中 生 北 控 生 物 科 技 股 份 有 限 公 司

BIOSINO BIO-TECHNOLOGY AND SCIENCE INCORPORATION*

(Incorporated in the People's Republic of China with limited liability) (Stock Code : 8247)

2009 Annual Report

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Biosino Bio-Technology and Science Incorporation (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

PRC OFFICE

No. 27 Chaoqian Road
Science and Technology Industrial Park
Changping District
Beijing, PRC

HONG KONG OFFICE

Room 4301, 43rd Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

WEBSITES

http://www.zhongsheng.com.cn
http://baiao.com.cn

BOARD OF DIRECTORS

Chairman and Executive Director
Mr. Wu Lebin

Vice Chairman and Non-executive Directors
Dr. Gao Guang Xia
Mr. Zhang Yong (Resigned on 6 February 2010)

Executive Directors
Dr. Wang Lin
Mr. Hou Quanmin

Non-executive Directors
Mr. Rong Yang
Ms. Qin Xuemin
Mr. Wang Fu Gen
Ms. Yu Xiaomin (Resigned on 6 February 2010)
Mr. Zhang Xiaohui (Appointed on 6 February 2010)

Independent Non-executive Directors
Dr. Rao Yi
Dr. Hu Canwu Kevin (Appointed on 9 February 2009)
Mr. Chan Yiu Kwong

SUPERVISORS

Dr. He Rongqiao
Mr. Shao Yimin
Mr. Wang Xin (Resigned on 6 February 2010)
Mr. Zhang Lingyong (Appointed on 6 February 2010)

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric CPA, CPA (U.S.)

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung CPA

AUTHORISED REPRESENTATIVES

Mr. Wu Lebin
Mr. Tung Woon Cheung Eric

COMPLIANCE OFFICER

Mr. Wu Lebin

AUDITORS

Ernst & Young

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Industrial and Commercial Bank of China
Bank of China (Hong Kong) Limited

INFORMATION OF SHARE

Place of listing:	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code:	8247
Number of H shares issued:	33,000,000 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	Biosino Bio-Tec

Group Profile

Biosino Bio-Technology and Science Incorporation ("Biosino Bio-Tec" or the "Company") is the leading supplier of in-vitro diagnostic reagents in the People's Republic of China ("PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the research and development, manufacture, sale and distribution of in-vitro diagnostic reagents and pharmaceutical products, and providing hospital and other medical institutions with quality and reliable diagnostic reagents and pharmaceutical products. Beijing Baiao Pharmaceuticals Co., Ltd. ("Baiao Pharmaceuticals"), a subsidiary of the Group, manufactures Lumbrokinase capsule, a Class II prescription drug which is used to treat cardio cerebrovascular diseases. These two kinds of products laid the solid business foundations of the Group in the medical industry in China, thus strengthening the Group for further development.

Equity holders of the parent are having strong background. Our largest shareholder, the Institute of Biophysics of the Chinese Academy of Sciences ("IBP"), is the leading research institution in life sciences; while the second largest shareholder is Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT") (a subsidiary of Beijing Enterprises Holdings Limited).

The "Biosino" and "Baiao" brands of the Group are well-known in the industry. "Biosino" was awarded as "Renowned Beijing Brand"（北京名牌產品）in 2002 and was awarded "No. 1 Brand with High Quality and Reputation in the In-vitro Diagnostic Reagent Market of the PRC"（中國診斷試劑市場用戶滿意質量信譽第一品牌） in 2005, and it is highly recognised among market users and in the medical sector. The Group adopted an integrated retail and distribution model in marketing, and established an efficient, stable and extensive sales network covering over 30 provinces, cities and municipalities with more than 600 distributors. The Group's diagnostic reagents and Lumbrokinase capsule are well received at domestic hospitals and medical institutions.

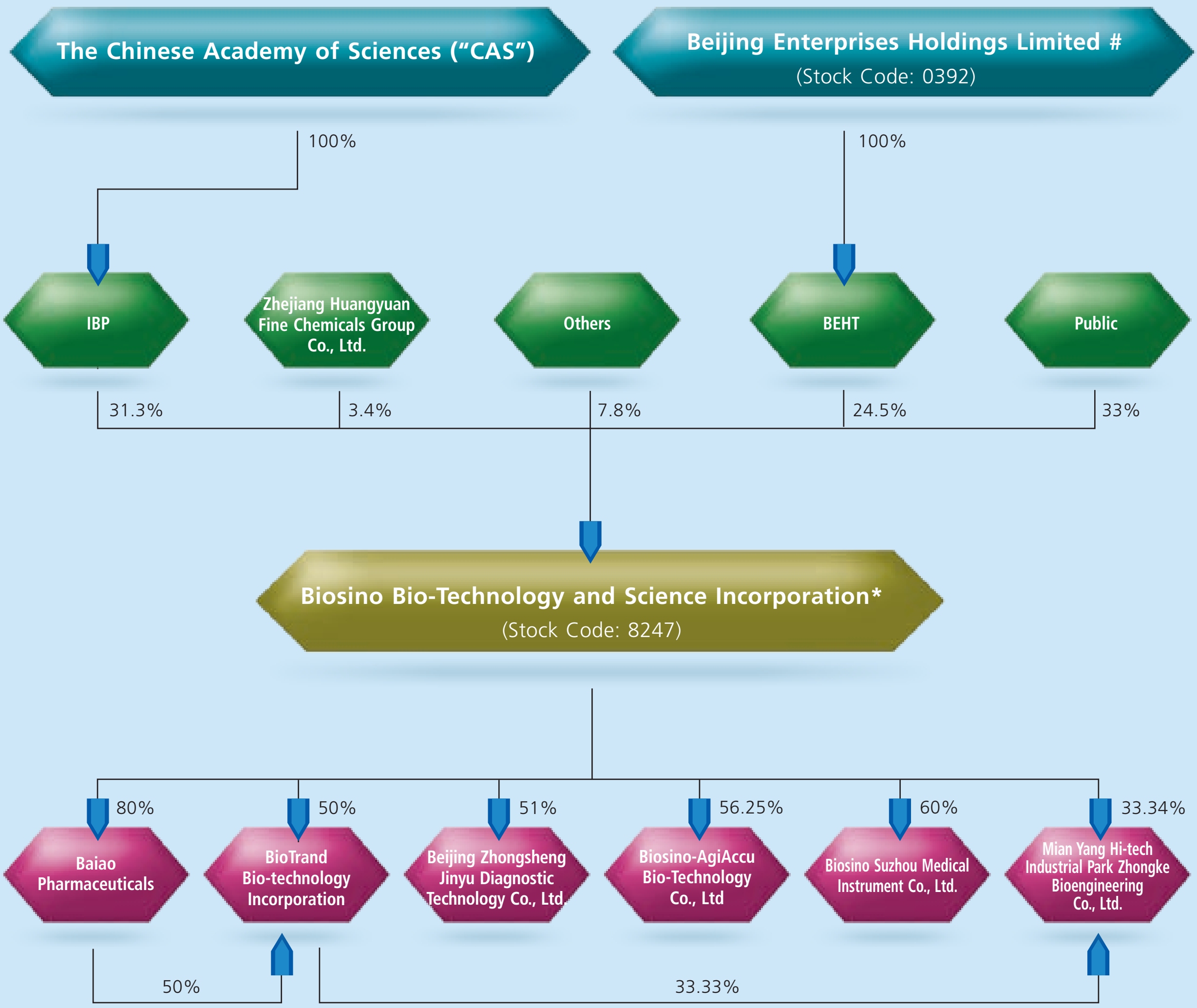
The Group ranked No. 1 in the conventional chemistry reagent market in China. Lumbrokinase capsule is included in the Drugs Catalogue of National Basic Medical Insurance （國家基本醫療保險藥品目錄） and Reimbursable Drugs Catalogue of Public Medical and Labour Insurance in Beijing Municipality （北京市公費醫療、勞保醫療用藥報銷範圍）, showing that the Group's products are highly recognised in the market.

In addition, a number of management members of the Group are professors in universities or holding doctorate degrees. Upholding our business principles of "By people, for people; advocate innovation; unquestionable quality pursuing perfection; genuine craftsmanship and lawful management ", our management strives to strengthen our overall competitiveness. Even some of them had research experience in the IBP. The solid scientific research background and ambition of our management, providing firm research foundations of Biosino Bio-Tec, are also advantageous to the long-term business development of the Group.

H shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 February 2006.

GROUP STRUCTURE

As at 19 March 2010



* Listed on the GEM of the Stock Exchange

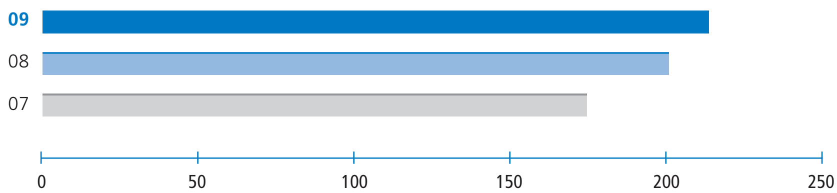
\# Listed on the Main Board of the Stock Exchange

Financial Highlights

- Revenue for the year kept growing to RMB212 million, representing an increase of 5.5% from that of last year.
- Profit for the year amounted to RMB29.09 million, representing an increase of 12.2% from that of last year.
- Profit attributable to owners of the parent for the year amounted to RMB26.52 million, representing an increase of 10.7% from that of last year.
- A final dividend of RMB0.135 per share is proposed for the year ended 31 December 2009.

1. REVENUE FOR THE YEAR

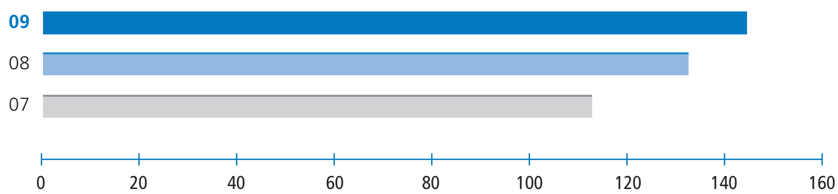
(RMB million)



2. REVENUE BY PRODUCT

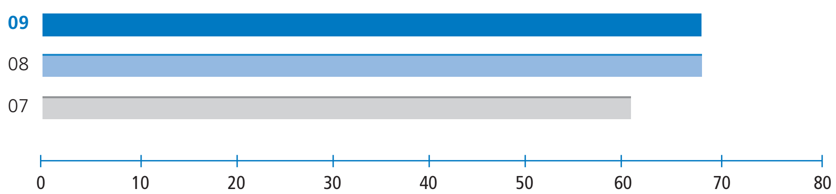
a) In-vitro Diagnostic Reagents

(RMB million)



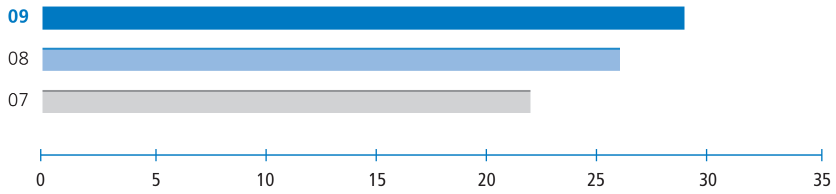
b) Pharmaceutical Products

(RMB million)



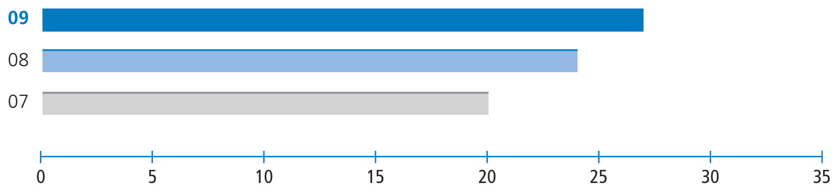
3. PROFIT FOR THE YEAR

(RMB million)



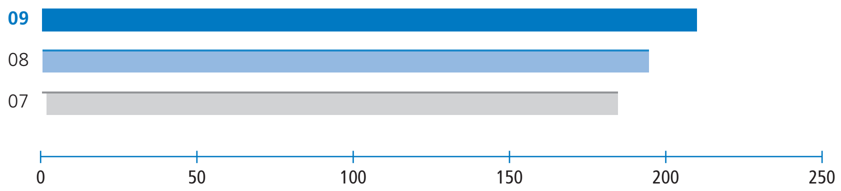
4. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

(RMB million)



5. EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

(RMB million)



CHAIRMAN'S STATEMENT

Committed to BETTER RESULTS

Dear shareholders,

With great pleasure and on behalf of the board of directors (the "Board"), I hereby present to you the annual report of Biosino Bio-Technology and Science Incorporation and its subsidiaries for the year ended 31 December 2009.

Wu Lebin
Chairman of the Board

To uphold the principle of "technologies enrich living standards", the Group advocates the corporate spirit of "integrity, collaboration, dedication, innovation"; continues to strive for the stable development of the enterprise; and maximizes the interest of the shareholders. In view of the development of the domestic and overseas biological sector, the Group faces tremendous opportunities as well as challenges. In addition to enhancing technology innovation, the Group continues to explore actively new commercial patterns, to expand the industry chain as well as to improve the industry system, so as to increase its core competitiveness.

During the year, despite the impact caused by the financial turmoil on the medical sector, the Group continued to adopt an active and progressive approach that we have solidified and extended the business areas; developed and launched new products; enhanced product quality; and explored the market. The Group achieved operating missions assigned by the Board and achieved continued growth and sound development.

FINANCIAL RESULTS

During the year 2009, the revenue of the Group was RMB212 million, representing an increase of 5.5% as compared with last year. Profit for the year was RMB29.09 million, representing an increase of 12.2% as compared with last year. Profit attributable to owners of the parent was RMB26.52 million, representing an increase of 10.7% as compared with last year. Cash and cash equivalents at the balance sheet date were approximately RMB95.35 million, showing a relatively strong cash position of the Group.

Revenue from sale of in-vitro diagnostic reagent products for the year grew by 8.3% from RMB133 million over the same period last year to approximately RMB144 million, accounting for 67.9% of total revenue. Revenue from sale of pharmaceutical products was similar to that of last year and amounted to approximately RMB68.08 million, accounting for 32.1% of total revenue. Research and development cost for the year amounted to approximately RMB16.28 million, accounting for 7.7% of total revenue and reached a relatively high level.

DIVIDENDS

In return for the support of shareholders to the Group, and taking into account of the Group's financial condition, cash flow, operating and capital requirements as well as the requirements for sustainable business development in the future, the Board recommended the payment of a final dividend of RMB0.135 per share for the financial year ended 31 December 2009. The Board believes that given its future financial condition and cash flow, the Group is capable of maintaining the sufficient funds required for continuing development. During the year, there was no arrangement under which a shareholder has waived or agreed to waive any dividends.

Chairman's Statement

BUSINESS REVIEW

During 2009, despite many negative impacts on the industry of the Group caused by the financial turmoil, the Group actively adjusted corresponding strategies so that each business maintained stable performance.

During the reporting period, due to the impact on the industry caused by the financial turmoil, revenue growth was lowered on a year-on-year basis.

Revenue from in-vitro diagnostic reagent business increased by 8.3% to RMB144 million, a slight increase when compared with last year. In addition, Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu"), a subsidiary of the Group, recorded an increase in revenue of 32.3%.

During the reporting period, the benefit from the Group's previous efforts in research and development of new products started to show, outstanding results were achieved in the research and development, existing product improvement and new product launching. During the reporting period, two new products have obtained approval certificates, namely the Iron Kits and Immunoturbidimetric HP Kit. Moreover, ten new "TORCH" products have been accepted for registration, whereas another 25 new products related to the category of Normal Bio-chemistry Diagnostic Reagent and Calibrator/Quality Control with Traceability have completed the standard approval procedures. New products which had been accepted for registration and completed their standard approval procedures are expected to obtain their approval certificates in the coming year. During the reporting period, the Group was granted with one invention patent which is related to the High Density Lippoprotein-Cholesterol quantitative testing method, reagent and reagent package box.

During the reporting period, the international business of the Group expanded effectively, with the Company's diagnostic reagent products selling in 32 countries. It is expected that there will be greater room for expansion in the international business of the Group.

During the reporting period, the Group continued to enhance its efforts in marketing and expansion and actively participated in tender purchases in accordance with the requirements of the state medical reform. We successfully acquired 35 tenders in 14 provinces and cities, whereas six 3A Graded hospitals were added to the major customer portfolio. In addition, the Group developed and manufactured biochemical analyzers which were launched to the market.

PROSPECTS

With the government's continuous implementation of policies and measures coping with the financial crisis, significant progress in medical system reform, increasing emphasis and resources allocated to medical affairs, the medical industry in China will enter into a new era of growth. This year, the atmosphere and business environment of the industry improved further. Despite the substantial impact of the financial meltdown on various industries, the medical industry will remain one of the fastest growing industries in the PRC.

Since its listing, benefits reaped from the Group's manufacturing system development, market network development and R&D system development for in-vitro diagnostic reagents have emerged gradually. The Group will seize the opportunities in the medical industry in China, particularly those in the fast growing medical market for the middle class; overcome challenges to strengthen its in-vitro diagnostic reagent products and drugs, in response to the self innovation concept advocated by the government.

Looking forward, the Board is confident in turning the Group into a leading enterprise engaging in the health enhancing protein business with enforceable intellectual property rights and international competitive edges, and I sincerely hope that we can achieve an excellent business performance and maximize the returns for all of our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our deep gratitude towards all of our shareholders for their guidance and support, and to thank all employees of the Group for their valuable long-term contribution and dedication.

By order of the Board

Wu Lebin
Chairman

Beijing, People's Republic of China
19 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

The year 2009 was a tough year for global economic development. The financial crisis has resulted in complex impact on every industry and increased demand upon business operators.

Within the medical industry, in view of the on-going policies on intensified medical system reform, the government has increased investment in the social security area, such as in the medical industry. It has also implemented a series of policies to stimulate and boost the domestic demand to cope with the financial crisis. Under the new policy directive of self innovation, corresponding measures continuously implemented by various local government departments are expected to come in place. All these factors have brought in tremendous vitality and momentum to the growth of the medical sector, maintaining the growing trend of medical industry in China.

As the market expanded, market competition intensified and change in product structure has happened. With more and more competitors joining the market, enterprises are at the same time faced with pressures in terms of product quality enhancement and price reduction.

Under this condition, during 2009, the Group has identified its goal of cultivating a new corporate culture with emphasis on harmony and innovation, also the promotion of performance-driven culture. Leveraged on its solid business foundation and adjusted operating philosophies, the Group strived for growth in face of adversity. Having worked hard for a year, the Company has attained significant achievement in its manufacturing operation and culture development. In 2009, the Group was accredited "Innovation Award of the 30 years of reforms and liberalisation" by the China Medical Conference on Recognition of Achievements in Last 30 Years, and also granted with financial subsidy for "Knowledge Innovative Project" by the Chinese Academy of Sciences. Having obtained 25 certificates for self-innovative products issued by the Beijing city, the Group has been identified as a corporate technology centre within the city and named as one of those in the first batch of Innovative Enterprises located in the Zhongguancun National Innovation Model Park.

BUSINESS REVIEW

REVENUE

During 2009, despite many negative impacts on the industry which the Group is in caused by the financial turmoil, the Group actively adjusted corresponding strategies so that each business segment maintained stable performance.

During the reporting period, due to the impact on the industry caused by the financial turmoil, revenue growth was lowered on a year-on-year basis.

Revenue from in-vitro diagnostic reagent business increased by 8.3% to RMB144 million, a slight increase when compared with last year. In addition, Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu"), a subsidiary of the Group, recorded an increase in revenue of 32.3%.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT

During the reporting period, the benefit from the Group's previous efforts in research and development of new products started to show, outstanding results were achieved in the research and development, existing product improvement and new product launching. During the reporting period, two new products have obtained approval certificates, namely the Iron Kits and Immunoturbidimetric HP Kit. Moreover, ten new "TORCH" products have been accepted for registration, whereas another 25 new products related to the category of Normal Bio-chemistry Diagnostic Reagent and Calibrator/Quality Control with Traceability have completed the standard approval procedures. New products which had been accepted for registration and completed their standard approval procedures are expected to obtain their approval certificates in the coming year. During the reporting period, the Group was granted with one invention patent which is related to the High Density Lippoprotein-Cholesterol quantitative testing method, reagent and reagent package box concerned.

Total research and development expenses for the year amounted to RMB16.28 million, representing an increase of 14.4% as compared with that of last year.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the reporting period, the profit attributable to owners of the parent was approximately RMB26.52 million, representing an increase of 10.7% from that of last year.

PRODUCTION FACILITIES

In 2007, the Group's production line for immune diagnostic reagents at Science and Technology Industrial Park in Changping District of Beijing was inspected and approved according to the GMP standard. During the reporting period, in July 2009, the Group has passed the quality system examination conducted by the State Food and Drug Administration in connection with ten "TORCH" products, production of which is expected to commence in the coming year. This further expanded the Group's production capacities.

PROSPECTS AND FUTURE OUTLOOK

With the government's continuous implementation of policies and measures addressing the financial crisis, gearing up of progress in medical system reform, increasing emphasis and resources placed on medical affairs, the medical industry in China will enter into a new era of growth. This year, the market sentiment and business environment of the industry improved further. Despite the substantial impact of the financial meltdown on various industries, the medical industry will remain one of the fastest growing industries in the PRC.

Looking forward, the Board is confident in turning the Group into leading enterprise engaging in the health enhancing protein business with enforceable intellectual property rights and international competitive edges. Since its listing, benefits reaped from the Group's manufacturing system development, market network development and R&D system development for in-vitro diagnostic reagents have emerged gradually. The Group will seize the opportunities in the medical industry in China, particularly those in the fast growing medical market for the middle class; overcome challenges to strengthen its in-vitro diagnostic reagent products and drugs, in response to the self innovation concept advocated by the government.

CAPITAL STRUCTURE

As at 31 December 2009, there was no major change in the capital structure of the Company as compared to last year.

LIQUIDITY AND FINANCIAL POSITION

Cashflow and Financial Position

	2009 RMB million	2008 RMB million
Cash	**95**	85
Short-term loans	**–**	40
Long-term loans	**–**	–
Net cash	**95**	45
Net debt equity ratio	**N/A**	N/A

The Group generally financed its operations with internally generated cash flows, capital contributions from shareholders and bank borrowings. Cash balance increased by approximately RMB10 million, which was mainly due to the disposal of financial assets. The net current assets and total assets less current liabilities of the Group as at 31 December 2009 amounted to RMB134,558,000 (2008: RMB102,347,000) and RMB255,861,000 (2008: RMB231,491,000), respectively.

FOREIGN CURRENCY RISK

The Group's business is located in the PRC and transactions are mainly conducted in Renminbi, except for the fact that the Group occasionally purchases equipment from overseas countries for resale in the PRC. As the purchase amount was not significant, fluctuations of the exchange rates of Renminbi against foreign currencies are not expected to have significant impact on the results of the Group.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2009, the Group's buildings and land use right with an aggregate carrying amounts of approximately RMB25,479,000 and RMB3,360,000, respectively, were pledged to an independent third party in respect of a new banking facility of Bank of Beijing available to the Group subsequent to 31 December 2009.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in note 35 to the financial statements.

Management Discussion and Analysis

EMPLOYEES

As at 31 December 2009, the Group had a total of 635 full-time employees (2008: 609 employees) based in Hong Kong and China. The total staff costs of the Group (including the directors' remunerations) for the year ended 31 December 2009 amounted to approximately RMB52.34 million (2008: RMB40.92 million). The Group fixes and reviews the emoluments of its staff and directors base on their qualification, experience, performance and market rates, so as to maintain the remunerations of its staff and directors at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the law and regulations of Mainland China and Hong Kong. The directors of the Company believe that employees are one of the most valuable assets of the Group which contributed significantly to the success of the Group. The Group recognises the importance of staff training and hence provides regular training for the Group's staff members to enhance their technical and product knowledge. Other than the company secretary and the qualified accountant, the employees of the Group are all stationed in Mainland China.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

Corporate Governance Report

INTRODUCTION

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance. Except for the deviation that Mr. Wu Lebin assumes the role of both the chairman of the Board and the president of the Company, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2009 by establishing a formal and transparent procedures to protect and maximise the interests of owners of the parent during the year under review. The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who has vast and solid experience in the medical industry, to perform the dual role so that the Board can have the benefits of a chairman who is knowledgeable about the business of the Group and is most capable to guide and brief the Board in a timely manner on pertinent issues.

THE BOARD OF DIRECTORS

During the year of 2009, the Board mainly comprised twelve directors, including the chairman, executive directors, non-executive directors and independent non-executive directors. Each of the directors (including the non-executive directors and independent non-executive directors) has entered into a service contract with the Company for a term of three years. The Board is mainly accountable to the owners of the parent. It is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operational and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal controls systems and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other directors are set out in the Report of the Directors. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

During the year of 2009, chairman keeps a close relationship with all directors to ensure steady exchange of information with them in the course of operation and decision-making.

Three executive directors are in charge of different areas of duty. One of them acts as the president of the Company and is always responsible for the management of the Group's day-to-day operations such as production, operation, and financial management. Another executive director is in charge of the research and technique as well as international relations of the Company. The remaining executive director is responsible for the overall management of Baiao Pharmaceuticals.

Six non-executive directors are independent of the management and are in possession of solid experience in the business of the industry. These non-executive directors provided significant opinions and contribution to the development of the Company during the year 2009.

The Board fulfilled the minimum requirement of appointing at least three independent non-executive directors, each with a service term of three years, as required by the GEM Listing Rules. They have professional knowledge and extensive experiences in science and technology, medical science and economy, which also conforms with the requirement of having one independent non-executive director with appropriate qualification on professional accounting or financial management expertise. They are able to fully represent the interests of the shareholders. The Company considers that all independent non-executive directors are independent of the Company.

During the year of 2009, the Board held totally five meetings, one of which was a regular meeting. The average attendance rate reached 90%. The details of the Board meetings and the attendance rate of directors are as follows:

Date of board of directors' meeting	Total number of directors	Number of directors present	Attendance rate
9 January 2009	12	8	67%
19 March 2009	12	10	83%
12 May 2009	12	12	100%
7 August 2009	12	12	100%
12 November 2009	12	12	100%

Name of directors	Number of meetings attended
Mr. Wu Lebin *(Chairman and Executive director)*	5/5
Dr. Gao Guang Xia *(Vice Chairman and Non-executive director)*	5/5
Mr. Zhang Yong *(Vice Chairman and Non-executive director, resigned on 6 February 2010)*	5/5
Dr. Wang Lin *(Executive director)*	5/5
Mr. Hou Quanmin *(Executive director)*	5/5
Mr. Rong Yang *(Non-executive director)*	5/5
Ms. Qin Xuemin *(Non-executive director)*	5/5
Mr. Wang Fu Gen *(Non-executive director)*	5/5
Ms. Yu Xiaomin *(Non-executive director, resigned on 6 February 2010)*	4/5
Dr. Rao Yi *(Independent non-executive director)*	3/5
Dr. Hu Canwu Kevin *(Independent non-executive director, appointed on 9 February 2009)*	4/5
Mr. Chan Yiu Kwong *(Independent non-executive director)*	3/5

CHAIRMAN AND EXECUTIVE DIRECTORS

During the year of 2009, as the chairman of the Board, Mr. Wu Lebin is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Two other executive directors of the Company are responsible for the day-to-day operations of the Group.

STOCK EXCHANGE OF THE DIRECTORS AND SENIOR MANAGEMENT

The Group has adopted a code of dealing in the Company's securities by directors, which was formulated in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules for the purpose of setting out the standards adopted by the Group for assessing the conduct of directors in their dealings in the securities of the Group. Any violation of this code will be regarded as a violation of the Listing Rules. The directors have confirmed that they have complied with the Listing Rules throughout the year ended 31 December 2009.

REMUNERATION COMMITTEE

The remuneration committee of the Group was established in accordance with the Code as set out in Appendix 15 to the GEM Listing Rules. The main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and feasibility of performance-based remuneration.

During the year of 2009, members of the remuneration committee include all independent non-executive directors, Dr. Rao Yi, Dr. Hu Canwu Kevin and Mr. Chan Yiu Kwong, with Dr. Rao Yi as the chairman of the remuneration committee.

The remuneration committee meets regularly to determine the policy for the remuneration of directors and assess the performance of executive directors and certain senior management of the Company. During the year of 2009, one remuneration committee meeting was held and the individual attendance of each member is set out below:

Name of directors	Number of meetings attended
Dr. Rao Yi	1/1
Dr. Hu Canwu Kevin	1/1
Mr. Chan Yiu Kwong	1/1

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 8 to the financial statements.

AUDIT COMMITTEE

In compliance with the Code provisions as set out in Appendix 15 to the GEM Listing Rules, the Board approved the establishment of the audit committee on 10 February 2006 comprising three independent non-executive directors.

The duties of the audit committee include:

1 Supervising the accounting and financial reporting procedure and reviewing the financial statements of the Group;

2 Studying carefully all proceedings proposed by the qualified accountant, compliance officers and auditors of the Group;

3 Examining and monitoring the internal control system adopted by the Group;

4 Reviewing the relevant work of the Group's external auditors.

Members of the audit committee posses high sense of responsibilities. They have contributed their times and efforts to ensure efficient operation and objectivity of the Board.

The audit committee meets quarterly to review the reporting of financial statements and other information to shareholders, the effectiveness and objectivity of the internal control process, and also reviewed all the quarterly and half year results. The audit committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

During the year ended 31 December 2009, four audit committee meetings were held and the individual attendance of each member is set out below:

Name of directors	Number of meetings attended
Dr. Rao Yi	4/4
Dr. Hu Canwu Kevin	4/4
Mr. Chan Yiu Kwong	4/4

The audit committee, including independent non-executive directors of Dr. Rao Yi, Dr. Hu Canwu Kevin and Mr. Chan Yiu Kwong, has reviewed the annual results, financial position, internal control and the management issues of the Group for the year ended 31 December 2009.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit services performed by the external auditors, including whether such non-audit services could lead to any potential material adverse effect on the Group. During the year under review, auditors' remuneration for audit services is approximately RMB800,000.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors' responsibilities for the financial statements and the responsibilities of the external auditors to the shareholders are set out on page 37.

The directors of the Company have confirmed that the preparation of the Group's financial statements is in compliance with the relative regulations and applicable accounting standards. The directors of the Company also promise that the Group's financial statements will be distributed in due course.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board conducted regular reviews regarding internal control system of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the audit committee and the Board performed quarterly review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and to identify potential risk.

COMPLIANCE ADVISER

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2009 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 24 June 2008 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 28 June 2008 to 31 March 2009 or until the agreement is terminated in accordance with the terms and conditions set out therein.

RELATIONSHIP WITH THE INVESTORS

The Group has made great efforts to establish a long-term relationship with shareholders and investors with an open-mind, an adherence to the principles of integrity, regularity, high transparency and disclose the required information in compliance with GEM Listing Rules. Since the commencement of its preparation for listing, the Group has kept enhancing its transparency to provide investors precise and real-time information through various communication channels, including investor presentation, one to one conversations, road shows, seminars, press conferences, press releases, and contacts with media, analysts, and fund managers. In every year, the directors hold the annual general meeting to meet the shareholders and respond to their questions.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture, sale and distribution of in-vitro diagnostic reagent products and pharmaceutical products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 46.

The directors recommend the payment of a final dividend of RMB0.135 per ordinary share in respect of the year to shareholders on the register of members on 30 June 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's registered or issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Company Law of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Retained profits of the Company, as at 31 December 2009, amounted to approximately RMB45,614,000, of which RMB13,502,000 has been proposed as a final dividend for the year. Details of movements in the reserves of the Company during the year is set out in note 29(b) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers of RMB55,000,000, accounted for 25.9% of the total sales for the year and sales to the largest customer included therein amounted to 7.5%. Purchases from the Group's five largest suppliers of RMB24,000,000, accounted for 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 23%. None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year are as follows:

CHAIRMAN AND EXECUTIVE DIRECTOR:

Mr. Wu Lebin

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTORS:

Dr. Gao Guang Xia	
Mr. Zhang Yong	(Resigned on 6 February 2010)

EXECUTIVE DIRECTORS:

Dr. Wang Lin
Mr. Hou Quanmin

NON-EXECUTIVE DIRECTORS:

Mr. Rong Yang	
Ms. Qin Xuemin	
Mr. Zhang Xiaohui	(Appointed on 6 February 2010)
Mr. Wang Fu Gen	
Ms. Yu Xiaomin	(Resigned on 6 February 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Rao Yi	
Dr. Hu Canwu Kevin	(Appointed on 9 February 2009)
Mr. Chan Yiu Kwong	

SUPERVISORS:

Dr. He Rongqiao	
Mr. Wang Xin	(Resigned on 6 February 2010)
Mr. Zhang Lingyong	(Appointed on 6 February 2010)
Mr. Shao Yimin	

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive directors annual confirmations of their independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange, and as at the date of this report, the Board still considers each of them to be independent.

EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

Details of emoluments of directors and the five non-director/supervisor, highest paid individuals are set out in notes 8 and 9 to the financial statements.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out on pages 31 to 36 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Board and supervisors (including the independent non-executive directors and the supervisors) has entered into a service contract with the Company for a term of three years commencing from 6 February 2010.

Apart from the foregoing, no director or supervisor had entered into or had proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTEREST IN A CONTRACT

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests of the directors or supervisors in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY:

Name	Number of the Company's domestic shares held	Percentage of the Company's domestic shares	Percentage of the Company's total registered share capital
Mr. Wu Lebin *(note)*	3,500,878	5.22%	3.50%
Mr. Hou Quanmin *(note)*	300,000	0.45%	0.30%
Dr. Wang Lin *(note)*	200,000	0.30%	0.20%

Note: The directors are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 31 December 2009, none of the directors or supervisors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the directors or supervisors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights as at 31 December 2009.

CONTRACT OF SIGNIFICANCE

The Group has a number of contracts with the IBP, a shareholder of the Company with a 31.3% equity interest in the Company, for (i) the licensing of the technologies owned by the IBP in regard to the production of diagnostic reagents; and (ii) the leasing of office premises from the IBP.

The contract terms have been reviewed by the independent non-executive directors, who confirmed that the transactions were: (i) conducted in the ordinary course of business of the Group; (ii) entered into in accordance with the terms of the contracts governing such transactions; and (iii) fair and reasonable as far as the owners of the parent are concerned. Further details of the transactions undertaken in connection with these contracts during the year are included in notes 38 and 39 to the financial statements respectively.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, as far as is known to any directors and supervisors of the Company, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS IN SHARES OF THE COMPANY:

Name	Capacity and nature of interest	Number of the Company's shares held		Percentage of the Company's respective type of shares	Percentage of the Company's total registered capital
		Domestic Shares	H Shares		
IBP	Directly beneficially owned	31,308,576	–	46.7%	31.3%
Beijing Enterprises Holdings High-Tech Development Co., Ltd. ("BEHT")	Directly beneficially owned	24,506,143	–	36.6%	24.5%
Beijing Enterprises Holdings Limited ("Beijing Enterprises") *(note)*	Through a controlled corporation	24,506,143	–	36.6%	24.5%
Beijing Enterprises Group (BVI) Company Limited ("BE(BVI)") *(note)*	Through controlled corporations	24,506,143	–	36.6%	24.5%
北京控股集團有限責任公司 (Beijing Enterprises Group Company Limited) ("BEGC") *(note)*	Through controlled corporations	24,506,143	–	36.6%	24.5%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	11.52%	3.8%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	11.52%	3.8%
Pheim Asset Management (Asia) Pte Ltd	Through controlled corporations	–	3,050,000	9.24%	3.05%
Deutsche Bank Aktiengesellschaft	Through controlled corporations	–	1,840,000	5.58%	1.84%

Note: These domestic shares are registered in the name of BEHT. Beijing Enterprises, BE(BVI) and BEGC are the immediate holding company, an intermediate holding company and the ultimate holding company of BEHT, respectively. Accordingly, each of them is deemed to be interested in the domestic shares of the Company owned by BEHT.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as far as is known to any directors or supervisors of the Company, as at 31 December 2009, no person, other than the directors or supervisors of the Company, whose interests are set out in the section "Directors' and supervisors' interests in shares and underlying shares" above, had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance. The Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2009 by establishing a formal and transparent procedures to protect and maximise the interests of shareholders during the period under review, except for the deviation that Mr. Wu Lebin assumes the role of both the chairman of the Board and the president of the Company. The Board is of the view that it is in the best interests of the Group to have Mr. Wu, who has vast and solid experience in the medical industry to perform the dual role so that the Board can have the benefits of a chairman who is knowledgeable about the business of the Group and is most capable to guide and brief the Board in a timely manner on pertinent issues.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors who is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors have been appointed or were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the GEM Listing Rules.

COMPLIANCE ADVISER'S INTEREST

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2009 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 24 June 2008 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 28 June 2008 to 31 March 2009 or until the agreement is terminated in accordance with the terms and conditions set out therein.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in notes 39 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the owners of the parent as a whole.

AUDIT COMMITTEE

The Company has established an audit committee on 10 February 2006 with its written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee's primary duties are the review and supervision of the Company's financial reporting procedures and internal control system. The audit committee consists of the three independent non-executive directors, namely, Dr. Rao Yi, Dr. Hu Canwu Kevin and Mr. Chan Yiu Kwong. The Group's audited results for the year ended 31 December 2009 have been reviewed by the three independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wu Lebin
Chairman

Beijing, People's Republic of China
19 March 2010

Report of the Supervisory Committee

To all shareholders,

Since the establishment of the Company, the supervisory committee of the Company (the "Supervisory Committee") has carried out its duties in accordance with the Company's articles of association and relevant requirements. It has performed effective supervision, through the inspection of relevant documents and attending meetings of the board of directors, on resolutions made by the board of the directors to ensure that they are in compliance with the relevant laws and regulations, the Company's articles of association and in the best interests of the shareholders. Such resolutions are made in a manner to ensure the shareholders' interests and long-term development of the Company.

The Supervisory Committee is in the opinion that the decision-making process of the Company is in compliance with the Company's articles of association and operating norms.

The Supervisory Committee considers that the Company's 2009 financial statements reflected a true and fair view of the financial position and operating results of the Company. The unqualified opinion expressed in the auditors' report issued by Ernst & Young is objective and fair.

The Supervisory Committee is of the opinion that the connected transactions between the Company and its connected persons were conducted at fair market prices without prejudice to the interests of the Company and its minority shareholders.

The Supervisory Committee will strictly observe the articles of association of the Company and the relevant requirements in 2010 to better discharge its duty, including securing shareholders' interests.

The Third Supervisory Committee of Biosino Bio-Technology and Science Incorporation.

He Rongqiao
Chairman of the Supervisory Committee

Beijing, People's Republic of China
19 March 2010

Directors, Supervisors and Senior Management

CHAIRMAN OF THE BOARD

Mr. Wu Lebin (**吳樂斌先生**), aged 47, is the Chairman, an executive director and the president of the Company and a director of Baiao Pharmaceuticals. Mr. Wu is responsible for the management and supervision of the Group's daily activities such as production, operations and financial management. Mr. Wu graduated from the Jiangxi Medical College with a bachelor's degree in medicine in 1983 and from the Graduate University of Chinese Academy of Sciences with a master's degree in science in 1988. He also completed an EMBA study program jointly offered by the University of Wisconsin of the United States and the Graduate University of Chinese Academy of Sciences ("CAS") in 2002. Prior to joining the Group, Mr. Wu served as the director and the deputy director in the CAS and the deputy director in the Institute of Biophysics ("IBP") of the CAS respectively. He possesses over 20 years of experience in research management, science development, administration and corporate management. Mr. Wu joined the Company in 2001.

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Mr. Zhang Yong (**張勇先生**), aged 43, is the vice chairman and a non-executive Director of the Company. Mr. Zhang graduated from the Business School of Zhejiang University with a master's degree in business administration. He was the deputy division head of the financial assets department of China Petrochemical Corporation, the manager of the investment development department and deputy general manager of Beijing Enterprises Holdings Investment Management Co., Ltd. and the general manager of Beijing Enterprises Holdings Water Co., Ltd. Mr. Zhang is currently the vice chairman and general manager of BEHT and was appointed as its representative on the Board. Mr. Zhang joined the Company in May 2006, and was appointed as the Company's vice chairman and non-executive Director in January 2007. Mr. Zhang resigned in February 2010.

Dr. Gao Guangxia (**高光俠博士**), aged 44, is the vice chairman and a non-executive director of the Company. He is currently working in the IBP of the CAS as a researcher, an assistant to head of the institute and a tutor of doctorate program. Dr. Gao graduated from the Department of Biology of Peking University in 1988 with a bachelor's degree in science, majoring in biochemistry, and obtained a Ph.D. degree from the Department of Biochemistry of Columbia University, the United States in 1995. He was a post doctor fellow in the Howard Hughes Medical Institute of Columbia University, the United States from 1995 to 1999 and was appointed as an Associate Research Scientist in the Department of Biochemistry of Columbia University, the United States from 1999 to 2001. Since 2001, Dr. Gao has participated as a researcher in the "One Hundred Talent Project" (百人計劃) of the CAS. He was awarded sponsorship from the "National Outstanding Youth" Foundation in 2002. Dr. Gao joined the Company in January 2007 and was appointed as a non-executive director and the vice chairman of the Company. He was also appointed by the IBP as its representative on the Board.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Dr. Wang Lin (**王琳博士**), aged 42, is an executive director and the vice president of the Company and the general manager of BioTrand Incorporation, a subsidiary of the Company. Dr. Wang graduated from the Department of Biology of Peking University with a bachelor's degree in science in 1990 and obtained a Ph.D. degree in biochemistry from the University of Wisconsin-Madison, the United States in 1997. She conducted postdoctoral researches at the University of California-San Diego from 1997 to 2000. Dr. Wang founded Allele Biotechnology & Pharmaceuticals, Inc. in San Diego, California in 2000 and served as its general manager. In 2004, Dr. Wang participated in the "One Hundred Talent Project" (百人計劃) at the Institute of Microbiology of the CAS as a professor and a tutor of doctorate program. She joined the Company in September 2005 and was appointed as an executive director of the Company in January 2007.

Mr. Hou Quanmin (**侯全民先生**), aged 43, is an executive director of the Company and the general manager of Baiao Pharmaceuticals. Mr. Hou is responsible for the overall management of Baiao Pharmaceuticals. He possesses over 15 years of experience in technological development and management. Mr. Hou graduated from the China Agricultural University with a bachelor's degree in biophysics. Mr. Hou worked in the Beijing Detector Instrument Factory (北京檢測儀器廠) and was engaged in technical work. He was responsible for the management of offices, enterprises and technology development in the Institute of Biophysics. Mr. Hou was the vice head in charge of technology (科技副縣長) of Chicheng County, Zhangjiakou City, Hebei Province, the general manager of Baiao Pharmaceuticals and the deputy head of science and technology development department of IBP. Since 1999, Mr. Hou has been the general manager of Baiao Pharmaceuticals. He was awarded the title of "Ten Best Young Managers in the PRC" in 2003. Mr. Hou joined the Company in 2002 and was appointed as the executive director of the Company in January 2007.

NON-EXECUTIVE DIRECTORS

Mr. Rong Yang (**榮洋先生**), aged 50, is a non-executive director of the Company. Mr. Rong graduated from an 8-year medicine program of the Medical School of Peking Union Medical College with a master's degree in medicine in 1987 and was awarded a certificate by the Educational Commission for Foreign Medical Graduates of the United States in 1991. Mr. Rong has been the assistant to the general manager and a vice-general manager of BEHT. He is currently the general manager of Beijing Enterprises Holdings High-Tech Incubator Co., Ltd. Mr. Rong joined the Company in December 2004 and was appointed by BEHT as its representative on the Board.

Ms. Qin Xuemin (**秦學民女士**), aged 51, is a non-executive director of the Company. Ms. Qin obtained a master's degree from the Beijing Institute of Technology. Ms. Qin had been working at the Beijing New Technology Industrial Development Test Zone for many years. She had worked as the head of the office of State-owned assets investment business companies and the vice-chairman of the administration office for State-owned assets of the Test Zone. Ms. Qin had served as a deputy general manager of Beijing Enterprises Holdings New Auto E-commerce Ltd. and a director and deputy general manager of Beijing Holdings High Technology Co. She is currently the general manager of 北京北控宏創科技有限公司. Ms. Qin joined the Company in May 2008 and was appointed by BEHT as its representative on the Board.

Mr. Zhang Xiaohui (**張曉暉先生**), aged 45, has a master's degree and is a Chinese Certified Public Accountant, a Chinese Certified Real Estate Appraiser, and a Chinese Certified Land Appraiser. Mr. Zhang was a lecturer of Institute of Management, CAS (中國科學院管理幹部學院), the deputy general manager of 北京機潤生物有限公司, the general manager of the internal audit department of China Technology International Trust Company (中國科技國際信託公司), the deputy general manager of the legal and internal audit department of China Sci-Tech Securities (中國科技證券). Mr. Zhang currently is the deputy general manager and the financial controller of Beijing Enterprises Holdings High-Tech Incubator Co., Ltd. Mr. Zhang joined the Company in February 2010.

Mr. Wang Fugen (**王福根先生**), aged 46, is an engineer and a non-executive director of the Company. Mr. Wang studied a post-graduate course in technology and economics management at Zhejiang University. He has been the head of quality control and sales departments of Huangyan Fine Chemicals Group Co., Ltd.. Mr. Wang is currently the general manager of Linhai Jiangnan Pharmaceutical Chemicals Factory and the director and deputy general manager of Zhejiang Excel Pharmaceutical Co., Ltd. (浙江精進藥業有限公司). Mr. Wang joined the Company in May 2006.

Ms. Yu Xiaomin (**郁小民女士**), aged 69, is a non-executive Director of the Company. Ms. Yu graduated from Tongji University (同濟大學), the PRC with a bachelor's degree in applied chemistry in 1964. Ms. Yu was formerly engaged in the research at the Institute of Chemistry of the CAS and also served as the vice division chief, the division chief and the deputy director of the High-Tech Research and Development Bureau (高新技術研究與發展局) of the CAS. Ms. Yu has been the vice president of Shanghai New Margin Venture Capital Co., Ltd. (上海聯創創業投資有限公司) since 1999 and was appointed as its representative on the Board. Ms. Yu joined the Company in April 2001 and resigned in February 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Rao Yi (**饒毅博士**), aged 47, is an independent non-executive director of the Company. He graduated from the Jiangxi Medical College with a bachelor's degree in medicine in 1983 and studied for a postgraduate master program in the teaching and research section of neurobiology at the Shanghai First Medical College from 1983 to 1985. Dr. Rao graduated from the University of California, San Francisco, with a Ph.D. degree in neuroscience in 1991. He was a post-doctorate in the Faculty of Biochemistry and Molecular biology, Harvard University, Cambridge, Massachusetts, from 1991 to 1994. Dr. Rao served as assistant professor, associate professor and professor of neurobiology in the Department of Anatomy and Neurobiology, Washington University School of Medicine, St. Louis, MO from 1994 to 2004. He served as professor of neural medicine in the School of Medicine; Elsa Swanson Professor of Neurology; Director of Research, Feinberg Clinical Neuroscience Research Institute; and Associate Director, Institute for Neuroscience at Northwestern University from 2004 to 2007. Dr. Rao is currently a professor and the dean of the School of Life Sciences at the Peking University. Dr. Rao joined the Company in May 2008.

Dr. Hu Canwu Kevin (**胡燦武博士**), male, aged 34, is an independent non-executive director of the Company. He graduated from Fudan University in Shanghai with a bachelor's degree in finance in 1996. He obtained a double master's degree from the University of Lausanne and Ivey Business School in 2003, and obtained a Ph.D. degree in finance from the University of Massachusetts Amherst. From 1996 to 2003, Dr. Hu worked for Golden Lion Management SA in Geneva. Since 2004, Dr. Hu works for UBS and teaches in the University of Massachusetts Amherst as a part-time lecturer. Dr. Wu joined the Company in February 2009.

Mr. Chan Yiu Kwong (**陳耀光先生**), aged 45, is an independent non-executive director of the Company. He graduated from the University of Hong Kong with a bachelor's degree in social sciences and became a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chan was the financial controller and company secretary of Founder Holdings Limited, a company listed on the Main Board of Stock Exchange, and was a manager in Ernst & Young. Mr. Chan currently serves as an executive director and company secretary of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange. Mr. Chan has over 15 years of experience in auditing, business consulting and business management. Mr. Chan joined the Company in 2005.

SUPERVISORS

Dr. He Rongqiao (**赫榮喬博士**), male, aged 55, is a supervisor of the Company. Dr. He obtained a bachelor's degree, a master's degree and a Ph.D. degree from Luzhou Medical College, the Institute of Microbiology of the CAS and the IBP respectively. Dr. He has visited University of Cambridge, the United Kingdom, University of Bristol, the United Kingdom, McGill University, Canada, University of Pisa, Italy and New York State Institute for Basic Research. Mr. He Rongqiao is currently the deputy director of the IBP and a member of Biophysical Society USA, the administrator of the "Brain and Cognitive Sciences Center" of the IBP, CAS (生物物理所「腦與認知科學中心」), the head of the National Key Laboratory of the Brain and Cognitive Sciences (腦與認知科學國家重點實驗室), the administrator of the Key Laboratory of Visual Information Processing of the CAS (中科院視覺資訊加工重點實驗室), a member of the Professional Committee of Biophysical Society of China, the vice administrator of Professional Committee of the Neural Science of the Biophysical Society of China and the deputy-editor-in-chief of numerous academic journals including Progress in Biochemistry and Biophysics. Dr. He joined the Company in September 2003.

Mr. Wang Xin (**王昕先生**), aged 40, is a supervisor of the Company. Mr. Wang graduated from Beijing University of Aeronautics and Astronautics (北京航空航天大學) with a bachelor's degree in material science and engineering, majoring in high molecular materials in 1992 and Renmin University of China (中國人民大學) with a master's degree in business administration in 2000. From 2000 to 2003, Mr. Wang was the manager of the materials business department of Beijing Capital Technology Investment Co., Ltd. (北京首創科技投資有限公司) and the general manager of Beijing Capital Nano Technology Co., Ltd. (北京首創納米科技有限公司). Mr. Wang currently works in the investment management department of BEHT. Mr. Wang joined the Company in June 2004 and resigned in February 2010.

Mr. Zhang Lingyong (**張靈勇先生**), aged 26, graduated from Beijing University of Chemical Technology and obtained a bachelor's degree in financial management from the College of Economics and Management of the university in 2007. Since May 2007, Mr. Zhang has been working in the respective investment departments of Beijing Holdings High Technology Co. and Beijing Enterprises Holdings High-Tech Incubator Co., Ltd., responsible for investment and management.

Mr. Shao Yimin (**邵依民先生**), aged 51, is a supervisor of the Company. Mr. Shao studied in Capital University of Economics and Business and University of International Business and Economics and obtained a master's degree of industrial economics from. Mr. Shao is currently the vice officer of the president's office of the Company. Mr. Shao joined the Company in January 2004.

SENIOR MANAGEMENT

Mr. Zhou Jie (**周潔先生**), aged 47, is a vice president of the Company who is responsible for the sales and trading division of the Company. Mr. Zhou completed a professional course in politics in Beijing Radio and Television University in 1988 and graduated from Renmin University of China with a master's degree in business administration in 2004. Mr. Zhou joined Biosino Biochemical in 1990 and worked in the Chengdu development department and is responsible for sales across the southwestern region of the PRC. He then worked in the marketing department of the Company as a department manager. Mr. Zhou joined the Company in April 2001.

Mr. Zhang Kun (**張昆先生**), aged 43, is a vice president of the Company who is responsible for the production, infrastructure and ERP of diagnostic reagents division. Mr. Zhang graduated from the Department of Physics of Beijing Normal University (北京師範大學) with a bachelor's degree in science and graduated from the School of Economics and Management of Tsinghua University with a master's degree in business administration. Mr. Zhang completed an on the job training program in the School of Pharmaceutical Science of Peking University, graduated from pharmaceutical executive management master course and obtained a master's degree. Mr. Zhang worked in the IBP. Mr. Zhang joined the Company in September 2003 as an assistant to the president of the Company, and was appointed as a vice president of the Company in January 2007.

Ms. Yao Ping (姚萍女士), aged 47, is a vice president of the Company who is responsible for the administration and human resources division of the Company. Ms. Yao graduated from the Shanxi College of Finance & Economics with a bachelor's degree in economics in 1983 and also completed a teacher education course in planning and statistics at Renmin University of China in 1984. Ms. Yao obtained an associate-professor qualification from the Personnel Department of Gansu Province and the Job Title Working Group of the Gansu Province in 1998 and has published many articles and monographs. During 1983 to 1999, Ms. Yao taught economics at Northwest Normal University. During 1999 to 2002, Ms. Yao was seconded to the IBP and was responsible for corporate development. Ms. Yao joined the Company in April 2001.

Ms. Wang Jianqing (王建清女士), aged 47, is a vice president of the Company. Ms. Wang graduated from the department of chemistry of Lanzhou University with a bachelor's degree in science. Ms. Wang has worked for Northwest Normal University, Yantai Plastic Industrial Research Institute (煙台塑料工業研究所), Yantai Valiant Fine Chemicals Co., Ltd. (煙台萬潤精細化工公司), Shandong Luye Pharmaceutical Co., Ltd. (山東綠葉制藥股份有限公司), engaging in, among other matters, education, scientific research, logistics control and quality management as a tutor, an engineer, and a senior engineer, respectively. Ms. Wang Jianqing acted as a quality director for the Company and joined the Company in August 2004.

Mr. Gao Shengli (高勝利先生), aged 41, is the financial controller of the Company who is responsible for the financial affairs of the Group. Mr. Gao graduated from Capital University of Economics and Business with a bachelor's degree in economics, and obtained the college qualification in international trade accounting from Beijing Technology and Business University in 1998. He also acquired a master's degree in business management from Renmin University of China in 2005. From 1994 to 2007, Mr. Gao was the financial and business manager of Siemens Communication Networks Ltd., Beijing. Mr. Gao possess over 8 years of experiences in financial administration of multi-national firms. Mr. Gao joined the Company in March 2008.

Mr. Tian Yiguo (田一國先生), aged 50, is the secretary of the Board who is responsible for matters relating to the board of directors of the Group, such as preparation of documents for board meetings and shareholders' meetings and general record keeping. Mr. Tian graduated from Wuhan University with a bachelor's degree in science in 1982 and also studied corporate management at University of Hamburg, Germany during 1988 to 1990. Mr. Tian completed a training course on "secretary of the board of directors of listed company" organised by the Shanghai Stock Exchange in 2001 and also completed a training course for company secretaries and independent directors of listed companies jointly organised by the China Securities Regulatory Commission and the School of Economics & Management of Tsinghua University in 2002. Mr. Tian joined BEHT in 1999 and was responsible for investment management. Mr. Tian joined the Company in April 2001.

Directors, Supervisors and Senior Management

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric (董渙樟先生), aged 39, is the company secretary of the Company. Mr. Tung graduated from York University, Toronto, Canada with a bachelor's degree in management studies in 1993. Mr. Tung is a certified public accountant of Hong Kong Institute of Certified Public Accountants. He is also an U.S. certified public accountant and a member of the American Institute of Certified Public Accountants. Mr. Tung previously worked in Ernst & Young and possesses extensive experience. Mr. Tung is currently a director and the financial controller of Shenzhen Guanshun Road & Bridge Co., Ltd., the general manager of the finance department of Beijing Enterprises Holdings Limited, the chief financial officer of Beijing Enterprises Water Group Limited, an independent non-executive director of South China Financial Holdings Limited, both are companies listed on the Main Board of the Stock Exchange.

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung (張洋先生), aged 30, is the qualified accountant of the Company. Mr. Cheung obtained a bachelor's degree in business administration (accounting) from the Hong Kong University of Science and Technology. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants. He has over 7 years of accounting and auditing experience. Prior to joining the Company in December 2007, Mr. Cheung worked in Beijing Enterprises Holdings Limited as an accounting manager. Mr. Cheung joined the Company in December 2007.

Independent Auditors' Report

ERNST & YOUNG

To the shareholders of Biosino Bio-Technology and Science Incorporation
(Established in the People's Republic of China with limited liability)

We have audited the financial statements of Biosino Bio-Technology and Science Incorporation set out on pages 39 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

Independent Auditors' Report *(Continued)*

To the shareholders of Biosino Bio-Technology and Science Incorporation
(Established in the People's Republic of China with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit 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.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
19 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	**2009 RMB'000**	2008 RMB'000
REVENUE	*5*	**212,020**	200,591
Cost of sales		**(68,656)**	(65,248)
Gross profit		**143,364**	135,343
Other income and gains	*5*	**13,639**	13,796
Selling and distribution expenses		**(56,782)**	(52,808)
Administrative expenses		**(44,192)**	(37,826)
Research and development expenses		**(16,283)**	(14,229)
Other expenses		**(3,211)**	(7,303)
PROFIT FROM OPERATING ACTIVITIES	*6*	**36,535**	36,973
Finance costs	*7*	**(1,296)**	(5,578)
Share of losses of associates		**(746)**	(316)
PROFIT BEFORE TAX		**34,493**	31,079
Income tax expense	*10*	**(5,401)**	(5,156)
PROFIT FOR THE YEAR		**29,092**	25,923
Attributable to:			
Owners of the parent	*11*	**26,519**	23,955
Minority interests		**2,573**	1,968
		29,092	25,923
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*14*		
Basic		**RMB0.27**	RMB0.24
Diluted		**RMB0.27**	RMB0.24

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**29,092**	25,923
Attributable to:		
Owners of the parent	**26,519**	23,955
Minority interests	**2,573**	1,968
	29,092	25,923

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets:			
Property, plant and equipment	*15*	**107,829**	114,903
Prepaid land premiums	*16*	**7,124**	7,297
Goodwill	*17*	**309**	309
Other intangible assets	*18*	**2,907**	1,581
Interests in associates	*20*	**3,134**	3,936
Trade and bills receivables	*23*	**–**	410
Long-term deposits	*21*	**–**	708
Total non-current assets		**121,303**	129,144
Current assets:			
Prepaid land premiums	*16*	**177**	177
Inventories	*22*	**25,976**	28,469
Trade and bills receivables	*23*	**39,306**	37,047
Prepayments, deposits and other receivables	*24*	**5,832**	7,098
Equity investments at fair value through profit or loss	*26*	**–**	10,209
Time deposits	*27*	**7,800**	6,600
Cash and cash equivalents	*27*	**95,345**	85,376
Total current assets		**174,436**	174,976
TOTAL ASSETS		**295,739**	304,120

Consolidated Statement of Financial Position *(continued)*

31 December 2009

	Notes	**2009 RMB'000**	2008 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Issued capital	*28*	**100,018**	100,018
Reserves	*29(a)*	**97,977**	84,960
Proposed final dividend	*13*	**13,502**	10,002
		211,497	194,980
Minority interests		**27,027**	22,354
Total equity		**238,524**	217,334
Non-current liability:			
Deferred income	*31*	**17,337**	14,157
Total non-current liability		**17,337**	14,157
Current liabilities:			
Trade payables	*32*	**8,926**	6,923
Other payables and accruals	*33*	**26,631**	21,828
Taxes payable	*34*	**4,321**	3,878
Interest-bearing bank borrowings	*30*	**–**	40,000
Total current liabilities		**39,878**	72,629
Total liabilities		**57,215**	86,786
TOTAL EQUITY AND LIABILITIES		**295,739**	304,120

Wu Lebin
Director

Wang Lin
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2009

		Attributable to owners of the parent							
	Notes	Issued capital RMB'000	Capital reserves# RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008		100,018	30,557	22,531	17,919	10,002	181,027	21,965	202,992
Total comprehensive income for the year		–	–	–	23,955	–	23,955	1,968	25,923
Capital contributions from minority shareholders		–	–	–	–	–	–	1,200	1,200
Disposal of a subsidiary		–	–	–	–	–	–	(2,379)	(2,379)
Transfer to statutory reserves	*12*	–	–	5,460	(5,460)	–	–	–	–
Transfer from retained profits		–	569	–	(569)	–	–	–	–
Dividend paid	*13*	–	–	–	–	(10,002)	(10,002)	–	(10,002)
Dividend paid to a minority shareholder		–	–	–	–	–	–	(400)	(400)
Proposed 2008 final dividend	*13*	–	–	–	(10,002)	10,002	–	–	–
At 31 December 2008		100,018	31,126*	27,991*	25,843*	10,002	194,980	22,354	217,334

		Attributable to owners of the parent							
	Notes	**Issued capital RMB'000**	**Capital reserves# RMB'000**	**Statutory reserves RMB'000**	**Retained profits RMB'000**	**Proposed final dividend RMB'000**	**Total RMB'000**	**Minority interests RMB'000**	**Total equity RMB'000**
At 1 January 2009		**100,018**	**31,126**	**27,991**	**25,843**	**10,002**	**194,980**	**22,354**	**217,334**
Total comprehensive income for the year		**–**	**–**	**–**	**26,519**	**–**	**26,519**	**2,573**	**29,092**
Capital contributions from minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**2,500**	**2,500**
Offsetting prior years' losses		**–**	**–**	**(118)**	**118**	**–**	**–**	**–**	**–**
Transfer to statutory reserves	*12*	**–**	**–**	**4,435**	**(4,435)**	**–**	**–**	**–**	**–**
Dividend paid	*13*	**–**	**–**	**–**	**–**	**(10,002)**	**(10,002)**	**–**	**(10,002)**
Dividend paid to a minority shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**(400)**	**(400)**
Proposed 2009 final dividend	*13*	**–**	**–**	**–**	**(13,502)**	**13,502**	**–**	**–**	**–**
At 31 December 2009		**100,018**	**31,126***	**32,308***	**34,543***	**13,502**	**211,497**	**27,027**	**238,524**

The capital reserves of the Group include non-distributable reserves of the Company and its subsidiaries created in accordance with the accounting and financial regulations of the PRC.

* These reserve accounts comprise the consolidated reserves of RMB97,977,000 (2008: RMB84,960,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**34,493**	31,079
Adjustments for:			
Bank interest income	5	**(1,211)**	(1,638)
Imputed interest income on interest-free trade receivables with extended credit periods	5	**–**	(214)
Finance costs	7	**1,296**	5,578
Share of losses of associates		**746**	316
Gain on disposal of a subsidiary	5	**–**	(192)
Gain on disposal of a jointly-controlled entity	5	**–**	(377)
Loss on disposal of equity investments at fair value through profit or loss	6	**–**	3,620
Dividend income from equity investments		**(215)**	–
Fair value (gain)/loss on equity investments at fair value through profit or loss, net	6	**(4,587)**	1,821
Depreciation	6	**13,566**	12,499
Amortisation of prepaid land premiums	6	**173**	173
Amortisation of other intangible assets	6	**714**	869
Gain on disposal of items of property, plant and equipment, net	6	**(27)**	(4)
Provision/(reversal of provision) against slow-moving inventories and inventory loss, net	6	**20**	(56)
Impairment of goodwill	6	**–**	161
Impairment of trade and bills receivables, net	6	**–**	350
Impairment/(reversal of impairment) of other receivables, net	6	**150**	(143)
Impairment of an interest in an associate	6	**56**	–
		45,174	53,842
Decrease in long-term deposits		**–**	1,556
(Increase)/decrease in inventories		**2,473**	(3,734)
Increase in trade and bills receivables		**(1,849)**	(3,681)
Decrease in prepayments, deposits and other receivables		**1,116**	970
Increase/(decrease) in trade payables		**2,003**	(441)
Increase/(decrease) in other payables and accruals		**5,174**	(1,681)
Increase in other tax payable		**464**	809
Increase in deferred income		**3,180**	4,876
Cash generated from operations		**57,735**	52,516
PRC income tax paid		**(5,422)**	(8,241)
Interest received		**1,211**	1,852
Net cash flows from operating activities		**53,524**	46,127

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Net cash flows from operating activities		**53,524**	46,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(6,986)**	(17,644)
Additions to other intangible assets		**(40)**	–
Proceeds from disposal of items of property, plant and equipment		**858**	687
Investments in associates		**–**	(400)
Increase in time deposits		**(1,200)**	(6,600)
Acquisition of equity investments		**–**	(73,437)
Disposal of equity investments		**14,796**	57,787
Dividends received from equity investments		**215**	–
Deemed disposal of a subsidiary		**–**	(5,293)
Net cash flows from/(used in) investing activities		**7,643**	(44,900)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from minority shareholders		**500**	1,200
New bank loans		**–**	10,000
Repayment of bank loans		**(40,000)**	(59,792)
Interest paid		**(1,296)**	(5,578)
Dividends paid		**(10,402)**	(10,402)
Net cash flows used in financing activities		**(51,198)**	(64,572)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,969**	(63,345)
Cash and cash equivalents at beginning of year		**85,376**	148,721
CASH AND CASH EQUIVALENTS AT END OF YEAR		**95,345**	85,376
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**95,339**	85,374
Cash equivalents	27	**6**	2
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**95,345**	85,376

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets:			
Property, plant and equipment	15	**45,415**	50,890
Prepaid land premiums	16	**3,305**	3,386
Interests in subsidiaries	19	**59,618**	55,774
Interests in associates	20	**4,000**	5,100
Trade and bills receivables	23	**–**	410
Long-term deposits	21	**–**	449
Total non-current assets		**112,338**	116,009
Current assets:			
Prepaid land premiums	16	**75**	75
Inventories	22	**14,604**	19,007
Trade and bills receivables	23	**17,274**	15,802
Prepayments, deposits and other receivables	24	**4,113**	3,192
Equity investments at fair value through profit or loss	26	**–**	10,209
Cash and cash equivalents	27	**68,221**	61,122
Total current assets		**104,287**	109,407
TOTAL ASSETS		**216,625**	225,416
EQUITY AND LIABILITIES			
Equity:			
Issued capital	28	**100,018**	100,018
Reserves	29(b)	**73,876**	65,547
Proposed final dividends	13	**13,502**	10,002
Total equity		**187,396**	175,567
Non-current liability:			
Deferred income	31	**7,612**	3,612
Total non-current liability		**7,612**	3,612
Current liabilities:			
Trade payables	32	**3,971**	3,396
Other payables and accruals	33	**15,660**	10,656
Taxes payable	34	**1,986**	2,185
Interest-bearing bank borrowings	30	**–**	30,000
Total current liabilities		**21,617**	46,237
Total liabilities		**29,229**	49,849
TOTAL EQUITY AND LIABILITIES		**216,625**	225,416

Wu Lebin
Director

Wang Lin
Director

Notes To Financial Statements

31 December 2009

1. CORPORATE INFORMATION

Biosino Bio-Technology and Science Incorporation (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 27, Chaoqian Road, Science and Technology Industrial Park, Changping District, Beijing, the PRC.

During the year, the Group principally engaged in the manufacture, sale and distribution of in-vitro diagnostic reagent products and pharmaceutical products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, expect for equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combination to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures– Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial statements–Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The amendment has had not given rise to additional disclosure to the Group's consolidated financial statements.

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers* (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

Notes To Financial Statements

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(n) *(continued)*

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 27 *Consolidated and Separate Financial Statements*: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- HKAS 28 *Investments in Associates*: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- HKAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendments	*Limited Exemption from Comparative* HKFRS 7 *Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]

Notes To Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and *Discontinued Operations – Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

Notes To Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

Notes To Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the HK(IFRIC)-Int14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

Notes To Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

(a) HKFRS 2 *Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of HKFRS 2 even though it is outside the scope of HKFRS 3.

(b) HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in HKFRS 5; (ii) the general requirements of HKAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other HKFRSs are not required unless:

   (i) those HKFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

   (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of HKFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) HKFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

(d) HKAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

Notes To Financial Statements

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(f) HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases included in Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

(g) HKAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 *Operating Segments* before aggregation for financial reporting purposes.

(h) HKAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(i) HKAS 39 *Financial Instruments: Recognition and Measurement*: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(j) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*: Clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(k) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*: Removes the restriction of where the hedging instrument may be held in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of the jointly-controlled entity are included in the Company's income statement to the extent of dividends received and receivable. The Company's interest in jointly-controlled entity is treated as a non-current asset and is stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and other structures	3.3% to 9.5%
Leasehold improvements	Over the shorter of lease terms and 10%
Machineries	8.6% to 19.4%
Furniture and fixtures	19.0% to 31.67%
Motor vehicles	19.0% to 23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among that part and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

CIP represents buildings, structures, plant and machinery and other property, plant and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and capitalised borrowing costs on related borrowed funds during the period of construction or installation. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Know-how

Purchased know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over an estimated useful life of 10 years.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over an estimated useful life of 2 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Finance assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and include fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial investments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial investments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes To Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period when appropriate, to the net carrying amount of the financial asset; and

(iii) dividend income, when the shareholders' right to receive payment has been established.

Retirement benefit costs

In accordance with the rules and regulations in the PRC, the employees of the Group participate in a defined contribution retirement benefit scheme operated by the relevant municipal government in the PRC, the assets of which are held separately from those of the Group. The Group and the employees are required to make monthly contributions to this scheme calculated as a percentage of the employees' salaries which are charged to the income statement as they become payable, in accordance with the rules of the retirement benefit scheme. The employer contributions vest fully with the employee once made.

Notes To Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes To Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements and estimation uncertainty

In the process of applying the Group's accounting policies, management has made judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period. The major judgements and estimations that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Current tax and deferred tax

The Group is subject to income taxes in the PRC. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives and residual values of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Notes To Financial Statements

31 December 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements and estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment of trade and bills receivables

The Group's management determines the provision for impairment of trade and bills receivables. This estimate is based on the credit history of the customers and the current market condition and the provision is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been made.

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made.

Research and development costs

All research costs are charged to the income statement as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimates.

Notes To Financial Statements

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

(a) the in-vitro diagnostic reagent products segment manufactures, sells and distributes a variety of mono/double diagnostic reagent products; and

(b) the pharmaceutical products segment manufactures, sells and distributes pharmaceutical products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments, as well as share of losses of associates are excluded from such measurement.

Segment assets exclude time deposits, cash and cash equivalents, equity investments at fair value through profit or loss and goodwill as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings and tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2009

	In-vitro diagnostic reagent products RMB'000	Pharma–ceutical products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	143,940	68,080	212,020
Revenue			212,020
Segment results	22,441	7,335	29,776
Reconciliation:			
Interest income			1,211
Dividend income and unallocated gains			4,802
Finance costs			(1,296)
Profit before tax			34,493

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31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2009 *(continued)*

	In-vitro diagnostic reagent products RMB'000	Pharma– ceutical products RMB'000	Total RMB'000
Segment assets	**102,207**	**93,882**	**196,089**
Reconciliation:			
Elimination of intersegment receivables			**(3,804)**
Corporate and other unallocated assets			**103,454**
Total assets			**295,739**
Segment liabilities	**34,474**	**22,224**	**56,698**
Reconciliation:			
Elimination of intersegment payables			**(3,804)**
Corporate and other unallocated liabilities			**4,321**
Total liabilities			**57,215**
Other segment information:			
Share of losses of associates	**746**	**–**	**746**
Impairment losses recognised in the income statement	**206**	**20**	**226**
Depreciation and amortisation	**8,138**	**6,315**	**14,453**
Interests in associates	**3,134**	**–**	**3,134**
Capital expenditure	**7,657**	**1,706**	**9,363***

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

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31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008

	In-vitro diagnostic reagent products RMB'000	Pharma–ceutical products RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	132,498	68,093	200,591
Revenue			200,591
Segment results	26,193	4,928	31,121
Reconciliation:			
Interest income			1,852
Dividend income and unallocated gains			3,684
Finance costs			(5,578)
Profit before tax			31,079
Segment assets	105,139	98,421	203,560
Reconciliation:			
Elimination of intersegment receivables			(1,934)
Corporate and other unallocated assets			102,494
Total assets			304,120
Segment liabilities	21,644	23,198	44,842
Reconciliation:			
Elimination of intersegment payables			(1,934)
Corporate and other unallocated liabilities			43,878
Total liabilities			86,786

Notes To Financial Statements

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008 *(continued)*

	In-vitro diagnostic reagent products RMB'000	Pharma–ceutical products RMB'000	Total RMB'000
Other segment information:			
Share of losses of associates	316	–	316
Impairment losses recognised in the income statement	161	350	511
Impairment losses reversed in the income statement	(56)	(143)	(199)
Depreciation and amortisation	7,055	6,486	13,541
Interests in associates	3,936	–	3,936
Capital expenditure	7,416	10,228	17,644*

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2009 RMB'000	2008 RMB'000
The PRC	**211,069**	199,967
Other countries	**951**	624
	212,020	200,591

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2009 RMB'000	2008 RMB'000
The PRC	**121,303**	129,144

The non-current asset information above is based on the location of assets.

Notes To Financial Statements

31 December 2009

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for the goods returned and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of in-vitro diagnostic reagent products	**143,940**	132,498
Sale of pharmaceutical products	**68,080**	68,093
	212,020	200,591
Other income		
Bank interest income	**1,211**	1,638
Imputed interest income on interest-free trade receivables with extended credit periods	**–**	214
Interest subsidies	**–**	3,085
Other government grants*	**7,080**	7,364
Others	**734**	888
	9,025	13,189
Gains		
Fair value gain on equity investments at fair value through profit or loss	**4,587**	–
Gain on disposal of items of property, plant and equipment, net	**27**	4
Gain on disposal of a subsidiary	**–**	192
Gain on disposal of a jointly-controlled entity	**–**	377
Others	**–**	34
	4,614	607
Other income and gains	**13,639**	13,796

* Various government grants have been received by the Group for research and development activities. Government grants received which related to assets or for which related expenditure has not yet been undertaken are included in deferred income in the balance sheet and will be released to the income statement over the expected useful life of the relevant asset by equal annual instalments or when the related expenses have been incurred. There are no unfulfilled conditions relating to these grants, except that they must be utilised for research and development activities of the Group.

Notes To Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	**2009 RMB'000**	2008 RMB'000
Cost of inventories sold		**67,922**	64,891
Depreciation	*15*	**13,566**	12,499
Amortisation of prepaid land premiums	*16*	**173**	173
Amortisation of other intangible assets*	*18*	**714**	869
Research and development costs		**16,284**	14,229
Less: government grants released		**(7,080)**	(7,364)
		9,204	6,865
Loss on disposal of equity investments at fair value through profit or loss		**–**	3,620
Fair value (gain)/loss on equity investments at fair value through profit or loss, net		**(4,587)**	1,821
Gain on disposal of items of property, plant and equipment, net		**(27)**	(4)
Minimum lease payments under operating leases in respect of land and buildings		**859**	849
Auditors' remuneration		**800**	800
Employee benefit expense (including directors' and supervisors' remuneration (note 8)):			
Wages, salaries and bonuses		**38,891**	35,025
Pension scheme contributions		**4,240**	3,696
Social welfare and other costs		**9,208**	2,195
		52,339	40,916
Provision/(reversal of provision) against slow-moving inventories and inventory loss, net		**20**	(56)
Impairment of trade and bills receivables, net		**–**	350
Impairment/(reversal of impairment) of other receivables, net		**150**	(143)
Impairment of goodwill		**–**	161
Impairment of an interest in an associate		**56**	–
Foreign exchange differences, net		**(8)**	(57)

* The amortisation of other intangible assets during the year comprised amortisation of know-how and amortisation of computer software of RMB714,000 (2008: RMB413,000) and nil (2008: RMB456,000), respectively, which are included in "Cost of sales" and "Administrative expenses" on the face of the consolidated income statement, respectively.

Notes To Financial Statements

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7. FINANCE COSTS

The Group's finance costs for the years ended 31 December 2009 and 2008 were interest on bank loans wholly repayable within five years.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 **RMB'000**	2008 RMB'000
Fees	**286**	218
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,922**	2,094
Retirement benefit scheme contributions	**38**	25
	2,960	2,119
	3,246	2,337

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 **RMB'000**	2008 RMB'000
Mr. Rao Yi	**60**	40
Dr. Hu Canwu Kevin	**55**	–
Mr. Chan Yiu Kwong	**50**	51
Dr. Cheng Jing	**–**	21
Dr. Hua Sheng	**–**	42
	165	154

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and supervisors

2009

	Fees RMB'000	Salaries, bonuses, allowances and benefit in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Wu Lebin	27	1,662	10	1,699
Dr. Wang Lin	2	391	10	403
Mr. Hou Quanmin	9	721	10	740
Non-executive directors:				
Dr. Gao Guangxia	20	–	–	20
Mr. Zhang Yong	14	–	–	14
Mr. Rong Yang	20	–	–	20
Ms. Qin Xuemin	7	–	–	7
Mr. Wang Fugen	7	–	–	7
Ms. Yu Xiaomin	4	–	–	4
Supervisors:				
Dr. He Rongqiao	7	–	–	7
Mr. Wang Xin	4	–	–	4
Mr. Shao Yimin	–	148	8	156
	121	2,922	38	3,081

Notes To Financial Statements

31 December 2009

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and supervisors *(continued)*

2008

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Wu Lebin	–	1,115	9	1,124
Dr. Wang Lin	–	398	9	407
Mr. Hou Quanmin	7	443	–	450
Non-executive directors:				
Dr. Gao Guangxia	10	–	–	10
Mr. Zhang Yong	7	–	–	7
Mr. Rong Yang	7	–	–	7
Ms. Qin Xuemin	4	–	–	4
Mr. Wang Fugen	4	–	–	4
Ms. Yu Xiaomin	3	–	–	3
Ms. Li Chang	4	–	–	4
Supervisors:				
Dr. He Rongqiao	10	–	–	10
Mr. Wang Xin	8	–	–	8
Mr. Shao Yimin	–	138	7	145
	64	2,094	25	2,183

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

Notes To Financial Statements

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: two) directors/supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2008: three) non-director/supervisor, highest paid employees for the year are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Salaries, bonuses, allowances and benefits in kind	**1,035**	927
Retirement benefit scheme contributions	**21**	14
	1,056	941

The remuneration of each of the two (2008: three) non-director/supervisor, highest paid employees during the year fell within the band of Nil to RMB881,200 (2008: Nil to RMB892,000) (equivalent to HK$1,000,000).

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries have not generated any assessable profits in Hong Kong during the year (2008: Nil). Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rates of tax prevailing in the PRC, based on existing legislation, interpretations and practices in respect thereof. According to the relevant PRC income tax law, the Company and certain of its subsidiaries, being registered as new and high technology enterprises in Beijing, are entitled to a concessionary income tax rate of 15%, where appropriate.

	Group	
	2009 RMB'000	2008 RMB'000
Group:		
Current – the PRC	**4,909**	5,156
Adjustments in respect of current tax of previous periods	**492**	–
Total tax charge for the year	**5,401**	5,156

Notes To Financial Statements

31 December 2009

10. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the country in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2009		2008	
	RMB'000	**%**	RMB'000	%
Profit before tax	**34,493**		**31,079**	
Tax at the statutory tax rates	**8,623**	25.0	**7,770**	25.0
Lower tax rate for specific entities	**(3,250)**	(9.4)	**(4,207)**	(13.5)
Adjustments in respect of current tax of previous periods	**492**	1.4	**–**	–
Losses attributable to associates	**186**	0.5	**(15)**	–
Additional tax concession for research and development expenses	**(2,103)**	(6.1)	**(1,074)**	(3.5)
Income not subject to tax	**(591)**	(1.7)	**–**	–
Expenses not deductible for tax	**926**	2.7	**1,547**	5.0
Tax losses not recognised	**1,118**	3.3	**1,135**	3.6
Tax charge at the Group's effective rate	**5,401**	15.7	**5,156**	16.6

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB21,831,000 (2008: RMB20,868,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DISTRIBUTION OF PROFIT

In accordance with the Company Law of the PRC and the articles of association of the Company and its subsidiaries registered in the PRC, the Company and its subsidiaries are required to appropriate 10% of their profit after tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory surplus reserve until the fund aggregates 50% of their respective registered capitals. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

Notes To Financial Statements

31 December 2009

12. DISTRIBUTION OF PROFIT *(continued)*

In addition, during the year ended 31 December 2009, the Group transferred government grants amounting to RMB2,006,000 (31 December 2008: RMB2,985,000) from retained profits to the statutory reserves as this is a condition of the grants.

The above reserves cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

In accordance with the articles of association of the Company, the profit after tax of the Company for the purpose of dividend payment is based on the lesser of (i) the profit determined in accordance with accounting principles generally accepted in the PRC; and (ii) the profit determined in accordance with HKFRSs.

13. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Proposed final dividend – RMB0.135 (2008: RMB0.10) per share	**13,502**	10,002

The proposed final dividend for the year (not recognised as liability as at 31 December 2009) is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB26,519,000 (2008: RMB23,955,000) and the weighted average number of ordinary shares of 100,017,528 (2008: 100,017,528) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

Notes To Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and other structures RMB'000	Leasehold improvements RMB'000	Machineries RMB'000	Furniture and fixtures RMB'000	Motor Vehicles RMB'000	CIP RMB'000	Total RMB'000
31 December 2009							
At 31 December 2008 and at 1 January 2009:							
Cost	72,356	2,649	63,524	8,741	7,010	172	154,452
Accumulated depreciation	(7,287)	(1,639)	(21,580)	(4,663)	(4,380)	–	(39,549)
Net carrying amount	65,069	1,010	41,944	4,078	2,630	172	114,903
At 1 January 2009, net of accumulated depreciation	65,069	1,010	41,944	4,078	2,630	172	114,903
Additions	438	2,352	2,419	922	1,171	21	7,323
Depreciation provided during the year	(2,891)	(1,409)	(6,815)	(1,483)	(968)	–	(13,566)
Disposals	(707)	(41)	(3)	(52)	(28)	–	(831)
Transfers	(5,464)	5,646	11	–	–	(193)	–
At 31 December 2009, net of accumulated depreciation	56,445	7,558	37,556	3,465	2,805	–	107,829
At 31 December 2009:							
Cost	66,548	10,214	65,769	9,193	7,399	–	159,123
Accumulated depreciation	(10,103)	(2,656)	(28,213)	(5,728)	(4,594)	–	(51,294)
Net carrying amount	56,445	7,558	37,556	3,465	2,805	–	107,829

Notes To Financial Statements

31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	Buildings and other structures RMB'000	Leasehold improvements RMB'000	Machineries RMB'000	Furniture and fixtures RMB'000	Motor Vehicles RMB'000	CIP RMB'000	Total RMB'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	66,606	2,547	59,680	8,234	5,752	3,991	146,810
Accumulated depreciation	(4,526)	(1,132)	(15,256)	(3,459)	(3,439)	–	(27,812)
Net carrying amount	62,080	1,415	44,424	4,775	2,313	3,991	118,998
At 1 January 2008, net of accumulated depreciation	62,080	1,415	44,424	4,775	2,313	3,991	118,998
Additions	585	101	4,079	693	1,472	2,385	9,315
Transfers from CIP	5,690	–	483	31	–	(6,204)	–
Depreciation provided during the year	(2,804)	(506)	(6,799)	(1,392)	(998)	–	(12,499)
Disposals	(482)	–	(195)	(6)	–	–	(683)
Disposal of a subsidiary	–	–	(48)	(23)	(157)	–	(228)
At 31 December 2008, net of accumulated depreciation	65,069	1,010	41,944	4,078	2,630	172	114,903
At 31 December 2008:							
Cost	72,356	2,649	63,524	8,741	7,010	172	154,452
Accumulated depreciation	(7,287)	(1,639)	(21,580)	(4,663)	(4,380)	–	(39,549)
Net carrying amount	65,069	1,010	41,944	4,078	2,630	172	114,903

Notes To Financial Statements

31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Machineries RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	CIP RMB'000	Total RMB'000
31 December 2009							
At 31 December 2008 and at 1 January 2009:							
Cost	28,052	308	35,644	4,411	4,516	114	73,045
Accumulated depreciation	(2,241)	(221)	(14,166)	(2,679)	(2,848)	–	(22,155)
Net carrying amount	25,811	87	21,478	1,732	1,668	114	50,890
At 1 January 2009, net of accumulated depreciation	25,811	87	21,478	1,732	1,668	114	50,890
Additions	–	537	1,191	165	266	21	2,180
Depreciation provided during the year	(740)	(885)	(4,036)	(695)	(613)	–	(6,969)
Disposals	(649)	–	(3)	(19)	(15)	–	(686)
Transfers	(5,523)	5,646	12	–	–	(135)	–
At 31 December 2009, net of accumulated depreciation	18,899	5,385	18,642	1,183	1,306	–	45,415
At 31 December 2009:							
Cost	21,806	6,490	36,661	4,366	4,266	–	73,589
Accumulated depreciation	(2,907)	(1,105)	(18,019)	(3,183)	(2,960)	–	(28,174)
Net carrying amount	18,899	5,385	18,642	1,183	1,306	–	45,415

Notes To Financial Statements

31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company *(continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Machineries RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	CIP RMB'000	Total RMB'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	21,850	307	32,010	4,343	3,571	3,786	65,867
Accumulated depreciation	(1,603)	(158)	(10,508)	(2,153)	(2,181)	–	(16,603)
Net carrying amount	20,247	149	21,502	2,190	1,390	3,786	49,264
At 1 January 2008, net of accumulated depreciation	20,247	149	21,502	2,190	1,390	3,786	49,264
Additions	555	–	3,593	202	945	2,432	7,727
Transfers from CIP	5,690	–	383	31	–	(6,104)	–
Depreciation provided during the year	(681)	(62)	(3,995)	(686)	(667)	–	(6,091)
Disposals	–	–	(5)	(5)	–	–	(10)
At 31 December 2008, net of accumulated depreciation	25,811	87	21,478	1,732	1,668	114	50,890
At 31 December 2008:							
Cost	28,052	308	35,644	4,411	4,516	114	73,045
Accumulated depreciation	(2,241)	(221)	(14,166)	(2,679)	(2,848)	–	(22,155)
Net carrying amount	25,811	87	21,478	1,732	1,668	114	50,890

(a) Certain buildings of the Group and the Company with aggregate net carrying amounts of RMB52,212,000 and RMB25,811,000 respectively were pledged to secure certain bank borrowings granted to the Group and the Company as at 31 December 2008 (note 30). The pledges were released during year 2009 upon the Group's and the Company's repayment of such bank borrowings.

(b) In December 2009, Baiao Pharmaceuticals, a subsidiary of the Company, entered into a guarantee agreement with an independent third party (the "Guarantor") to obtain a corporate guarantee of RMB20 million. As a condition to obtain the guarantee, in December 2009, Baiao Pharmaceuticals also entered into a mortgage agreement with the Guarantor to pledge its land use right and the buildings erected thereon with aggregate net carrying amounts of RMB3,360,000 and RMB25,479,000, respectively, as at 31 December 2009. On 8 January 2010, Baiao Pharmaceutical entered into a banking facility agreement with Bank of Beijing to obtain a banking facility of RMB20 million, which was secured by a corporate guarantee of RMB20 million provided by the Guarantor.

Notes To Financial Statements

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16. PREPAID LAND PREMIUMS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Carrying amount at 1 January	**7,474**	7,647	**3,461**	3,542
Amortisation provided during the year	**(173)**	(173)	**(81)**	(81)
Carrying amount at 31 December	**7,301**	7,474	**3,380**	3,461
Current portion included in prepayments, deposits and other receivables	**(177)**	(177)	**(75)**	(75)
Non-current portion	**7,124**	7,297	**3,305**	3,386

Notes:

(a) The Group's and the Company's interests in the land use rights are held under medium term leases and are situated in the PRC.

(b) Certain of the Group's interests in land use rights with an aggregate carrying amount of RMB6,894,000 and the Company's interests in land use rights with a carrying amount of RMB3,461,000 were pledged to secure bank loans granted to the Group and the Company as at 31 December 2008 (note 30). The pledges were released during year 2009 upon the Group's and the Company's repayment of such bank borrowings.

(c) As at 31 December 2009, the Group's interests in land use rights with an aggregate carrying amount of RMB3,360,000 were pledged to secure a banking facility granted to the Group (note 15(b)).

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17. GOODWILL

	Group RMB'000
At 1 January 2008:	
Cost and net carrying amount	470
Cost at 1 January 2008, net of accumulated impairment	470
Impairment during the year	(161)
At 31 December 2008	309
At 1 January 2009 and 31 December 2009:	
Cost	**470**
Accumulated impairment	**(161)**
Net carrying amount	**309**

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

– Zhongsheng Jinyu; and

– AgiAccu

The recoverable amount of each of the cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. No growth has been projected beyond the five-year period. The discount rate applied to the cash flow projections is 6.9% (2008: 7.4%).

Key assumptions were used in the value in use calculation of each of the cash-generating units for 31 December 2009 and 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

Notes To Financial Statements

31 December 2009

17. GOODWILL *(continued)*

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Expenses – The value assigned to the key assumptions reflects past experience and management's commitment to maintain its operating expenses to an acceptable level.

The values assigned to key assumptions are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

	Know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2009			
At 31 December 2008 and 1 January 2009:			
Cost	4,284	912	5,196
Accumulated amortisation	(2,703)	(912)	(3,615)
Net carrying amount	1,581	–	1,581
Net carrying amount:			
At 1 January 2009	1,581	–	1,581
Additions	2,040	–	2,040
Amortisation provided during the year	(714)	–	(714)
At 31 December 2009	2,907	–	2,907
At 31 December 2009:			
Cost	6,324	912	7,236
Accumulated amortisation	(3,417)	(912)	(4,329)
Net carrying amount	2,907	–	2,907

Notes To Financial Statements

31 December 2009

18. OTHER INTANGIBLE ASSETS *(continued)*

Group *(continued)*

	Know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2008			
At 31 December 2007 and 1 January 2008:			
Cost	4,284	912	5,196
Accumulated amortisation	(2,290)	(456)	(2,746)
Net carrying amount	1,994	456	2,450
Net carrying amount:			
At 1 January 2008	1,994	456	2,450
Amortisation provided during the year	(413)	(456)	(869)
At 31 December 2008	1,581	–	1,581
At 31 December 2008:			
Cost	4,284	912	5,196
Accumulated amortisation	(2,703)	(912)	(3,615)
Net carrying amount	1,581	–	1,581

19. INTERESTS IN SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unlisted equity investments in the PRC, at cost	**58,033**	55,033
Due from a subsidiary	**1,663**	1,315
Due to a subsidiary	**(78)**	(574)
	59,618	55,774

Notes To Financial Statements

31 December 2009

19. INTERESTS IN SUBSIDIARIES *(continued)*

The amounts due from/to the subsidiary are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to the subsidiary approximate to their fair values.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Baiao Pharmaceuticals Company Limited* ("Baiao Pharmaceuticals") (北京百奧藥業有限責任公司)	The PRC	RMB55 million	80%	–	Manufacture, sale and distribution of pharmaceutical products
Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd.*# ("Zhongsheng Jinyu") (北京中生金域診斷技術有限公司)	The PRC	RMB2.3 million	51%	–	Manufacture, sale and distribution of in-vitro diagnostic reagent products
BioTrand Bio-Technology Incorporation*# ("BioTrand") (北京百川飛虹生物科技有限公司)	The PRC	RMB10 million	50%	40%	Biotechnology research
Biosino-AgiAccu Bio–Technology Co., Ltd.*# ("AgiAccu") (北京中生朗捷生物技術有限公司)	The PRC	RMB1.6 million	56.25%	–	Research, development, manufacture and distribution of biological reagents

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19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Mian Yang Hi-tech Industrial Park Zhongke Bioengineering Co., Ltd.*# (綿陽高新區中科生物工程有限公司)	The PRC	RMB9 million/ RMB10.5 million	33.34%	30.00%	Development, manufacture and distribution of enzyme and biological products
Mian Yang Hi-tech Industrial Park KeLi Bioengineering Co., Ltd.*# (綿陽高新區科力生物醫藥有限公司)	The PRC	RMB0.5 million	–	44.34%†	Development, manufacture and distribution of enzyme and biological products
Biosino Suzhou Medical Instrument Co., Ltd.*# (中生(蘇州)醫療儀器有限公司)	The PRC	RMB5 million	60%	–	Production of medical instruments

† This entity is accounted for as a subsidiary by virtue of the Company's control over it.

* These entities are registered as limited liability companies under the PRC Law.

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20. INTERESTS IN ASSOCIATES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Unlisted equity investment, at cost	**–**	–	**5,100**	5,100
Share of net assets	**3,190**	3,936	**–**	–
	3,190	3,936	**5,100**	5,100
Provision for impairment	**(56)**	–	**(1,100)**	–
	3,134	3,936	**4,000**	5,100

Particulars of the associates, which are held by the Company, are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Beijing Zhongsheng KeWei Medical Technology Co., Ltd.* ("KeWei") (北京中生科維醫療科技有限公司)	The PRC	RMB4.55 million	24.18%	Development, manufacture and distribution of clinical instruments
Biosino Lab Tech. Inc.* ("BioLab") (北京中生可利檢驗醫學技術有限責任公司)	The PRC	RMB9 million	42.22%	Medical science research
Beijing Zhonghe Baike Scientific Instrument and Technology Co., Ltd.* (北京眾合百克科學儀器技術有限公司)	The PRC	RMB1 million	20%	Production of scientific instruments

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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20. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates:

	2009 RMB'000	2008 RMB'000
Assets	**10,444**	10,576
Liabilities	**3,380**	816
Revenues	**429**	469
Losses	**(3,508)**	(1,451)

21. LONG TERM DEPOSITS

Long term deposits as at 31 December 2008 were deposits for the purchases of machinery. The Group received the machinery during the year ended 31 December 2009.

22. INVENTORIES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Raw materials	**8,023**	9,174	**5,342**	6,878
Work in progress	**1,458**	1,217	**182**	347
Semi-finished goods	**5,898**	4,955	**1,753**	1,653
Finished goods	**9,926**	12,421	**7,327**	10,129
Finished goods on consignment	**671**	702	**–**	–
	25,976	28,469	**14,604**	19,007

The net amount of provision or reversal of provision against slow-moving inventories and inventory loss recognised in the consolidated income statement during the year is set out in note 6 to the financial statements.

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23. TRADE AND BILLS RECEIVABLES

Except for certain established customers of the Group who have been granted with payment terms ranging from two to four years in respect of several instalment sales, the credit periods of the Group granted to its customers generally range from 60 to 180 days. The Group closely monitors overdue balances, and impairment is made when it is considered that the amounts due may not be recovered. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are interest-free.

An aged analysis of the trade and bills receivables of the Group and the Company as at the end of the reporting period, based on the invoice date, is as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 3 months	**36,156**	32,623	**16,145**	15,581
4 to 6 months	**2,616**	4,271	**1,004**	1,127
7 to 12 months	**1,628**	1,104	**965**	44
1 to 2 years	**389**	1,562	**156**	414
Over 2 years	**1,579**	961	**9**	51
	42,368	40,521	**18,279**	17,217
Impairment (note (a))	**(3,062)**	(3,064)	**(1,005)**	(1,005)
	39,306	37,457	**17,274**	16,212
Portion classified as current assets	**(39,306)**	(37,047)	**(17,274)**	(15,802)
Non-current portion	**–**	410	**–**	410

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23. TRADE AND BILLS RECEIVABLES *(continued)*

Notes:

(a) The movements in provision for impairment of trade and bills receivables of the Group and the Company are as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1 January	**3,064**	3,549	**1,005**	1,549
Impairment losses recognised (note 6)	**–**	350	**–**	–
Amount written off as uncollectible	**(2)**	(835)	**–**	(544)
At 31 December	**3,062**	3,064	**1,005**	1,005

The individually impaired trade receivable as at 31 December 2009 related to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over such balance.

(b) The aged analysis of the trade and bills receivables of the Group and the Company that are not considered to be impaired is as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Neither past due nor impaired	**35,739**	35,884	**15,374**	14,691
Less than 1 month past due	**2,548**	1,380	**935**	1,370
1 to 3 months past due	**1,019**	193	**965**	151
	39,306	37,457	**17,274**	16,212

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Note	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Advance to suppliers		**866**	1,955	**–**	–
Deposits and other debtors		**4,966**	4,859	**2,513**	3,042
Due from related companies	*25*	**–**	284	**–**	150
Dividend receivable from a group company		**–**	–	**1,600**	–
		5,832	7,098	**4,113**	3,192

Note:

Included in the Group's and the Company's other debtors as at 31 December 2009 was a cash advance of RMB1,500,000 (2008: RMB1,500,000) in aggregate made to an established customer of the Company in connection with the purchase of certain bio-chemical instruments for the development of in-vitro diagnostic reagent products by this customer. The cash advance is interest-free and fully repayable within one year from the date of advance, and is guaranteed by the legal representative and the shareholders of this customer.

25. DUE FROM/TO A SHAREHOLDER AND RELATED COMPANIES

The amounts due from/to a shareholder and related companies are unsecured, interest-free and have no fixed terms of repayment.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Listed equity investments, at market value, in PRC	**–**	10,209	**–**	10,209

The Group's equity investments as at 31 December 2008 were held for trading investments and were measured at quoted market prices at the end of the reporting period. Such investments were disposed of during year 2009.

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27. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Cash and bank balances	**95,339**	85,374	**68,215**	61,120
Time deposits	**7,800**	6,600	**–**	–
Cash equivalents (Note (b))	**6**	2	**6**	2
	103,145	91,976	**68,221**	61,122
Less: Time deposits with maturity over three months	**(7,800)**	(6,600)	**–**	–
Cash and cash equivalents	**95,345**	85,376	**68,221**	61,122

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 1 and 12 months and earns interest at the applicable short term time deposit rate. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB94,159,000 (2008: RMB83,106,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash equivalents of the Group and the Company as at 31 December 2009 and 2008 represented funds deposited in a security trading house established in the PRC. The deposit is not restricted as to its use. In the opinion of the directors, the credit risk in respect of the deposit in the security trading house is low.

28. ISSUED CAPITAL

	2009 RMB'000	2008 RMB'000
Registered, issued and fully paid:		
67,017,528 domestic shares of RMB1 each	**67,018**	67,018
33,000,000 H shares of RMB1 each	**33,000**	33,000
	100,018	100,018

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29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 43 of the financial statements.

(b) Company

	Capital Reserves# RMB'000	Statutory Reserves RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2008	18,361	17,734	18,586	54,681
Total comprehensive income for the year	–	–	20,868	20,868
Transfer to statutory reserves	–	3,456	(3,456)	–
Proposed final 2008 dividend	–	–	(10,002)	(10,002)
At 31 December 2008 and 1 January 2009	18,361	21,190	25,996	65,547
Total comprehensive income for the year	–	–	21,831	21,831
Transfer to statutory reserves	–	2,213*	(2,213)*	–
Proposed final 2009 dividend	–	–	(13,502)	(13,502)
At 31 December 2009	18,361	23,403	32,112	73,876

The capital reserves of the Company include non-distributable reserves created in accordance with the accounting and financial regulations of the PRC. It may be capitalised into the share capital upon approval.

* The amount transferred from retained profits to the statutory reserves of RMB2,213,000 during the year ended 31 December 2009 represented the statutory surplus reserve amounting to RMB2,213,000 (2008: RMB1,909,000). The amount transferred during the year ended 31 December 2008 also included an amount of RMB1,547,000 which attributable to government grant income with a condition of setting aside the relevant grant amounts in statutory reserves.

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30. INTEREST-BEARING BANK BORROWINGS

Group

		2009	2008		
	Notes	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:					
Bank loans, secured	*(a) and (b)*	–	6.93	2009	40,000

Company

		2009	2008		
	Note	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:					
Bank loans, secured	*(b)*	–	7.56	2009	30,000

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Bank loans repayable:				
Within one year	–	40,000	–	30,000
	–	40,000	–	30,000

The Group's bank loans as at 31 December 2008 were secured by:

(a) a corporate guarantee of RMB20,000,000 provided by the Guarantor. As a condition of obtaining the guarantee, the land use right of the subsidiary, Baiao Pharmaceuticals, in the PRC and the buildings erected thereon with an aggregate carrying value of approximately RMB29,834,000 as at the 31 December 2008, were pledged to the Guarantor (notes 15 and 16).

(b) a pledge of the Company's land use right in the PRC and the buildings erected thereon with an aggregate carrying value of approximately RMB29,272,000 as at 31 December 2008 (notes 15 and 16).

Bank borrowings were denominated in Renminbi and bear interest at floating interest rates. The pledges were fully released after the Group's repayment of the bank borrowings during the year 2009.

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31. DEFERRED INCOME

Various government grants have been received by the Group and the Company for setting up research and development activities. Government grants received which related to assets or for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position and will be released to the income statement over the expected useful life of the relevant asset by equal annual instalments or when the related expenses have been incurred. There are no unfulfilled conditions or contingencies relating to these grants, except that they must be utilised for research and development activities.

A summary of the government grants included in the deferred income at the end of the reporting period is as follows:

		Group		Company	
Government authority	Project name	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
中國人民共和國財政部	863診斷試關鍵原料	**830**	1,030	**391**	142
中國人民共和國財政部	863生化診斷試劑	**3,170**	1,927	**2,751**	1,709
中國人民共和國財政部	863診斷試劑和標準物質參考品	**524**	64	**524**	64
北京北大未名生物工程集團	863促胰島素分泌肽和醋酸奧曲肽	**200**	120	**–**	–
北京生物技術和新醫藥產業促進中心	臨床生化診斷試劑	**1,367**	917	**1,366**	917
北京市工業促進局	蛋白質藥物產業化專案	**2,000**	2,000	**–**	–
北京市海澱區財政局	蛋白質多膠葯物孵化支撐平臺項目	**2,724**	2,963	**–**	–
北京市科學技術委員會	企業技術中心專項補助資金	**400**	–	**400**	
中關村科技園管理委員會	臨床生化診斷試劑	**780**	780	**780**	780
國家發展和改革委員會	診斷試劑用甘油激酶，乳酸脫氫酶	**3,000**	3,000	**–**	–
中華人民共和國科學技術部	轉氨酶檢驗儀器及試劑	**–**	544	**–**	–
中國科學院生物物理研究所	知識創新工程	**1,400**	–	**1,400**	
綿陽市科學技術局	診斷試劑用甘油脫氫酶	**300**	300	**–**	–
綿陽高新區科技局	診斷試劑用甘油激酶，乳酸脫氫酶	**100**	100	**–**	–
綿陽市科學技術局	診斷試劑用甘油激酶，乳酸脫氫酶	**290**	160	**–**	–
中關村科技園管理委員會	尿半乳糖測試定試劑盆	**252**	252	**–**	–
		17,337	14,157	**7,612**	3,612

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32. TRADE PAYABLES

An aged analysis of the trade payables of the Group and the Company as at the end of the reporting period, based on the invoice date, is as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Within 3 months	**6,867**	6,058	**3,869**	3,253
4 to 6 months	**1,029**	295	**–**	41
7 to 12 months	**678**	364	**–**	–
1 to 2 years	**105**	54	**–**	29
Over 2 years	**247**	152	**102**	73
	8,926	6,923	**3,971**	3,396

The trade payables are non-interest-bearing and are normally settled on credit terms ranging from 30 to 90 days.

33. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Accruals		**13,577**	8,182	**11,764**	7,054
Other liabilities	*(a) and (b)*	**10,287**	12,710	**2,729**	3,102
Due to a shareholder	*25 and (c)*	**1,799**	936	**1,000**	500
Due to a related company	*25*	**968**	–	**167**	–
		26,631	21,828	**15,660**	10,656

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33. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(a) Included in the Group's other liabilities as at 31 December 2009 and 31 December 2008 were government funds of RMB3 million received from the Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會, the "BMCDR"). The government assistances were advanced to Baiao Pharmaceuticals, a 80%-owned subsidiary of the Company, for the construction of a production base at the Changping District in Beijing, the PRC, in 2007. In the opinion of the directors, the funds are repayable by Baiao Pharmaceuticals to the government.

As at 31 December 2009 and the date of approval of these financial statements, no agreement has been signed between the BMCDR and the Group as to the terms of repayment in respect of the RMB3 million government funds advanced from the BMCDR. Accordingly, the whole balance of RMB3 million was classified as a current liability as at 31 December 2009 and 2008.

(b) Included in the Group's other liabilities as at 31 December 2008 were payables to China High and New Investment Corporation (中國高新投資集團公司) of RMB2 million, which was repaid in 2009.

(c) Included in the amount due to a shareholder as at 31 December 2009 is the accrued technical service fees of RMB1,000,000 (2008: RMB500,000) which payable to the Institute of Biophysics of the Chinese Academy of Sciences (the "IBP"), the substantial shareholder of the Company, for the rights to use the technical know-how from the IBP. Further details of the technical service fee arrangements are set out in note 38(b) to the financial statements.

34. TAXES PAYABLE

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
PRC corporate income tax payable	**642**	663	**–**	192
Value-added tax payable	**3,008**	2,761	**1,515**	1,735
Others	**671**	454	**471**	258
	4,321	3,878	**1,986**	2,185

35. CONTINGENT LIABILITIES

Neither the Group nor the Company had any significant contingent liabilities at the end of the reporting period.

36. PLEDGE OF ASSETS

As at 31 December 2009, the Group's buildings and land use right with an aggregate carrying amounts of approximately RMB25,479,000 and RMB3,360,000, respectively, were pledged to the Guarantor (as defined in note 15(b)) in respect of a new banking facility of Bank of Beijing available to the Group subsequent to 31 December 2009. Details of the Group's bank borrowings as at 31 December 2008, which were secured by the assets of the Group, are included in note 30 to the financial statements.

Notes To Financial Statements

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37. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office and factory premises and warehouses from a shareholder and third parties under operating lease arrangements. Leases for the properties are negotiated for terms ranging from one to two years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009 **RMB'000**	2008 RMB'000
Within one year	**923**	1,539
In the second to fifth years, inclusive	**391**	561
	1,314	2,100

Saved as disclosed as above, the Company did not have any operating lease commitments as at 31 December 2009.

38. COMMITMENTS

(a) Pursuant to a research and development cooperation agreement (the "Research and Development Cooperation Agreement") dated 9 August 2004 entered into between the Group and the IBP, a shareholder of the Company, both parties will jointly engage in a pre-clinical research project for the development of a chemical drug, namely, Alprostadil for Injection. Upon the completion of such pre-clinical research, the Group will have the right to obtain the ownership of the relevant clinical testing certificate and the production license to be issued thereafter by the State Food and Drug Administration of the PRC, while the Group would have to complete the co-development of the pre-clinical research according to the Research and Development Cooperation Agreement. The assessed market value of the clinical research rights is subject to a cap of RMB5,000,000. Therefore, the maximum amount of consideration that the Group would pay to the IBP to acquire the clinical research rights would be RMB2,500,000.

On 31 January 2007, the Group and the IBP entered into a supplementary agreement to the "Research and Development Cooperation Agreement". Pursuant to this supplementary agreement, the IBP will carry out a research and development subphase of the project for the development of Alprostadil for Injection, while the Group agreed to pay RMB400,000 to the IBP. During 2007, RMB300,000 was paid while the remaining portion was payable upon the completion of the research and development subphase of the project. The research and development subphase of the project was yet to complete as at 31 December 2009.

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38. COMMITMENTS *(continued)*

(b) On 9 December 2004, the IBP, a shareholder of the Company, and the Company entered into an exclusive technology licensing agreement (the "Licensing Agreement") in regard to the production of diagnostic reagents by employing the technologies owned by the IBP (the "Reagent Technologies"). Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to the IBP for 20 years, commencing on the effective date of the Licensing Agreement. As at 31 December 2009, the technical service fees payable by the Group of RMB1,000,000 (31 December 2008: RMB500,000) were included in the amount due to a shareholder (note 33(c)).

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2009 RMB'000**	2008 RMB'000
Operating lease rentals:			
– incurred by Zhongsheng Jinyu	*(i)*	**404**	306
– incurred by BioTrand	*(ii)*	**763**	311
Technical service fee	*(iii)*	**500**	500
Product processing service fee from the IBP	*(iv)*	**(260)**	–
Products purchased from Biolab	*(v)*	**178**	–

Notes:

(i) The office premises of Zhongsheng Jinyu, a subsidiary of the Group, were leased from Beijing Enterprises Holdings High-Tech. Incubator Inc., a related party under common control of Beijing Enterprises Holdings Limited ("Beijing Enterprises") with the Group. The rental area and rentals are negotiated based on a mutually-agreed amount each year. In the opinion of the directors, the rental was determined by reference to the then prevailing open market rentals.

(ii) The office premises of BioTrand, a subsidiary of the Group, were leased from the IBP. The rental area and rentals are negotiated based on a mutually-agreed amount each year. In the opinion of the directors, the rental was determined by reference to the then prevailing open market rentals.

(iii) Details of the technical service fee are set out in note 38(b) to the financial statements.

(iv) BioTrand provided product processing services to the IBP during the year ended 31 December 2009. In the opinion of the directors, the service fee was determined by reference to the then prevailing open market prices.

(v) The Company purchased serum products from Biolab during the year ended 31 December 2009. In the opinion of the director, the purchase prices were determined by reference to the then prevailing open market prices.

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39. RELATED PARTY TRANSACTIONS *(continued)*

(b) The amounts due from/to a shareholder and related companies are set out in note 24, 25 and 33(c) to the financial statements.

(c) Compensation of key management personnel of the Group

	2009 RMB'000	2008 RMB'000
Short term employee benefits	**6,199**	5,280
Post-employment benefits	**100**	70
Total compensation paid to key management personnel	**6,299**	5,350

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	2009 Loans and receivables RMB'000	2008 Held for trading RMB'000	 Loans and receivables RMB'000	 Total RMB'000
Trade and bills receivables	**39,306**	–	37,457	37,457
Financial assets included in prepayments, deposits and other receivables	**4,959**	–	4,855	4,855
Equity investments at fair value through profit or loss	**–**	10,209	–	10,209
Time deposits	**7,800**	–	6,600	6,600
Cash and cash equivalents	**95,345**	–	85,376	85,376
	147,410	10,209	134,288	144,497

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40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group *(continued)*

Financial liabilities

	2009 Financial liabilities at amortised cost RMB'000	2008 Financial liabilities at amortised cost RMB'000
Trade payables	**8,926**	6,923
Financial liabilities included in other payables and accruals	**13,054**	11,967
Interest-bearing bank borrowings	**–**	40,000
	21,980	58,890

Company

Financial assets

	2009 Loans and receivables RMB'000	2008 Held for trading RMB'000	2008 Loans and receivables RMB'000	2008 Total RMB'000
Trade and bills receivables	**17,274**	–	16,212	16,212
Financial assets included in prepayments, deposits and other receivables	**4,113**	–	3,042	3,042
Equity investments at fair value through profit or loss	**–**	10,209	–	10,209
Time deposits	**–**	–	–	–
Cash and cash equivalents	**68,221**	–	61,122	61,122
	89,608	10,209	80,376	90,585

Notes To Financial Statements

31 December 2009

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company *(continued)*

Financial liabilities

	2009 Financial liabilities at amortised cost RMB'000	2008 Financial liabilities at amortised cost RMB'000
Trade payables	**3,971**	3,396
Financial liabilities included in other payables and accruals	**3,895**	2,581
Interest-bearing bank borrowings	**–**	30,000
	7,867	35,977

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

In addition, the Group participated in trading transactions of certain listed securities on the Shenzhen and Shanghai stock exchanges. The directors were of the view that the investment in shares of the PRC listed companies could provide a better return and higher flexibility to the Group when it was unable to identify any potential investment opportunities in the pharmaceutical-related business.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Notes To Financial Statements

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Interest rate risk

In the opinion of the directors, the Group has no significant concentration of interest rate risk other than the Group's bank borrowings disclosed in note 30.

(b) Foreign currency risk

The Group's businesses are located in the PRC and all transactions are conducted in RMB, except that the Company occasionally purchases equipment from overseas countries for resale in the PRC. Certain deposits denominated in Hong Kong dollars ("HK$") are placed in Hong Kong for payments of miscellaneous expenses such as professional fees incurred in Hong Kong. Purchases and payments through foreign currencies were not significant. Fluctuations of the exchange rates of RMB against foreign currencies are not expected to have any significant impact on the results of the Group.

(c) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned banks in the PRC.

The carrying amounts of trade receivables, other receivables and cash included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

(d) Liquidity risk

The liquidity risk of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations and on its ability to obtain external financing to finance the working capital of the Group.

Financial liabilities of the Group included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year.

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 26) as at 31 December 2008. The Group disposed of all such investments in 2009.

Notes To Financial Statements

31 December 2009

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) Capital management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and maximise shareholders' value. The Group is not subject to any externally imposed capital requirements.

The Group has an annual capital plan which is prepared and approved by the board of directors with the objective of maintaining the optimal amount of capital and bank borrowings structure. The Group manages its own capital within the context of the approved annual capital plan, which determines the level of asset growth and the optimal amount and mix of capital and bank borrowings required to support its planned business growth.

42. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2010, Beijing Enterprise Holdings High-Tech Development Co., Ltd. ("BEHT") (a wholly-owned subsidiary of Beijing Enterprises) and Shanghai Fosun Pingyao Investment Management Company Limited ("Fosun Pingyao") (a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma")) entered into a share transfer agreement pursuant to which, BEHT agreed to sell, and Fosun Pingyao agreed to purchase from BEHT, 24,506,143 domestic shares of the Company at a price of RMB2.08 (equivalent to approximately HK$2.36) per domestic share.

On 10 February 2010, the Company entered into an H share subscription agreement with Fosun Industrial Company., Ltd ("Fosun Industrial") (a wholly-owned subsidiary of Fosun Pharma) pursuant to which, Fosun Industrial agreed to subscribe, and the Company agreed to allot and issue, 6,780,000 H shares of the Company at the subscription price of RMB2.08 (equivalent to approximately HK$2.36) per H share.

On 10 February 2010, the Company entered into an H share subscription agreement with Beijing Enterprises pursuant to which Beijing Enterprises agreed to subscribe, and the Company agreed to allot and issue, 24,506,143 H shares of the Company at the subscription price of RMB2.08 (equivalent to approximately HK$2.36) per H share.

Up to the date of approval of these financial statements, the above transactions are still conditional and have yet to be completed.

Saved as disclosed above and note 15(b) to these financial statements, the Group did not have any significant events taking place subsequent to 31 December 2009.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2010.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the current year's published audited financial statements and annual report for the year ended 31 December 2009, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
REVENUE	**212,020**	200,591	174,672	147,806	135,432
PROFIT BEFORE TAX	**34,493**	31,079	29,124	27,730	30,447
TAX	**(5,401)**	(5,156)	(7,126)	(6,667)	(3,921)
PROFIT FOR THE YEAR	**29,092**	25,923	21,998	21,063	26,526
ATTRIBUTABLE TO:					
Owners of the parent	**26,519**	23,955	19,929	20,151	24,352
Minority interests	**2,573**	1,968	2,069	912	2,174
	29,092	25,923	21,998	21,063	26,526

ASSETS, LIABILITIES AND EQUITY

	31 December				
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
TOTAL ASSETS	**295,739**	304,120	348,672	336,772	211,057
TOTAL LIABILITIES	**(57,215)**	(86,786)	(145,680)	(147,048)	(88,114)
NET ASSETS	**238,524**	217,334	202,992	189,724	122,943
REPRESENTED BY:					
EQUITY ATTRIBUTABLE TO					
OWNERS OF THE PARENT	**211,497**	194,980	181,027	170,852	112,660
MINORITY INTERESTS	**27,027**	22,354	21,965	18,872	10,283
TOTAL EQUITY	**238,524**	217,334	202,992	189,724	122,943