HCD, MCM, ITTD and BDD at the end of the reporting periods.

During the current year, except that impairment losses of approximately HK$170,000,000, HK$214,531,000 and HK$169,777,000 have been recognised in the cash-generating units of HCD, MCM and ITTD, respectively, the management of the Group determined that there was no impairment in any of the other cash-generating units.

During the year ended 31st December, 2012, except that an impairment loss of HK$79,910,000 has been recognised in the cash-generating unit of HCD, the management of the Group determined that there was no impairment in any of the other cash-generating units.

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

18. GOODWILL (CONTINUED)

Cash-generating unit for segment of PCD

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 16.1% (2012: 16.0%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Cash-generating unit for segment of HCD

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 18.8% (2012: 18.6%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Cash-generating unit for segment of MCM

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 14.6% (2012: 14.4%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Cash-generating unit for segment of ITTD

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 18.4% (2012: 16.5%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

Cash-generating unit for segment of BDD

The Group has estimated the recoverable amount of an individual asset of bio-drugs for impairment assessment.

The recoverable amount of the technical know-how has been determined based on a value in use calculation. The technical know-how was acquired through acquisition of assets through acquisition of a subsidiary during the year ended 31st December, 2011. In 2013, the Group is at the stage of trial testing for the application of drug license as a prerequisite for market distribution. The Group expects to commence the market distribution of the products in 2015. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 7-year period and using a discount rate of 15.1% (2012: 14.7%), and the cash flow beyond 7 years are extrapolated using a zero growth rate. A 7-year period budget has been prepared by management because it usually takes 2 years before a drug license can be obtained from the State Food and Drug Administration for sales and distribution purposes. 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 management's expectations for the market development.

19. OTHER INTANGIBLE ASSETS

	Customer base HK$'000 (Note i)	Technical know-how HK$'000 (Note ii)	Total HK$'000
COST			
At 1st January, 2012	130,669	1,096,251	1,226,920
Exchange adjustments	1,269	9,688	10,957
At 31st December, 2012	131,938	1,105,939	1,237,877
Exchange adjustments	3,914	29,818	33,732
At 31st December, 2013	135,852	1,135,757	1,271,609
AMORTISATION AND IMPAIRMENT			
At 1st January, 2012	21,377	56,225	77,602
Charge for the year	19,113	64,903	84,016
At 31st December, 2012	40,490	121,128	161,618
Charge for the year	19,383	101,798	121,181
Exchange adjustments	2,975	8,456	11,431
Impairment loss recognised in the year	–	170,000	170,000
At 31st December, 2013	62,848	401,382	464,230
CARRYING VALUES			
At 31st December, 2013	73,004	734,375	807,379
At 31st December, 2012	91,448	984,811	1,076,259

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) Included in the balance as at 31st December, 2013, customer base of HK$37,450,000 (2012: HK$45,069,000) was acquired through acquisition of subsidiaries during the year ended 31st December, 2009. These customer base is being amortised on a straight-line basis over 10 years.

In addition, included in the remaining balance as at 31st December, 2013, customer base of HK$35,554,000 (2012: HK$46,379,000) was acquired through acquisition of a business during the year ended 31st December, 2011. The customer base is being amortised on a straight-line basis over 5 years.

(ii) Included in the balance of technical know-how as at 31st December, 2013 is technical know-how of HK$45,340,000 (2012: HK$233,123,000) acquired through acquisition of subsidiaries during the year ended 31st December, 2009. The technical know-how represents design, development, production, sales and distributions of certain HPV detection products registered for use in various countries. The Group has registered various technologies developed under the technical know-how with the State Intellectual Property Office of the PRC for patents. Each technology so registered would be protected for a period of 20 years starting from the day of registration. During the year ended 31st December, 2011, two medical device licenses had been obtained from the State Food and Drug Administration for products developed by the technical know-how. Both medical device licenses have a legal life of 4 years and will be expired in the year 2015. The Directors are of the opinion that the Group would be able to renew the medical device licenses continuously at minimal costs and hence extending the legal life of the medical device licenses. The Directors are of the opinion that the technical know-how are expected to be available for use by the Group over a useful life of 15 years from the date of acquisition and hence the technical know-how are amortised on a straight-line basis over 15 years.

In addition, included in the balance of technical know-how as at 31st December, 2013 is technical know-how of HK$283,182,000 (2012: HK$309,723,000) acquired through acquisition of a business during the year ended 31st December, 2011. The technical know-how represents the design, development, production, sales and distributions of individualised molecular diagnostic products. During the year ended 31st December, 2012, four medical device licenses had been obtained from the State Food and Drug Administration for products developed by the technical know-how of individualised target therapy division. The four medical device licenses have a legal life of 4 years and will be expired in the year 2016. The Directors are of the opinion that the Group would be able to renew the medical device licenses continuously at minimal costs and hence extending the legal life of the medical device licenses. In the opinion of the Directors, the technical know-how are expected to be available for use by the Group over a useful life of 10 years from the date of acquisition and they are being amortised on a straight-line basis over 10 years.

Included in the balance of technical know-how as at 31st December, 2013 is technical know-how of HK$330,100,000 (2012: HK$356,212,000) acquired through acquisition of assets through acquisition of a subsidiary during the year ended 31st December, 2011. The technical know-how represents the design, development, production, sales and distributions of specialised monoclonal antibody drugs. The Group has registered the technology developed under the technical know-how with the State Intellectual Property Office of the PRC for patent. In 2013, the Group is at the stage of trial testing for the application of drug license as a prerequisite for market distribution. The Group expects to commence the market distribution of the products in 2016. In the opinion of the Directors, the technical know-how are expected to be available for use by the Group over a useful life of 10 years from the date of acquisition and they are being amortised on a straight-line basis over 10 years.

Included in the balance as at 31st December, 2013 is other technical know-how of HK$75,753,000 (2012: HK$85,753,000) mainly represents the design, development, production, sales and distributions of certain non-cell corynebacterium parvum product registered in the PRC. The technical know-how was acquired during the year ended 31st December, 2011 and are expected to be available for use by the Group over a useful life of 10 years and they are being amortised on a straight-line basis over 10 years.

20. INTEREST IN A JOINT VENTURE

	2013 HK$'000	2012 HK$'000
Cost of unlisted investment in a joint venture	**26,049**	26,049
Share of post-acquisition results and exchange adjustments	**(11,284)**	(11,881)
	14,765	14,168

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of establishment and operation	Proportion of registered ownership interest and voting rights held by the Group 2013	2012	Principal activities
天津红鬃马医院投资管理有限公司	Incorporated	PRC	**50%**	50%	Investing holding and its subsidiaries are engaged in provision of medical diagnostic, health check and medical appraisal services

Summarised financial information in respect of the Group's interest in the joint venture which is accounted for using the equity method in the consolidated financial statements is set out below.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2013 HK$'000	2012 HK$'000
Current assets	**18,935**	16,644
Non-current assets	**18,463**	20,389
Current liabilities	**9,053**	9,882

The above amounts of assets and liabilities include the following:

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	**1,306**	773
Current financial liabilities (excluding trade and other payables and provisions)	**2,786**	4,305

20. INTEREST IN A JOINT VENTURE (CONTINUED)

	2013 HK$'000	2012 HK$'000
Revenue	**33,279**	35,338
Profit for the year	**548**	1,403
Other comprehensive income (expense) for the year	**646**	(1,552)
Total comprehensive income (expense) for the year	**1,194**	(149)
Dividends received during the year	**–**	–

The above profit for the year include the following:

	2013 HK$'000	2012 HK$'000
Depreciation and amortisation	**3,935**	3,733
Interest income	**9**	6
Interest expense	**–**	–
Income tax expense	**183**	468

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of the joint venture	**28,345**	27,151
Proportion of the Group's ownership interest	**50%**	50%
	14,173	13,576
Other adjustments	**592**	592
Carrying amount of the Group's interest in the joint venture	**14,765**	14,168

21. INTEREST IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of investment in an associate – unlisted	**98,554**	98,554
Share of post-acquisition results and exchange adjustments	**(19,490)**	(10,155)
Impairment loss on goodwill	**(20,310)**	–
	58,754	88,399

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group 2013	2012	Principal activities
天津中新科炬生物制药有限公司 (“NewScen Coast”)	Incorporated	PRC	**30%**	30%	Manufacturing and trading of diagnostic products and related equipment

Included in cost of investment in an associate is a goodwill of Nil (2012: HK$20,310,000) arising on acquisition of an associate. The movement of goodwill is set out below.

	HK$'000
COST	
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	20,310
IMPAIRMENT	
At 1st January, 2012 and 31st December 2012	–
Impairment loss recognised in the year	20,310
At 31st December, 2013	20,310
CARRYING VALUES	
At 31st December, 2013	–
At 31st December, 2012	20,310

During the current year, an impairment loss on goodwill included in interest in an associate of HK$20,310,000 (2012: Nil) has been recognised. The recoverable amount of the interest in an associate has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period and using a discount rate of 18.4% (2012: 16.5%), and the cash flow beyond 5 years are extrapolated using a zero growth rate. 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.

21. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the Group's interest in an associate which is accounted for using the equity method in the consolidated financial statements is set out below.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2013 HK$'000	2012 HK$'000
Current assets	**38,597**	36,791
Non-current assets	**204,259**	245,447
Current liabilities	**22,840**	22,537
Non-current liabilities	**24,808**	31,236

	2013 HK$'000	2012 HK$'000
Revenue	**38,226**	31,712
Loss for the year	**(39,428)**	(33,866)
Other comprehensive income for the year	**6,171**	2,119
Total comprehensive expenses for the year	**(33,257)**	(31,747)
Dividends received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of the associate	**195,208**	228,465
Proportion of the Group's ownership interest	**30%**	30%
	58,562	68,540
Goodwill	**–**	20,310
Other adjustments	**192**	(451)
Carrying amount of the Group's interest in the associate	**58,754**	88,399

22. LOAN RECEIVABLE

The loan receivable is interest-bearing at 6% per annum, due from a shareholder of the associate of the Group (the "Borrower") and receivable in June 2013. The loan receivable is secured by the shares held by the Borrower in the associate of the Group. On 20th June, 2013, a supplementary agreement was entered into with the Borrower in which the loan receivable remains to be interest-bearing at 6% per annum and the maturity date of the loan receivable is extended to 29th June, 2014.

23. AMOUNT DUE FROM A DIRECTOR

Director's current account disclosed pursuant to section 161B of the Companies Ordinance is as follows:

Director	Terms of loan	Balance at 31st December, 2013 HK$'000	Balance at 1st January, 2013 HK$'000	Maximum amount outstanding during the year HK$'000
Yao Yuan	Unsecured, non-interest bearing, repayable on demand	640	622	640

24. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**12,205**	14,864
Work in progress	**5,996**	3,479
Finished goods	**6,430**	12,812
	24,631	31,155

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Trade receivables	**184,718**	183,195
Bills receivable	**2,094**	3,483
Less: allowance for doubtful debts	**(15,050)**	(14,616)
	171,762	172,062
VAT recoverable	**2,848**	1,396
Prepayments	**5,241**	4,258
Receivable from Weiyi (Note 33)	**–**	78,915
Refund of deposit paid for acquisition of property, plant and equipment (Note i)	**–**	49,756
Others	**13,553**	11,366
	193,404	317,753

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

(i) The amount relates to an acquisition of property, plant and equipment in 2011 with a consideration of RMB154,400,000 (equivalent to HK$185,979,000). As at 31st December, 2011, a deposit of RMB77,200,000 (equivalent to HK$95,104,000) was paid. During the year ended 31st December, 2012, the Group and the vendor agreed to terminate the agreement without any penalty and RMB37,200,000 (equivalent to HK$45,711,000) was refunded and the remaining RMB40,000,000 (equivalent to HK$50,456,000) was settled during the current year.

(ii) During the current year, the Group deposited RMB396,000,000 (equivalent to approximately HK$507,197,000) to an unrelated entity incorporated in the PRC for certain treasury arrangement. The amount is interest-free, unsecured and repayable on demand. As at 31st December, 2013, the Directors are still in the negotiation with such entity in relation to the repayment of such amount. Despite the Directors are of the view that such amount can be recoverable but since no agreement has been reached in relation to the date of repayment, the entire amount has been impaired during the current year.

The Group normally allows a credit period of 270 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of the trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 – 60 days	78,237	79,448
61 – 90 days	25,308	22,008
91 – 180 days	43,630	33,590
181 – 270 days	15,142	6,150
Over 270 days	9,445	30,866
	171,762	172,062

Included in the Group's trade and bills receivables are debtors with aggregate carrying amount of HK$9,445,000 (2012: HK$30,866,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. As there has not been a significant change in credit quality, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

An aged analysis of trade and bills receivables which were past due but not impaired based on the due date is as follows:

	2013 HK$'000	2012 HK$'000
0 – 60 days	2,261	26,060
61 – 90 days	1,686	747
91 – 180 days	–	1,604
181 – 270 days	5,498	2,455
	9,445	30,866

In determining the recoverability of trade and bills and other receivables, the Group considers any change in the credit quality of the trade and bills receivables, and other receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as the customer base is large and unrelated. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**14,616**	2,587
Impairment losses recognised on receivables	**–**	12,030
Disposal of a subsidiary	**–**	(172)
Exchange adjustment	**434**	171
Balance at end of the year	**15,050**	14,616

Before accepting any new customers, the Group assesses and understands the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to each customer are reviewed regularly.

26. AMOUNT(S) WITH RELATED PARTIES, RELATED COMPANIES AND SUBSIDIARIES OF A JOINT VENTURE

Details of the amount(s) with related parties, related companies and subsidiaries of a joint venture are set out below:

		Notes	2013 HK$'000	2012 HK$'000
(a)	Amounts due from related parties			
	– 上海铭源酒店管理有限公司	(i)	**–**	222
	– 上海铭康商务信息咨询有限公司	(ii)	**17,263**	7,920
	– NewScen Coast	(iii)	**–**	37
	– 上海铭源实业集团有限公司 ("上海铭源实业")	(i)	**640**	–
	– 上海铭源度假村有限公司	(i)	**832**	–
	– 上海铭麒酒店管理有限公司	(i)	**107**	–
	– 上海亚都物业管理有限公司	(i)	**13**	–
	– Senior management	(vi)	**87**	–
			18,942	8,179
(b)	Amounts due from subsidiaries of a joint venture			
	– Non-current		**–**	28,363
	– Current		**721**	5,667
		(v)	**721**	34,030
(c)	Amount due to a subsidiary of a joint venture	(iv)	**(10,519)**	(6,671)
(d)	Amounts due to related companies			
	– 上海铭源实业	(i)	**(2,930)**	(4,825)
	– 上海铭源度假村有限公司	(i)	**–**	(759)
			(2,930)	(5,584)

26. AMOUNT(S) WITH RELATED PARTIES, RELATED COMPANIES AND SUBSIDIARIES OF A JOINT VENTURE (CONTINUED)

Notes:

(i) 上海铭源实业 is a substantial shareholder of the Company with significant influence over the Company. 上海铭源酒店管理有限公司, 上海铭源度假村有限公司, 上海铭麒酒店管理有限公司 and 上海亚都物业管理有限公司 are subsidiaries of 上海铭源实业. These amounts are non-trade in nature.

(ii) A non-controlling interest of a subsidiary of the Group. The amount is non-trade in nature.

(iii) An associate of the Group. The amount is non-trade in nature.

(iv) Except for an amount of HK$3,290,000 (2012: Nil) being trade in nature, the remaining balance is non-trade in nature. Credit period granted to the related company is 180 days.

(v) The amount is non-trade in nature. During the current year, the Directors reviewed the financial position of the subsidiaries of the joint venture and are of the opinion that the recovery of the outstanding balance of subsidiaries of the joint venture is remote and the entire amount of HK$33,859,000 has been impaired.

(vi) The amount is due from the Company's Chief Financial Officer and the amount is non-trade in nature.

The above amounts are unsecured, non-interest bearing and are repayable on demand, except for the amounts due from a subsidiary of a joint venture as mentioned in note (v) above.

Details of the Group's transactions with related parties are set out in Note 38.

27. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits carry fixed interest rate of 3.30% (2012: 3.30%) per annum. Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group and will be released upon the settlement of relevant short term bank borrowings and other loans. Deposits amounting to HK$35,863,000 (2012: HK$24,878,000) have been pledged to secure short-term bank loans and are therefore classified as current assets.

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. As at 31st December, 2013, the bank deposits carried interest at prevailing market rate at 0.35% (2012: ranging from 0.40% to 0.50%) per annum.

28. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables	**10,256**	7,010
Receipts in advance	**15,168**	12,379
Accrued expenses	**4,889**	6,605
Other tax payable	**12,828**	9,176
Other payable (Note i)	**5,203**	9,108
Other loans	**3,842**	–
Others (Note ii)	**19,972**	13,254
	72,158	57,532

Notes:

i. The amount relates to payables to the agents in relation to the marketing activities and after-sales services provided by the agents on behalf of the Group to the end users which are charged back to the Group for reimbursement.

ii. Included in the balance is an amount of approximately RMB8,000,000 (equivalent to approximately HK$10,091,000) advanced by an independent third party for the potential business cooperation during the current year. The amount is interest-free, unsecured and repayable on demand. As no agreement has been reached in relation to this potential business cooperation, the entire amount has been repaid to the independent third party after the reporting period.

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0-60 days	**5,074**	2,890
61-90 days	**410**	1,570
Over 90 days	**4,772**	2,550
	10,256	7,010

29. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured bank borrowings	**208,834**	189,733
Carrying amount repayable:		
– On demand or within one year	**208,834**	189,733

The exposure of the Group's fixed-rate borrowings and the contractual maturity date are as follows:

	2013 HK$'000	2012 HK$'000
Fixed-rate bank borrowings which due:		
– Within one year	**115,912**	87,073

The range of effective interest rates on the Group's bank borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**6.00% – 7.98%**	7.22% – 7.80%
Variable-rate borrowings	**6.00% – 6.60%**	5.40% – 9.18%

At the end of the reporting period, the Group's bank borrowings were denominated in RMB, the functional currency of the relevant group entities.

As at 31st December, 2013, the Group's unutilised amount of banking facilities is approximately HK$24,194,000 (2012: HK$71,698,000).

30. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	6,000,000,000	300,000
Issued and fully paid:		
At 1st January, 2012 and 31st December, 2012	4,384,212,800	219,211
Share repurchased and cancelled	(320,000)	(16)
At 31st December, 2013	4,383,892,800	219,195

During the current year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.05 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
October 2013	320,000	1.127	1.127	360,595

The above shares were cancelled upon repurchase.

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits of PRC subsidiaries HK$'000	Fair value adjustment on other intangible assets from business combination HK$'000	Total HK$'000
At 1st January, 2012	48,044	168,002	216,046
Charge (credit) to profit or loss	4,581	(17,764)	(13,183)
At 31st December, 2012	52,625	150,238	202,863
Charge (credit) to profit or loss	6,051	(18,778)	(12,727)
Exchange adjustment	1,651	1,255	2,906
At 31st December, 2013	60,327	132,715	193,042

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1st January, 2008 onwards. As at 31st December, 2013 and 2012, deferred taxation has been provided for in full in respect of undistributed profits retained by the PRC entities.

32. SHARE OPTIONS

Equity-settled share option scheme

On 31st May, 2004 (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, 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,300,000 (2012: 3,300,000) representing 0.08% (2012: 0.08%) of the shares of the Company in issue at that date.

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 determines the specific vesting period and exercisable period. Options may be exercised at any time from the date of grant of the share option (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 directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The directors of the Company has final discretion on the exercise price.

The following table discloses movements of the Company's share options during the years:

Grantee	Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options outstanding at 1.1.2012, 31.12.2012 and 31.12.2013
Employees	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	3,300,000
Exercisable at 31st December, 2012 and 2013					3,300,000

There were no share options granted, exercised, lapsed and cancelled during the years ended 31st December, 2013 and 2012.

33. DISPOSAL OF A SUBSIDIARY

On 19th December, 2011, a subsidiary of the Company which holds 51% equity interest in Weiyi, which is engaged in the provision of woman and child health care services, entered into an agreement with an independent third party to dispose of its 51% equity interest in Weiyi at a consideration of approximately RMB65 million (equivalent to approximately HK$80 million).

The Group completed the disposal of its equity interest in Weiyi on 4th January, 2012. The net assets of Weiyi at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	140,719
Prepaid lease payments	35,864
Attributable goodwill	57,125
Other intangible assets	2,351
Inventories	1,871
Trade and other receivables, deposits and prepayments	3,035
Amount due from a related company	1,148
Bank balances and cash	4,018
Trade and other payables (Note)	(132,148)
Bank borrowings	(24,638)
Taxation payable	(6,755)
Deferred tax liabilities	(5,718)
Net assets disposed of	76,872
Gain on disposal of a subsidiary:	
Consideration received	80,075
Net assets disposed of	(76,872)
Non-controlling interests	8,242
Gain on disposal	11,445

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration received	80,075
Less: bank balances and cash disposed of	(4,018)
	76,057

33. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Note: Included in trade and other payables was an amount of HK$105,009,000 due to the Group before disposal which was used for operational purposes. The receivable due from Weiyi is interest-bearing at 3% starting from July 2013 and repayable over 2012 and 2013. Upon disposal, the Group measured the amount at fair value determined using the effective interest method using effective interest rate at 6%. The receivable is secured by the personal guarantee provided by the major shareholder of Weiyi. As at 31st December, 2012, the remaining balance of the receivable amount is RMB63,442,000 (equivalent to HK$78,915,000), net of imputed interest expense of RMB1,798,000 (equivalent to HK$2,209,000) and included in trade and other receivables, deposits and prepayments (Note 25). During the current year, the remaining balance has been fully settled.

The impact of Weiyi on the Group's results and cash flows for the period from 1st January, 2012 to 4th January, 2012 were insignificant.

34. CAPITAL COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– property, plant and equipment	**74**	2,891
– other intangible assets (Note 9c)	**27,000**	27,000
	27,074	29,891

35. OPERATING LEASE COMMITMENTS

The Group as lessee

During the current year, the Group made minimum lease payments under operating leases of HK$6,701,000 (2012: HK$8,579,000) in respect of its office properties and staff quarter.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which would fall due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**6,120**	6,628
In the second to fifth year inclusive	**11,187**	7,213
Over five years	**2,482**	–
	19,789	13,841

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarter. Leases are negotiated for a term ranging from one year to eight years and rentals are fixed for a range of one year to eight years.

36. RETIREMENT BENEFIT PLANS

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 profit or loss of HK$5,009,000 (2012: HK$4,451,000) represents contributions payable to these schemes by the Group for the year ended 31st December, 2013. As at 31st December, 2013 and 2012, no contribution was due and unpaid.

37. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure general banking and credit facilities granted to the Group:

	2013 HK$'000	2012 HK$'000
Prepaid lease payments	**44,343**	44,094
Buildings	**269,202**	278,310
Pledged bank deposits	**35,863**	24,878
	349,408	347,282

38. RELATED PARTY DISCLOSURES

The Group had entered into a rental agreement with 上海铭源度假村有限公司("上海铭源度假村") in 2010 to lease out a premises located in Shanghai for annual rental income of RMB2,000,000. During the year ended 31st December, 2012, the rental agreement was terminated without any penalty. The management of the Group considered the rental receivable from 上海铭源度假村 is uncollectible due to unfavorable operating results of 上海铭源度假村. Thus, an amount of RMB3,667,000 (equivalent to HK$4,507,000) has been written off.

During the current year, the Group paid rental expense of HK$733,000 (2012: HK$654,000) to 上海铭源房地产开发经营有限公司 and building management expense of HK$50,000 (2012: Nil) to 上海亚都物业管理有限公司, which are subsidiaries of 上海铭源实业. 上海铭源实业 is owned as to 50% and 40% by Mr. Yao Yuan and Mr. Iu Chung, respectively. Mr. Yao Yuan is the chairman of the Group while Mr. Iu Chung is the director of certain PRC subsidiaries of the Group.

During the current year, the Group received corporate guarantee from 上海铭源实业 in an aggregate amount of RMB69,800,000 (equivalent to HK$89,400,000) (2012: RMB11,000,000 (equivalent to HK$13,683,000)) to two banks (2012: one bank) to secure the banking facilities granted to the Group, of which an amount of RMB5,800,000 (equivalent to HK$7,429,000) (2012: Nil) was unutilised as at 31st December, 2013.

During the current year, Mr. Iu Chung, gave personal guarantee in an aggregate amounts of RMB50,000,000 (equivalent to HK$64,040,000) (2012: Nil) to one bank to secure the banking facilities granted to the Group, of which the amount has been fully utilised as at 31st December, 2013. The related personal guarantee was released in 2014 upon the expiry of banking facilities.

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	**5,651**	5,604
Post-employment benefits	**67**	41
	5,718	5,645

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 26.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries 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		
			2013	2012	2013	2012	
MY Technology Limited	British Virgin Islands	US$1	–	–	**100%**	100%	Inactive
HD Global Limited	British Virgin Islands	US$2,000,000	–	–	**100%**	100%	Investment holding
上海数康生物科技有限公司(Note i)	PRC	RMB40,000,000	–	–	**100%**	100%	Research and development activities
湖州数康生物科技有限公司(Note i)	PRC	RMB10,000,000	–	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
上海铭源数康生物芯片有限公司(Note i)	PRC	US$29,800,000	–	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
Shanghai Kang Pei Bio-medical Company Limited (Note ii)	PRC	RMB10,000,000	–	–	**75%**	75%	Provision of medical diagnostic, health check and medical appraisal services
Genetel Pharmaceuticals (Shenzhen) Company Limited (Note i)	PRC	RMB8,027,700	–	–	**100%**	100%	Manufacturing and trading of HPV chips and related equipments
上海源奇生物医药科技有限公司(Note ii)	PRC	RMB2,000,000	–	–	**70%**	70%	Research, development and trading of individualised molecular diagnostic products
上海慧普生物医药科技有限公司(Note ii)	PRC	RMB2,000,000	–	–	**80%**	80%	Research, development and trading of specialised monoclonal antibody drugs

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

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

(ii) These companies are registered in the form of sino-foreign joint venture.

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 reporting period or at any time during the year.

39a. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interest		Accumulated non-controlling interest	
		2013	2012	31.12.2013 HK$'000	31.12.2012 HK$'000	31.12.2013 HK$'000	31.12.2012 HK$'000
Shanghai Kang Pei Bio-medical Company Limited	PRC	**25%**	25%	**(62,426)**	(5,320)	**(35,915)**	26,967
上海源奇生物医药科技有限公司	PRC	**30%**	30%	**(61,603)**	(10,606)	**20,388**	79,645
上海慧普生物医药科技有限公司	PRC	**20%**	20%	**(7,408)**	(170)	**70,017**	75,285
				(131,437)	(16,096)	**54,490**	181,897

39a. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Shanghai Kang Pei Bio-medical Company Limited

	2013 HK$'000	2012 HK$'000
Current assets	**86,659**	81,164
Non-current assets	**74,324**	325,400
Current liabilities	**(44,268)**	(34,502)
Non-current liabilities	**(11,397)**	(13,065)
Equity attributable to owners of the Company	**141,233**	332,030
Non-controlling interests	**(35,915)**	26,967

	1.1.2013 to 31.12.2013 HK$'000	1.1.2012 to 31.12.2012 HK$'000
Revenue	**71,459**	38,085
Expense	**(323,316)**	(65,713)
Loss for the year	**(251,857)**	(27,628)
Loss attributable to owners of the Company	**(189,431)**	(22,308)
Loss attributable to non-controlling interests	**(62,426)**	(5,320)
Loss for the year	**(251,857)**	(27,628)
Other comprehensive (expense) income attributable to owners of the Company	**(1,366)**	1,077
Other comprehensive (expense) income attributable to non-controlling interests	**(456)**	–
Other comprehensive (expense) income for the year	**(1,822)**	1,077
Total comprehensive expense attributable to owners of the Company	**(190,797)**	(21,231)
Total comprehensive expense attributable to non-controlling interests	**(62,882)**	(5,320)
Total comprehensive expense for the year	**(253,679)**	(26,551)
Dividend paid to non-controlling interests	**Nil**	Nil
Net cash inflow from operating activities	**23,552**	9,161
Net cash outflow from investing activities	**(10,326)**	(12,923)
Net cash (outflow) inflow from financing activities	**(8,231)**	4,504
Net cash inflow	**4,995**	742

39a. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

(ii) 上海源奇生物医药科技有限公司

	2013 HK$'000	2012 HK$'000
Current assets	**12,948**	10,840
Non-current assets	**324,650**	534,800
Current liabilities	**(17,597)**	(16,782)
Non-current liabilities	**(76,752)**	(88,084)
Equity attributable to owners of the Company	**222,861**	361,129
Non-controlling interests	**20,388**	79,645

	1.1.2013 to 31.12.2013 HK$'000	1.1.2012 to 31.12.2012 HK$'000
Revenue	**29,467**	15,324
Expense	**(234,809)**	(50,677)
Loss for the year	**(205,342)**	(35,353)
Loss attributable to owners of the Company	**(143,739)**	(24,747)
Loss attributable to non-controlling interests	**(61,603)**	(10,606)
Loss for the year	**(205,342)**	(35,353)
Other comprehensive income attributable to owners of the Company	**5,471**	1,190
Other comprehensive income attributable to non-controlling interests	**2,346**	–
Other comprehensive income for the year	**7,817**	1,190
Total comprehensive expense attributable to owners of the Company	**(138,268)**	(23,557)
Total comprehensive expense attributable to non-controlling interests	**(59,257)**	(10,606)
Total comprehensive expense for the year	**(197,525)**	(34,163)
Dividend paid to non-controlling interests	**Nil**	Nil
Net cash outflow from operating activities	**(1,820)**	(4,490)
Net cash outflow from investing activities	**(789)**	(558)
Net cash inflow from financing activities	**2,523**	4,128
Net cash outflow	**(86)**	(920)

39a. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

(iii) 上海慧普生物医药科技有限公司

	2013 HKD'000	2012 HKD'000
Current assets	**26,220**	26,815
Non-current assets	**331,353**	357,162
Current liabilities	**(3,827)**	(3,892)
Equity attributable to owners of the Company	**283,729**	304,800
Non-controlling interests	**70,017**	75,285

	1.1.2013 to 31.12.2013 HK$'000	1.1.2012 to 31.12.2012 HK$'000
Revenue	**1,038**	360
Expense	**(38,082)**	(1,209)
Loss for the year	**(37,044)**	(849)
Loss attributable to owners of the Company	**(29,636)**	(679)
Loss attributable to non-controlling interests	**(7,408)**	(170)
Loss for the year	**(37,044)**	(849)
Other comprehensive income attributable to owners of the Company	**8,565**	913
Other comprehensive income attributable to non-controlling interest	**2,140**	–
Other comprehensive income for the year	**10,705**	913
Total comprehensive expense attributable to owners of the Company	**(21,071)**	234
Total comprehensive expense attributable to non-controlling interests	**(5,268)**	(170)
Total comprehensive (expense) income for the year	**(26,339)**	64
Dividend paid to non-controlling interests	**Nil**	Nil
Net cash inflow (outflow) from operating activities	**704**	(2,377)
Net cash outflow from investing activities	**(644)**	(221)
Net cash inflow from financing activities	**–**	2,458
Net cash inflow (outflow)	**60**	(140)

40. TRANSFER OF FINANCIAL ASSETS

As at 31st December, 2013, the Group transferred a bills receivable to a bank by discounting the receivable on a full recourse basis. In the opinion of the Directors, the Group has transferred the significant risks and rewards relating to the discounted bills receivable, and the Group's obligation to the corresponding counterparty was discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the discounted bills receivable is low because the discounted bills receivable is issued in and guaranteed by a reputable PRC bank. Accordingly, the relevant asset and liability were not recognised in the consolidated financial statements. As at 31st December, 2013, the maximum exposure to the Group that may result from default of the discounted bills receivable is HK$3,842,000.

The derecognised discounted bills receivable would be mature within 3 months.

The Directors consider that the carrying amount of the discounted bills receivable approximates its fair value.

The undiscounted cash outflow that may be required to repurchase the derecognised bills receivable discounted to bank is approximately its carrying amount.

The finance costs recognised for bills receivable discounted to a bank are HK$148,000 (2012: Nil) for the year ended 31st December, 2013.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-Current Asset		
Investments in subsidiaries	**1**	1
Current Assets		
Amounts due from subsidiaries	**150,444**	1,338,864
Other receivables	**550**	738
Bank balances and cash	**2**	8
	150,996	1,339,610
Current Liabilities		
Other payables	**1,423**	4,445
Amounts due to subsidiaries	**71,866**	71,965
	73,289	76,410
Net Current Assets	**77,707**	1,263,200
Total Assets less Current Liabilities	**77,708**	1,263,201
Capital and Reserves		
Share capital	**219,195**	219,211
Reserves	**(141,487)**	1,043,990
Total Equity	**77,708**	1,263,201

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in reserves

	Share capital HK$'000	Share premium HK$'000	Share options reserves HK$'000	Contributed surplus HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2012	219,211	1,177,668	1,140	12,804	(138,539)	1,272,284
Loss and total comprehensive expense for the year	–	–	–	–	(9,083)	(9,083)
At 31st December, 2012 and 1st January, 2013	219,211	1,177,668	1,140	12,804	(147,622)	1,263,201
Repurchase of shares (Note 30)	(16)	(345)	–	–	–	(361)
Loss and total comprehensive expense for the year	–	–	–	–	(1,185,132)	(1,185,132)
At 31st December, 2013	219,195	1,177,323	1,140	12,804	(1,332,754)	77,708

Note: The contributed surplus of the Company represents an amount due to a former holding company waived upon the change of the substantial shareholders in 2002.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial periods is set out below:

(A) RESULTS

	For the year ended 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Revenue	357,298	370,273	301,559	322,797	**404,150**
Profit (loss) before tax	95,085	157,173	63,357	(132,041)	**(1,176,878)**
Income tax expense	(18,605)	(37,063)	(17,158)	(7,146)	**(11,264)**
Profit (loss) for the year from continuing operations	76,480	120,110	46,199	(139,187)	**(1,188,142)**
(Loss) profit for the year from discontinued operation	(837)	3,412	312	11,445	**–**
Profit (loss) for the year	75,643	123,522	46,511	(127,742)	**(1,188,142)**
Dividends recognised as distribution during the year	–	35,158	–	–	**–**
Attributable to:					
Owners of the Company	76,758	122,438	49,662	(111,646)	**(1,056,705)**
Non-controlling interests	(1,115)	1,084	(3,151)	(16,096)	**(131,437)**
	75,643	123,522	46,511	(127,742)	**(1,188,142)**

(B) ASSETS AND LIABILITIES/EQUITY

	At 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	1,976,533	2,291,708	3,073,756	2,865,194	**1,753,436**
Total liabilities	(515,485)	(448,210)	(579,724)	(481,390)	**(514,507)**
	1,461,048	1,843,498	2,494,032	2,383,804	**1,238,929**
Equity attributable to owners of the Company	1,419,060	1,800,426	2,287,797	2,201,907	**1,184,439**
Non-controlling interests	41,988	43,072	206,235	181,897	**54,490**
	1,461,048	1,843,498	2,494,032	2,383,804	**1,238,929**