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)

ANNUAL REPORT 2014

* For identification purpose only

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

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Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the GEM.

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This report, for which the directors (the "Directors" and each a "Director") of Biosino Bio-Technology and Science Incorporation (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") 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 or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.*

Contents

CORPORATE INFORMATION

PRC OFFICE

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

HONG KONG OFFICE

66th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

WEBSITES

http://www.zhongsheng.com.cn

BOARD OF DIRECTORS

Chairman and Executive Director
Mr. Wu Lebin

Vice Chairmen and Non-executive Directors
Mr. Chen Jintian (appointed on 3 March 2015)
Ms. Bi Lijun (appointed on 20 August 2014)
Dr. Gao Guang Xia (resigned on 20 August 2014)
Mr. Ni Xiaowei (resigned on 3 March 2015)

Executive Directors
Mr. Zhou Jie (appointed on 3 March 2015)
Dr. Wang Lin
Dr. Xu Cunmao (appointed on 3 March 2015)
Mr. Hou Quanmin

Non-executive Directors
Mr. Wang Fugen
Mr. Yu Tongle (resigned on 3 March 2015)
Mr. Jia Hongfei (resigned on 3 March 2015)
Mr. Yao Fang (resigned on 13 March 2014)

Independent Non-executive Directors
Dr. Rao Yi (resigned on 23 March 2015)
Dr. Zheng Yongtang (appointed on 23 March 2015)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

SUPERVISORS

Ms. Yan Xiyun (appointed on 20 August 2014)
Mr. Shao Yimin
Ms. Huang Aiyu (appointed on 3 March 2015)
Dr. He Rongqiao (resigned on 20 August 2014)
Ms. Guan Xiaohui (resigned on 3 March 2015)

AUDIT COMMITTEE

Dr. Rao Yi *(Chairman)* (resigned on 23 March 2015)
Dr. Zheng Yongtang *(Chairman)* (appointed on 23 March 2015)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

REMUNERATION COMMITTEE

Dr. Rao Yi *(Chairman)* (resigned on 23 March 2015)
Dr. Zheng Yongtang *(Chairman)* (appointed on 23 March 2015)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

NOMINATION COMMITTEE

Dr. Hu Canwu Kevin *(Chairman)*
Dr. Rao Yi (resigned on 23 March 2015)
Dr. Zheng Yongtang (appointed on 23 March 2015)
Mr. John Wong Yik Chung
Mr. Wu Lebin
Mr. Wang Daixue

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

LEGAL ADVISERS

As to Hong Kong law:
Li & Partners

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

INFORMATION OF H SHARES

Place of listing:	GEM
Stock code:	8247
Number of H shares issued:	64,286,143 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 ("IVD") reagents in the People's Republic of China ("PRC" or "China"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the research and development, manufacturing, sale and distribution of IVD reagents products, and providing hospital and other medical institutions with quality and reliable diagnostic reagents products.

The major equity holders of the Company have strong background. Our largest shareholder, the Institute of Biophysics ("IBP") of the Chinese Academy of Sciences ("CAS"), is the leading research institution in life sciences in the PRC. Our second largest shareholder, Mr. Chen Jintian, is the chairman of Beijing Shuoze Health Industry Investment Company Limited (北京碩澤健康產業投資有限公司) ("Beijing Shuoze"). Beijing Shuoze is a professional industrial company with core businesses in medical and health industry investment and medical and health management. Its principal businesses include medical and health industry investment management services, medical and health management consulting services, research and development of health foods and investment consulting services. Our third largest shareholder, Beijing Enterprises Holdings Limited ("Beijing Enterprises"), is a Hong Kong company whose shares are listed on the Main Board of the Stock Exchange (stock code: 0392). Our third largest shareholder together with its subsidiaries are principally engaged in natural gas operations, brewery operations, sewage and water treatment operations in the PRC.

The "Biosino" brand of the Group is well-known in the industry. "Biosino" was awarded as a "Renowned Beijing Brand" (北京名牌產品) in 2002 and was awarded the "No. 1 Brand with High Quality and Reputation in the IVD 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. 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 autonomous regions with more than 600 distributors. The Group's diagnostic reagents products are well received at domestic hospitals and medical institutions.

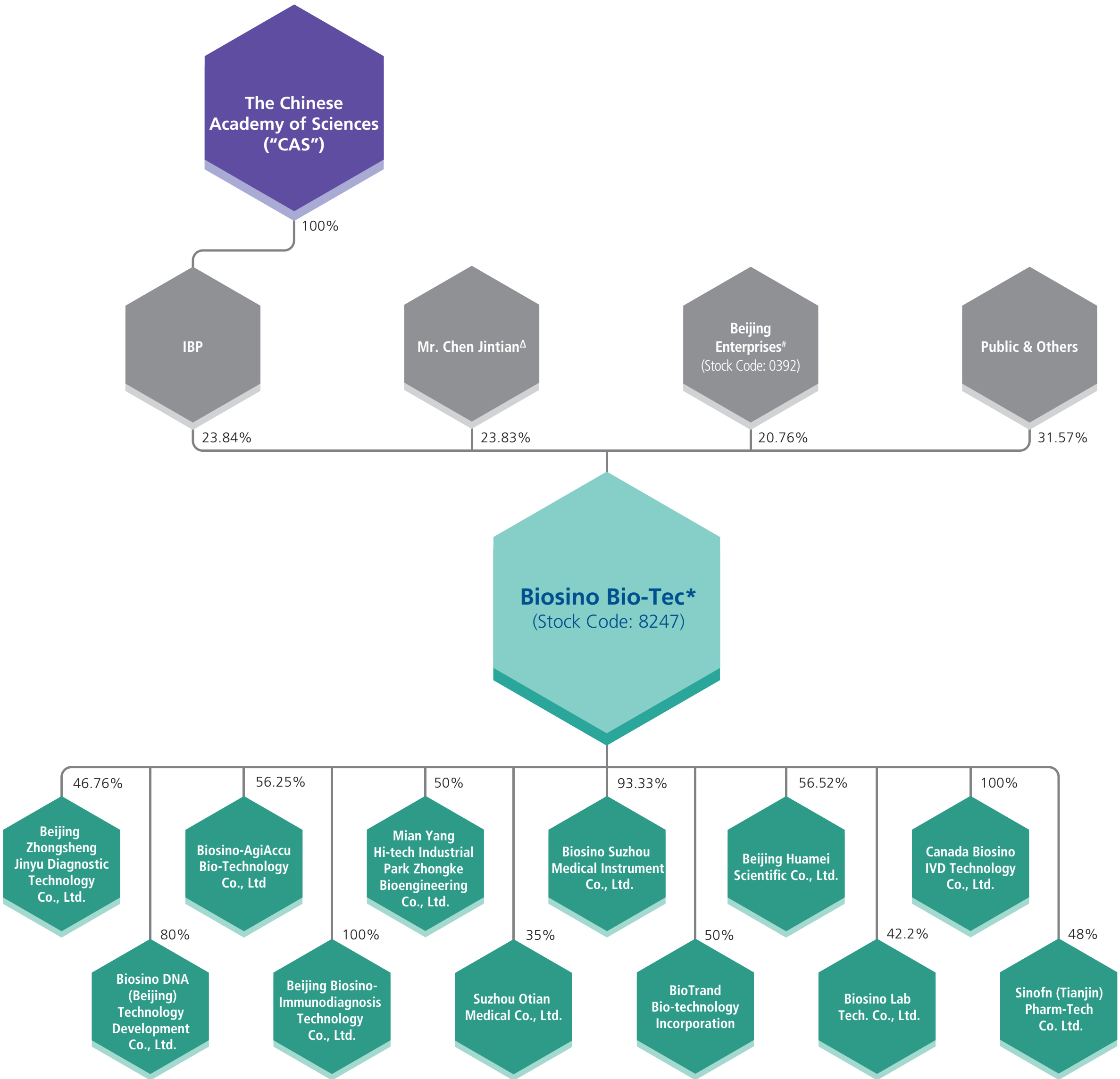
In addition, a number of management members of the Group are professors in universities or holding doctorate degrees. Upholding our business principles of "By the people, for the people; advocating innovation; unquestionable quality pursuing perfection; genuine craftsmanship and lawful operation", our management strives to strengthen our overall competitiveness. The solid scientific research background and aspiration of our management team members, some of whom had research experience in IBP, laid down firm research foundation of Biosino Bio-Tec, which is advantageous to the long-term business development of the Group.

H shares of the Company have been listed on the GEM since 27 February 2006.

GROUP PROFILE

GROUP STRUCTURE

As at 18 March 2015



* *For identification purposes only*

* The H shares of Biosino Bio-Tech are listed on the GEM

\# The shares of Beijing Enterprises are listed on the Main Board of the Stock Exchange

△ The 23.83% shareholding is held by Mr. Chen Jintian via Beijing Shuoze and HK Future Investment Group Limited*（香港未來投資集團有限公司）("HK Future") as to 18.67% and 5.16% respectively.

FINANCIAL HIGHLIGHTS

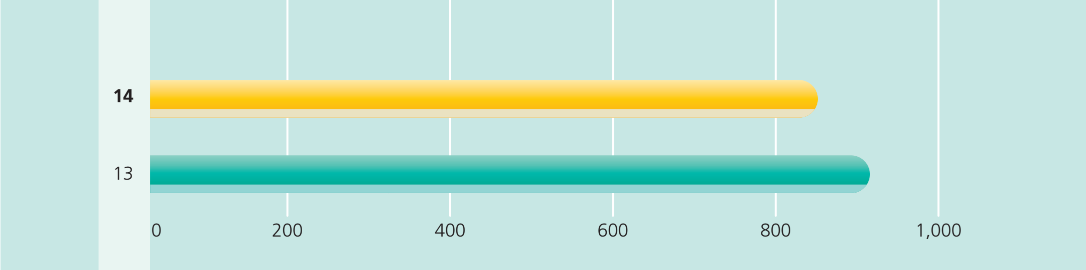
- Revenue for the year continued to increase to RMB265.3 million, representing an increase of 13.2% from that of last year.
- Profit attributable to owners of the parent for the year amounted to RMB8.49 million, representing a decrease of 7.1% from that of last year.
- Equity attributable to owners of the parent amounted to RMB287 million, representing a decrease of 1.7% from that of last year.

1. REVENUE FOR THE YEAR

(RMB hundred million)

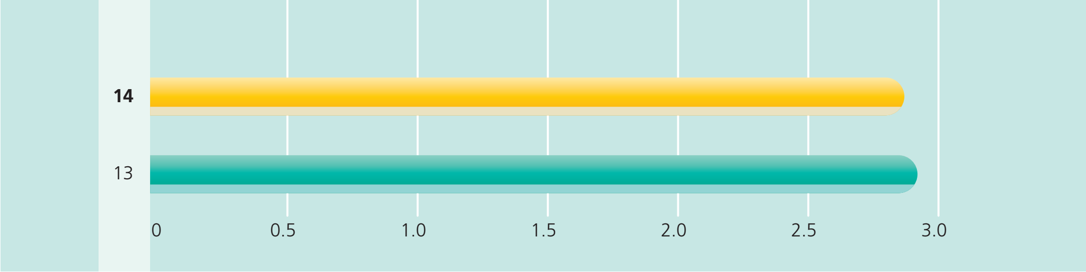
2. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

(RMB ten thousand)



3. EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

(RMB hundred million)



CHAIRMAN'S STATEMENT

Unity,

Self-discipline,

Dedication, Innovation

Dear shareholders,

It is with great pleasure that I hereby, on behalf of the board (the "Board") of directors (the "Directors", and each a "Director") of Biosino Bio-Technology And Science Corporation, present to you the annual report of Biosino Bio-Technology And Science Corporation and its subsidiaries for the year ended 31 December 2014.

The Group, in upholding the principle of "enrichment of living standards through the use of science and technologies", adopted "**Compete To Win, Innovate To Excel**" as the theme for 2014 to encourage all staff to strive for enterprise stable growth.

Throughout 2014, the Group enhanced the integrated sales of reagents and equipment, expanded the markets in developed countries, overcame challenges due to various unfavourable factors, and managed to operate our strategic business administration activities in an orderly, effective and solid manner. The operations of the Company and each of its subsidiaries grew smoothly, and while enhancing the ability in technological innovation, the Group continued to explore new commercial opportunities and actively improved the internal mechanism in an effort to increase the core competitiveness.

DIVIDENDS

As a reward for our shareholders' support, and taking into account of the Group's financial condition, cash flow, operating and capital requirements as well as maintaining a sustainable business development in the future, the Board recommended the payment of a final dividend of RMB0.1 per share for the financial year ended 31 December 2014. The Board believes that given its future financial condition and cash flow, the Group is capable of maintaining sufficient funds required for a sustainable development. During the year, there was no arrangement under which any shareholder had waived or agreed to waive any dividends.

BUSINESS REVIEW

During the reporting period, the Group successfully completed the reorganization of the management team under smooth transition. Once again, we were awarded the new and high technology enterprise certification and had successfully passed the secondary review of National Work Safety Standardization（國家安全生產標準化二級評審）; "The Traceable Clinical Biochemistry Inspection System（溯源性的臨床生化檢驗系統）" project undertaken by the Company was enlisted as "the Industrialization Demonstration Project Under National Torch Plan（國家火炬計劃產業化示範項目）" approved by the Ministry of Science and Technology. The Company was awarded the title of "Beijing Biomedical Industry Pioneer Development Project (G20 Project) Enterprise（北京生物醫藥產業跨越發展工程（G20工程）企業）" by Beijing Science and Technology Commission. We linked up together eight renowned enterprises in IVD industry to co-found the Zhongguancun Zhongchuang IVD Industrial Technology Innovation Alliance（中關村中創體外診斷產業技術創新聯盟）.

During the reporting period, the Group continued to enhance innovative marketing and expanded sales channels, innovated business model through close cooperation with distributors, and pushed forward a major breakthrough in product sales in segmented markets and regions, with preliminary results. In addition, the Group is optimizing its organization structure to enhance its budget-based performance appraisal and strive to improve the overall management standard.

During the reporting period, the Group began to conduct strategic integration and reorganization planning to our controlling and shareholding companies, with the objective of "downsizing the structure". We put forward corresponding operation thoughts and key requirements, such as equity transfer and liquidation, to our subsidiaries one after another. The above measures are being implemented separately at the moment.

FUTURE PROSPECTS

Medical examination and testing is the principal consumption channel for IVD reagents. According to an IVD reagents industry market report issued by Kalorama Information in July 2012, the IVD reagents expenditure per capita in China was only US$2, which was far below the average standard of US$28 in IVD expenditure per capita in major developed countries, therefore it has enormous growth potential in future. In China, the overall growth rate of IVD was over 22%, and had become the fastest growing segment among all medical device products. With improving local technology for IVD, low-cost advantage is becoming apparent, the invitro diagnostic industry in China is in a golden development period. Currently, in the Chinese IVD reagents market, biochemical diagnostic reagents and immune diagnostic reagents account for over 50% market share. Technically speaking, for projects which are currently widely used in clinical application and have broad market prospect, such as enzymes, lipids, liver function, blood glucose, urine test and immune reagent series on clinical biochemistry, the technological standards of major domestic manufacturers have basically matched up with international standards. The characteristics of the biochemical diagnosis market include relatively high inventory demand, low technological barriers and market concentration. Therefore, industry competition is intensifying. However, the applications of new technology and new project development are far less active than the immunologic diagnosis and molecular diagnosis sectors. The increasing concentration and industrial scale expansion are two main drivers of IVD growth, in particular the dominating clinical diagnosis in leading enterprises.

By this year, with the substantive benefits in the pharmaceutical sector from the launching and implementation of new medical reform and health sector policies, the impact of medical reform is spreading out with a steady increase in the number of medical visits. In particular, they play a significant role in the development of the basic level medical market. As such, the operating atmosphere and market sentiment of the industry were further improved.

In 2015, the important changes in medical reform policies, such as encouragement of private capital investment in medical service industry, will bring changes for the setup and management model of hospitals. We believe that as driven by social capital, the medical service market, in particular basic level medical market and high-end medical service, will increase substantially. The demand for diagnostic reagents and general consumables will continue to increase, which are beneficial to the continuous growth of the size of our business and will increase the sales of our products. As a result of our hard work and established foundation for many years, the Board is confident in establishing the Group into a leader in the health industry with capability in creating intellectual property rights and the ability to compete internationally. The Group will achieve an outstanding performance and maximise returns for all shareholders.

With increasing market participants, market competition for IVD reagent sector is becoming more intense. Enterprises are also facing on-going challenges in product quality enhancement and product mix optimisation. The Company will take more incentive measures to continue intensifying its marketing efforts, accelerate the progress in research and development, launch instruments that can match the diagnostic reagents, and strive to adapt to market changes and new demand. In 2015, the Group continues to pursue the enterprise culture construction of "Unity, Self-discipline, Dedication, and Innovation" as the theme. The Group also initiates all employees to enhance their occupation quality, innovation and competitiveness, and increases the momentum in marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production, operation and culture construction.

ACKNOWLEDGEMENT

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

By order of the Board

Wu Lebin
Chairman

Beijing, the People's Republic of China

18 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

Users for IVD reagent products in the PRC mainly include 22,700 hospitals, 37,200 county-level health centres, 450 blood stations, and emerging physical examination centres and independent medical laboratories. At present, about 90% of the market is clustered at hospitals. Under the overall direction of increasing disease prevention awareness and health consciousness of citizens, drugs price reduction and removal of medicine markups policies, the examination service will become the main income source for hospitals and the total diagnostic expenditure will also increase. In 2013, there were in total 7.3 billion medical visits in the PRC, maintaining at an annual growth rate of over 6% for the past six years. In the next five years, it is expected that with intensifying aging issue and improvement in people's health consciousness, total medical visits will maintain at a growth rate of over 5%, and it is expected that medical expenditure per capita will also maintain at a growth rate of 5%-7%. With IVD as the first step of medical treatment, and IVD as a base inspection and testing measure, about 30% of outpatient medical expenditure will be attributable to the clinical application of IVD products.

In 2013, over 50% of the IVD market was dominated by foreign brands, especially in the high-end sub-segment. With increasing research and development capability of the PRC companies and increased number of examination in primary hospitals, and under the guidance policies for charging based on examination items/testing methods, it will further facilitate the process of the IVD instruments and reagents to replace foreign brands. Under the needs of "controlling expenditure" by hospitals, the trend of application of local reagent by hospitals will be strengthened, thus it is beneficial to the local diagnostic reagent enterprises. The replacement process of imported biochemical inspection and testing has basically been completed. Chemiluminescence and nucleic acid diagnosis are the focuses of the imports replacement in the next five years. Research and development is the core competitive barrier in IVD instruments and reagents. As the chemiluminescence and molecular diagnostic technology have high entry barriers, only those companies with research and development capability could maintain their competitiveness in future. The characteristics of the IVD industry have implied that instruments research and development is of top priority. The reagents can be sold with instruments through bundling, and sales of instruments will drive the increase in sales of reagents, as instruments research and development will create a higher barrier. High-end instruments are confined, only when instruments are sold then reagents can be sold. From the experience of giant enterprises in the IVD market, the research and development of instruments is fundamental for their development in the industry. With the development of diagnostic technology, from the stages of screening, definite diagnosis to treatment, the diagnostic technology has began to be professionally segmented. Research and development of new technologies and their applications, which include advanced diagnostic technology, treatment technology and health management platform has brought the changes. These changes will certainly generate significant impact on clinical diagnosis. In particular, attention should be focused on the effect on individualised diagnosis, represented by molecular diagnostic technology in the industry. Furthermore, attention should also be paid to the cooperation model between manufacturers and distributors. The rise of several domestic major biochemical diagnostic companies is supported by strong sales channels and distributors, and their relationships have been strengthened by way of capital ties and intensified bonding.

BUSINESS REVIEW

Overview

In 2014, the Company and the Group as a whole basically achieved the profit target assigned by the Board, which realised a net profit of RMB10.14 million.

Revenue

The revenue of the Group was satisfactory with the revenue from IVD reagent business reached RMB265.3 million, representing an increase of 13.2% when compared with that of last year. During 2014, the Group actively adjusted its corresponding strategies to enable the Group to maintain its stable performance. Therefore, the growth in revenue was able to reach the Group's target.

Gross Profit and Margin

The gross profit for 2014 was approximately RMB131.8 million, which was approximately 3.1% higher than that of the previous year, and the gross profit margin was approximately 49.7% (2013: approximately 54.5%).

Selling and Distribution Expenses

For the year ended 31 December 2014, selling and distribution expenses increased by approximately 10.5% or approximately RMB5.4 million to approximately RMB56.59 million. The increase in such expenses was primarily attributable to the expansion of sales channels and sales teams.

Research and Development Costs

During 2014, the Company obtained 20 new product registration certificates, re-registered 48 types of old products and submitted 23 patent applications involving mainly specific allergens testing papers and preparation methods thereof. The total research and development costs for the year was RMB24.83 million, increased by 10.1% as compared to RMB22.56 million last year.

Profit for the Year

Profit for the year was RMB10.14 million, representing a decrease of approximately 7.9% compared to RMB11.01 million for 2013.

Profit Attributable to Owners of the Parent

During the reporting period, the profit attributable to owners of the parent was RMB8.49 million, representing a decrease of RMB0.64 million from that of the previous year. The profit attributable to owners of the parent for 2014 remained at a similar level as compared to last year.

PRODUCTION FACILITIES

The Company possesses 2 self-constructed plant complexes covering a total area of 37.17 mu, in which both complexes have passed the examination and acceptance and repair and reconstruction stages, and are in normal use. Plant Complex No. 1 with a gross floor area of 11,000 square metres is mainly used for office, research and development, production of biochemical reagents and other purposes. Plant Complex No. 2 with a gross floor area of 5,000 square metres (with five storeys above the ground) is mainly used as the production facilities for diagnostic reagents, comprising warehouse, workshops, laboratories and offices. The production facilities of each of its subsidiaries are either in use or under construction pursuant to relevant laws and regulations.

PROSPECTS AND FUTURE OUTLOOK

Medical examination and testing is the principal consumption channel for IVD reagents. According to an IVD reagents industry market report issued by Kalorama Information in July 2012, the IVD reagents expenditure per capita in China was only US$2, which was far below the average standard of US$28 in IVD expenditure per capita in major developed countries, therefore it has enormous growth potential in future. In China, the overall growth rate of IVD was over 22%, and had become the fastest growing segment among all medical device products. With improving local technology for IVD, low-cost advantage is becoming apparent, the IVD industry in China is in a golden development period. Currently, in the Chinese IVD reagents market, biochemical diagnostic reagents and immune diagnostic reagents account for over 50% market share. Technically speaking, for projects which are currently widely used in clinical application and have broad market prospect, such as enzymes, lipids, liver function, blood glucose, urine test and immune reagent series on clinical biochemistry, the technological standards of major domestic manufacturers have basically matched up with international standards. The characteristics of the biochemical diagnosis market include relatively high inventory demand, low technological barriers and market concentration. Therefore, industry competition is intensifying. However, the applications of new technology and new project development are far less active than the immunologic diagnosis and molecular diagnosis sectors. The increasing concentration and industrial scale expansion are two main drivers of IVD sector growth, in particular the dominating clinical diagnosis in leading enterprises.

By this year, with the substantive benefits in the pharmaceutical sector from the launching and implementation of new medical reform and health sector policies, the impact of medical reform is spreading out with a steady increase in the number of medical visits. In particular, they play a significant role in the development of the basic level medical market. As such, the operating atmosphere and market sentiment of the industry were further improved.

In 2015, the important changes in medical reform policies, such as encouragement of private capital investment in medical service industry, will bring changes for the setup and management model of hospitals. We believe that as driven by social capital, the medical service market, in particular basic level medical market and high-end medical service, will increase substantially. The demand for diagnostic reagents and general consumables will continue to increase, which are beneficial to the continuous growth of the size of our business and will increase the sales of our products. As a result of our hard work and established foundation for many years, the Board is confident in establishing the Group into a leader in the health industry with capability in creating intellectual property rights and the ability to compete internationally. The Group will achieve an outstanding performance and maximise returns for all shareholders.

With increasing market participants, market competition for the IVD reagent sector is becoming more intense. Enterprises are also facing on-going challenges in product quality enhancement and product mix optimisation. The Company will take more incentive measures to continue intensifying its marketing efforts, accelerate the progress in research and development, launch instruments that can match the diagnostic reagents, and strive to adapt to market changes and new demand. In 2015, the Group continues to pursue the enterprise culture construction of "Unity, Self-discipline, Dedication, and Innovation" as the theme. The Group also initiates all employees to enhance their occupation quality, innovation and competitiveness, and increases the momentum in marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production, operation and culture construction.

CAPITAL STRUCTURE

As at 31 December 2014, the capital structure of the Company has no significant change as compared to that of last year.

LIQUIDITY AND FINANCIAL POSITION

	2014	2013
	RMB million	RMB million
Cash and bank balances and time deposit	**82**	90
Short-term loans	**1**	–
Long-term loans	**–**	–
Net cash	**81**	90
Net debt equity ratio	**N/A**	N/A

The Group generally financed its operations with internally generated cash flows and capital contributions from shareholders. Net cash decreased by approximately RMB9 million, which was mainly due to an increase in purchases of machinery in the year.

FOREIGN CURRENCY RISK

The Group's businesses are mostly located in the PRC and most transactions are conducted in RMB, except that the Group occasionally purchases equipment and some IVD reagent products from foreign countries for resale in the PRC and the administrative expenses incurred by the Canadian subsidiary. Certain bank accounts denominated in Hong Kong dollars are opened in Hong Kong for the payments of H share dividends and miscellaneous expenses such as professional fees incurred in Hong Kong.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2014, certain of the Group's buildings with a net carrying amount of approximately RMB32,123,000 were pledged to secure the general bank facilities granted to the Group, which was not utilised as at the end of the reporting period.

As at 31 December 2014, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB2,976,000 were pledged to secure the general bank facilities granted to the Group, which was not utilised as at the end of the reporting period.

CONTINGENT LIABILITIES

As at the end of the reporting period, contingent liabilities not provided for in the financial statement were as follows:

	2014 **RMB'000**	2013 RMB'000
Guarantee given to a bank in connection with the loans granted to an associate	**50,000**	–

EMPLOYEES

As at 31 December 2014, the Group had a total of 650 full-time employees (2013: 658 employees) based in Hong Kong and China. Total staff costs of the Group (including the Directors' and supervisors' remuneration) for the year ended 31 December 2014 amounted to approximately RMB51.35 million (2013: RMB48.44 million). The Group fixes and reviews the emoluments of its staff and Directors based on their qualification, experience, performance of the Company and market rates, so as to maintain the remuneration 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 China and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group whom contributed significantly to the success of the Group. The Group recognises the importance of training of its staff 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 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.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend the Annual General Meeting

The registers of members of the Company will be closed from 30 April 2015 to 20 May 2015 (both days inclusive) in order to determine the entitlement to attend the annual general meeting (the "AGM") to be held on 20 May 2015. All properly completed H shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 29 April 2015, for registration.

Entitlement to Final Dividend

The Board has recommended the payment of a final dividend of RMB0.1 per share in respect of the year ended 31 December 2014. The registers of members of the Company will be closed from 28 May 2015 to 2 June 2015 (both days inclusive) in order to determine the entitlement to final dividend. All properly completed H share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 27 May 2015, for registration. The final dividend will be payable on or about 31 July 2015.

WITHHOLDING AND PAYMENT OF INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS AND NON-RESIDENT INDIVIDUAL SHAREHOLDERS IN RESPECT OF THE PROPOSED 2014 FINAL DIVIDEND

Non-resident Corporate Shareholders

Pursuant to the Law on Corporate Income Tax of the PRC and the relevant implementing rules and regulations, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident corporate shareholders whose names appear on the H share register of members on 2 June 2015. The Company will distribute the final dividend to such non-resident corporate shareholders after withholding a 10% income tax. In order to determine the list of holders of H shares who are entitled to receive the final dividend, the H share register of members of the Company will be closed from 28 May 2015 to 2 June 2015, both days inclusive, during which period no transfer of the Company's H shares will be effected. In order for holders of H shares to be qualified for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 27 May 2015, for registration.

Non-resident Individual Shareholders

Pursuant to the regulation promulgated by the State General Administration of Taxation of the PRC (Guo Shui Han [2011] No. 348), the Company is required to withhold and pay the non-resident individual income tax for the non-resident individual H shareholders and the non-resident individual H shareholders are entitled to certain tax preferential treatments according to the double tax treaties between those countries where the non-resident individual H shareholders are residents and China and the provisions in respect of double tax treaties between the China and Hong Kong or Macau. The Company would withhold and pay the individual income tax at the tax rate of 10% on behalf of the non-resident individual H shareholders who are Hong Kong residents, Macau residents or residents of those countries having double tax treaties with China for personal income tax rate in respect of dividend of 10%. For non-resident individual H shareholders who are residents of those countries having agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)(《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)). For non-resident individual H shareholders who are residents of those countries having double tax treaties with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold the individual income tax at the agreed-upon effective tax rate. For non-resident individual H shareholders who are residents of those countries without any double tax treaties with China or having double tax treaties with China for personal income tax in respect of dividend of 20% and other situations, the Company would withhold the individual income tax at a tax rate of 20%.

In order to determine the list of holders of H shares of the Company who are entitled to receive the final dividend, the H share register of members of the Company will be closed from 28 May 2015 to 2 June 2015, both days inclusive, during which period no transfer of the Company's H shares will be effected.

The Company will determine the country of domicile of the individual H shareholders based on the registered address as recorded in the register of members of the Company (the "Registered Address") on 2 June 2015 and will withhold and pay the individual income tax based on the register of members of the Company as at 2 June 2015. If the country of domicile of the individual H shareholder is not the same as the Registered Address, the individual H shareholder shall notify the Company's H share registrar and provide relevant supporting documents to the Company's H share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 27 May 2015, for registration. If individual H shareholders do not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of domicile of the individual H shareholders based on the recorded Registered Address on 2 June 2015.

The Company will strictly comply with the relevant PRC tax laws and regulations to withhold for payment such appropriate income tax and the final dividend will only be payable to the shareholders whose names appear on the Company's H share register of members on 2 June 2015.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination, of the status of the shareholders or any disputes over the mechanism of withholding.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company always puts strong emphasis on the superiority, steadiness and rationality of corporate governance.

CORPORATE GOVERNANCE

For the year ended 31 December 2014, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (Appendix 15 to the GEM Listing Rules) with the exception of Code Provisions A.1.8 and A.6.7 as addressed below.

1. Code Provision A.1.8

Under Code Provision A.1.8, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. As at the date of this report, the Company has not arranged such insurance coverage for the Directors.

The Company is in the process of reviewing and comparing the quotations and insurance proposals provided by a number of insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2015.

2 Code Provision A.6.7

This Code Provision requires that independent non-executive Directors and other non-executive Directors, as equal members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders of the Company.

All Directors attended and actively participated at the meetings regularly, and gave the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications. Mr. Wang Fugen, a non-executive Director, was unable to attend the annual general meeting of the Company held on 20 May 2014 as he was out of town for other businesses.

THE BOARD OF DIRECTORS

During the year of 2014, 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 terms of those Directors appointed during the term of the current session of the Board will commence from their appointment dates and ending on the expiry of term of the current session of the Board). The Board is mainly accountable to the owners of the parent. It is also in charge of the management, business, strategy, annual, interim and quarterly 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, interim and quarterly accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

The Board, in carrying out its corporate governance functions, is responsible for (a) developing and reviewing the Company's policies and practices on corporate governance; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) reviewing the Company's compliance with the code and disclosure in this corporate governance report.

Details of backgrounds and qualifications of the chairman of the Board 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 or her duties effectively and efficiently. There is no relationship among the members of the Board.

During the year of 2014, the chairman of the Board kept a close relationship with all Directors to ensure steady exchange of information with them in the course of operation and decision-making.

The executive Directors are in charge of different areas of duty. One of them 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 are responsible for the daily operations of the Group.

All 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 advice and contribution to the development of the Company during the year 2014.

The Board fulfilled the minimum requirement of appointing at least one-third of the members of the Board as independent non-executive Directors. They have professional knowledge and extensive experience in science and technology, medical science and economics, 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 Board has received an annual confirmation of independence from each of the independent non-executive Director. The Company considers all of them to be independent from the Company in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

During the year of 2014, the Board in carrying out its responsibilities held a total of five meetings. The average attendance rate reached 84.8%. The details of the Board meetings and the attendance rate are as follows:

Date of meeting	**Total number of Directors**	**Number of Directors present**	**Attendance rate**
12 February 2014	12	10	83%
18 March 2014	12	12	100%
20 May 2014	12	9	75%
10 July 2014	12	10	83%
20 August 2014	12	10	83%

Name of Directors	**Number of meetings attended**
Mr. Wu Lebin *(Chairman and executive Director)*	5/5
Ms. Bi Lijun *(Vice chairman and non-executive Director)* (appointed on 20 August 2014)	0/5
Dr. Gao Guang Xia *(Vice chairman and non-executive Director)* (resigned on 20 August 2014)	5/5
Mr. Ni Xiaowei *(Vice chairman and non-executive Director)* (resigned on 3 March 2015)	3/5
Dr. Wang Lin *(Executive Director)*	5/5
Mr. Hou Quanmin *(Executive Director)*	5/5
Mr. Jia Hongfei *(Non-executive Director)* (resigned on 3 March 2015)	3/5
Mr. Yu Tongle *(Non-executive Director)* (resigned on 3 March 2015)	5/5
Mr. Wang Fugen *(Non-executive Director)*	5/5
Mr. Yao Fang *(Non-executive Director)* (resigned on 13 March 2014)	0/1
Dr. Rao Yi *(Independent non-executive Director)* (resigned on 23 March 2015)	3/5
Dr. Hu Canwu Kevin *(Independent non-executive Director)*	3/5
Mr. John Wong Yik Chung *(Independent non-executive Director)*	3/5
Mr. Wang Daixue *(Independent non-executive Director)*	5/5

ANNUAL GENERAL MEETING HELD IN 2014

During the year 2014, the annual general meeting of the Company was held on 20 May 2014 in Beijing, PRC. Details of the Directors' attendance records of the meeting are as follows:

Name of Directors	**Number of meetings attended**
Mr. Wu Lebin *(Chairman and executive Director)*	1/1
Dr. Gao Guang Xia *(Vice chairman and non-executive Director)* (resigned on 20 April 2014)	1/1
Mr. Ni Xiaowei *(Vice chairman and non-executive Director)* (resigned on 3 March 2015)	1/1
Dr. Wang Lin *(Executive Director)*	1/1
Mr. Hou Quanmin *(Executive Director)*	1/1
Mr. Yu Tongle *(Non-executive Director)* (resigned on 3 March 2015)	1/1
Mr. Jia Hongfei *(Non-executive Director)* (resigned on 3 March 2015)	1/1
Mr. Wang Fugen *(Non-executive Director)*	0/1
Dr. Rao Yi *(Independent non-executive Director)* (resigned on 23 March 2015)	1/1
Dr. Hu Canwu Kevin *(Independent non-executive Director)*	1/1
Mr. John Wong Yik Chung *(Independent non-executive Director)*	1/1
Mr. Wang Daixue *(Independent non-executive Director)*	1/1

CHAIRMAN AND PRESIDENT

The chairman and the chief executive officer, whose function performed by the president of the Group, are currently two separate positions held by Mr. Wu Lebin and Mr. Zhou Jie respectively with clear distinction in responsibilities.

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 overseeing of the management. Other executive Directors are responsible for the day-to-day operations of the Group.

Mr. Zhou Jie, the president, is responsible for the daily operation of the Group, implementation of business strategies, targets and plans formulated and adopted by the Board, and assuming accountability to the Board for the overall operation of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a model code of conduct for 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 Company for assessing conduct of the Directors in their dealings in the securities of the Company. Any violation of this code will be regarded as a violation of the GEM Listing Rules. The Company has confirmed, after making specific enquiries with the Directors, all Directors have complied with the required standard of dealings as set out in the model code of conduct in relation to securities dealings by directors throughout the year ended 31 December 2014.

BOARD COMMITTEES

The Board has established three board committees (the "Board Committees"), namely remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and audit committee (the "Audit Committee") to oversee the particular aspect of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in accordance with the code provisions as set out in Appendix 15 to the GEM Listing Rules with written terms of reference. The main duties of the Remuneration Committee are 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 2014, members of the Remuneration Committee include all independent non-executive Directors, Dr. Rao Yi, Dr. Hu Canwu Kevin, Mr. John Wong Yik Chung and Mr. Wang Daixue, with Dr. Rao Yi as the chairman of the Remuneration Committee. Following Dr. Rao Yi's resignation as an independent non-executive Director on 23 March 2015, he also ceased to be the chairman of the Remuneration Committee. Dr. Zheng Yongtang was appointed as the chairman of the Remuneration Committee with effect from the same date.

The Remuneration Committee has held one meeting to review and approve the remuneration packages of the Directors and senior management of the Group for the year ended 31 December 2014.

The Remuneration Committee meets regularly to determine, with delegated responsibility from the Board, the policy for the remuneration packages of individual Directors and senior management and assess the performance of executive Directors and senior management of the Company. During the year of 2014, the Remuneration Committee met once and the individual attendance of each member is set out below:

Name of Directors	Number of meetings attended
Dr. Rao Yi (resigned on 23 March 2015)	1/1
Dr. Hu Canwu Kevin	1/1
Mr. John Wong Yik Chung	1/1
Mr. Wang Daixue	1/1

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (HK$)	Number of person
HK$1,000,000 and under	4
HK$1,000,001 to HK$1,500,000	Nil
HK$1,500,001 to HK$2,000,000	Nil
HK$2,000,001 to HK$2,500,000	Nil

Further particulars regarding Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the financial statements, respectively.

NOMINATION COMMITTEE

The Nomination Committee was established on 20 March 2012. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendation to the Board on selection of candidates for directorships. In addition, the Nomination Committee is also responsible for determining (i) the policy for the nomination of Directors to be performed by the Nomination Committee during the year; (ii) the nomination procedures and the process and criteria to be adopted by the Nomination Committee to select and recommend candidates for directorship during the year; and (iii) reviewing the Board Diversity Policy (as defined below) and the implementation progress of targets set by such policy.

During 2014, the Board has adopted the board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on merit, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

In 2014, the Nomination Committee comprises an executive Director, namely Mr. Wu Lebin, and four independent non-executive Directors, namely Dr. Hu Canwu Kevin, Dr. Rao Yi, Mr. John Wong Yik Chung and Mr. Wang Daixue. Dr. Hu Canwu Kevin is the chairman of the Nomination Committee. Following Dr. Rao Yi's resignation as an independent non-executive Director on 23 March 2015, he also ceased to be a member of the Nomination Committee. Dr. Zheng Yongtang was appointed as a member of the Nomination Committee with effect from the same date.

In carrying out its functions, the Nomination Committee met once during the year ended 31 December 2014. The attendance record of the said meeting is set out as follows:–

Name of Directors	**Number of meetings attended**
Dr. Hu Canwu Kevin	1/1
Dr. Rao Yi (resigned on 23 March 2015)	1/1
Mr. John Wong Yik Chung	1/1
Mr. Wu Lebin	1/1
Mr. Wang Daixue	1/1

AUDIT COMMITTEE

The Company established the Audit Committee on 10 February 2006 in accordance with the requirements of the GEM Listing Rules.

The duties of the Audit Committee include (but not limited to):

1. supervising the accounting and financial reporting procedures and reviewing the financial statements of the Group;

2. studying carefully all the 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; and

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

Members of the Audit Committee possess high sense of responsibilities. They have contributed their time 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 reviewed all the quarterly, half-yearly and annual 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.

The Audit Committee has reviewed the annual results, financial position, internal control and the management issues of the Group for the year ended 31 December 2014.

During the year ended 31 December 2014, 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 (resigned on 23 March 2015)	4/4
Dr. Hu Canwu Kevin	4/4
Mr. John Wong Yik Chung	4/4
Mr. Wang Daixue	4/4

In 2014, the Audit Committee comprises all independent non-executive Directors, namely Dr. Rao Yi, Dr. Hu Canwu Kevin, Mr. John Wong Yik Chung and Mr. Wang Daixue, of which Dr. Rao Yi is the chairman. The Audit Committee has reviewed the annual results, financial position, internal control and the management issues of the Group for the year ended 31 December 2014. Following Dr. Rao Yi's resignation as an independent non-executive Director on 23 March 2015, he also ceased to be the chairman of the Audit Committee. Dr. Zheng Yongtang was appointed as the chairman of the Audit Committee with effect from the same date.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric, the company secretary supports the chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. Mr. Tung advises the Board on governance matters and facilitates the induction and professional development of the Directors. The company secretary is an employee of the Company and is appointed by the Board. Although the company secretary reports to the chairman and the president of the Company, all Directors may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The company secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules.

Mr. Tung has confirmed that he has taken not less than 15 hours of relevant professional training in the financial year.

AUDITORS' REMUNERATION

The Audit Committee 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 impact on the Group. For the year ended 31 December 2014, auditors' remuneration for audit services is approximately RMB700,000.

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 48.

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

An induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company will be provided to each newly appointed director, if any. The Group also provides briefings and other trainings to develop and refresh the directors' knowledge and skills, and updates all directors on the regulatory requirements as necessary.

During the year ended 31 December 2014, a memorandum on the Company's continuous obligations in relation to disclosure of information, notifiable transactions and corporate governance under the GEM Listing Rules was distributed to all Directors as part of their reading materials and training in the continuous professional development plan.

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 meetings 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.

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.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Any two or more shareholders holding 10% or more of the shares carrying the right to vote may, by signing one or more counterpart requisitions stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall as soon as possible proceed to do so. The relevant shareholdings of the shareholders shall be calculated as at the date of delivery of the requisitions. If the Board fails to issue a notice for such a meeting within 30 days from the date of receipt of the requisition, the requisitionists may themselves convene an extraordinary general meeting in a manner as nearly as possible to the manner in which meetings are to be convened by the Board, provided that any meeting so convened shall not be convened after the expiration of four months from the date of receipt of the requisition by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 10 business days prior to the date of a general meeting through the company secretary whose contact details are set out in the paragraph "Procedures for directing shareholder' enquiries to the Board" below.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
66th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong
Fax No.: (852) 2108 4001

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or the relevant Board Committees of the Company and where appropriate, respond to such enquiries.

CONSTITUTIONAL DOCUMENTS

At the extraordinary general meeting held on 12 February 2014, the shareholders of the Company passed by way of poll the following amendment to the articles of association of the Company: Expanding the existing scope of business of the Company to include "leasing of medical devices and equipment" in order to meet its operational needs in the long run.

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 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture, sale and distribution of IVD reagent products. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 58.

The Directors recommend the payment of a final dividend of RMB0.1 per share in respect of the year to shareholders whose names appear on the register of members on 2 June 2015. Upon approval by the shareholders, the final dividend will be paid on or about 31 July 2015. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity 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 134. 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

During the year, there was no change in the Company's registered and issued share capital.

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 its 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 34(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 2014, amounted to approximately RMB93,003,000, of which RMB13,130,000 has been proposed as a final dividend for the year. Details of movements in the reserves of the Company during the year are set out in note 34(b) to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers of RMB42,556,000, accounted for 18.2% of the total revenue for the year, in which sales to the largest customer amounted to 4.6%. Purchases from the Group's five largest suppliers of RMB27,526,000, accounted for 25.8% of the total purchases for the year, in which purchases from the largest supplier amounted to 12.4%. None of the Directors 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 CHAIRMEN AND NON-EXECUTIVE DIRECTORS:

Mr. Chen Jintian (appointed on 3 March 2015)
Ms. Bi Lijun (appointed on 20 August 2014)
Dr. Gao Guang Xia (resigned on 20 August 2014)
Mr. Ni Xiaowei (resigned on 3 March 2015)

EXECUTIVE DIRECTORS:

Mr. Zhou Jie (appointed on 3 March 2015)
Dr. Wang Lin
Dr. Xu Cunmao (appointed on 3 March 2015)
Mr. Hou Quanmin

NON-EXECUTIVE DIRECTORS:

Mr. Wang Fugen
Mr. Yu Tongle (resigned on 3 March 2015)
Mr. Jia Hongfei (resigned on 3 March 2015)
Mr. Yao Fang (resigned on 13 March 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Rao Yi (resigned on 23 March 2015)
Dr. Zheng Yongtang (appointed on 23 March 2015)
Dr. Hu Canwu Kevin
Mr. John Wong Yik Chung
Mr. Wang Daixue

SUPERVISORS:

Ms. Yan Xiyun (appointed on 20 August 2014)
Mr. Shao Yimin
Ms. Huang Aiyu (appointed on 3 March 2015)
Dr. He Rongqiao (resigned on 20 August 2014)
Ms. Guan Xiaohui (resigned on 3 March 2015)

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 GEM Listing Rules, and as at the date of this report, the Board 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 41 to 47 of this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors 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 various dates of their respective appointments. The terms of those Directors appointed during the term of the current session of the Board will commence from their appointment dates and ending on the expiry of term of the current session of the Board.

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 the annual general meeting. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTEREST IN CONTRACTS

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', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests of the Directors, supervisors or chief executive of the Company 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 (Chapter 571 of the Laws of Hong Kong) (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%	2.67%
Mr. Hou Quanmin *(Note)*	300,000	0.45%	0.23%
Dr. Wang Lin *(Note)*	200,000	0.30%	0.15%
Mr. Zhou Jie *(Note)*	150,000	0.22%	0.11%

Note: These Directors or chief executive are the registered holders and beneficial owners of the respective domestic shares.

Save as disclosed above, as at 31 December 2014, none of the Directors, supervisors or chief executive of the Company 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 of the Company 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 2014.

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

As at 31 December 2014, as far as is known to any Directors and supervisors of the Company, other than the interest of the Directors, supervisors and chief executive of the Company as disclosed under the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise nonified to the Company and the Stock Exchange:

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	Domestic shares	H shares	
IBP	Directly beneficially owned	31,308,576	–	46.72%	0.00%	23.84%
Beijing Shuoze Health Industry Investment Company Limited#	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Chen Jintian	Through controlled corporations	24,506,143	–	36.57%	0.00%	18.67%
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%
Shanghai Fosun High Technology (Group) Co., Ltd.#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%
Fosun International Limited#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%
Fosun Holdings Limited#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%
Fosun International Holdings Ltd.#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%

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

LONG POSITIONS IN SHARES OF THE COMPANY *(Continued)*

Name	Capacity and nature of interest	Number of the Company's shares held Domestic shares	H shares	Percentage of the Company's respective type of shares Domestic shares	H shares	Percentage of the Company's total registered capital
Guo Guangchang#	Through controlled corporations	–	6,780,000	0.00%	10.55%	5.16%
Fosun Industrial Co., Limited#	Directly beneficially owned	–	6,780,000	0.00%	10.55%	5.16%
Beijing Enterprises Holdings Limited^	Directly beneficially owned	–	27,256,143	0.00%	42.40%	20.76%
Beijing Enterprises Group Company Limited ^	Through controlled corporations	–	27,256,143	0.00%	42.40%	20.76%
Chung Shek Enterprises Company Limited	Directly beneficially owned	–	3,800,000	0.00%	5.91%	2.89%
K.C. Wong Education Foundation	Through controlled corporations	–	3,800,000	0.00%	5.91%	2.89%

Each of Shanghai Fosun Pingyao Investment Management Company Limited ("Fosun Pingyao") and Fosun Industrial Co., Limited ("Fosun Industrial") is a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharmaceutical"). Fosun Pharmaceutical is in turn held 48.05% and 0.01% by Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Hi-Tech") and Mr. Guo Guangchang respectively. Fosun Hi-Tech is wholly-owned by Fosun International Limited ("Fosun International") which is in turn held by Fosun Holdings Limited ("Fosun Holdings") as to 78.24%. Fosun Holdings is wholly-owned by Fosun International Holdings Ltd. ("Fosun International Holdings") which is in turn held by Mr. Guo Guangchang as to 58%. Pursuant to the SFO, each of Fosun Pharmaceutical, Fosun Hi-Tech, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang is deemed to be interested in the 6,780,000 H shares held by Fosun Industrial. On 31 December 2014, the Company was notified that, Fosun Pharmaceutical has through its subsidiaries, disposed of 24,506,143 domestic shares of the Company to Beijing Shuoze and 6,780,000 H Shares to HK Future respectively. The Domestic Share and H Share Disposal had been completed on 26 December 2014 and 9 March 2015 respectively. Beijing Shuoze and HK Future are wholly held by Mr. Chen Jintian respectively.

^ Beijing Enterprises Group Company Limited is the ultimate holding company of Beijing Enterprises. Accordingly, it is deemed to be interested in the H shares owned by Beijing Enterprises pursuant to the SFO.

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 2014, no person, other than the Directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying Shares" above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance.

For the year ended 31 December 2014, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of code provisions A.1.8 and A.6.7 as addressed below.

1. Code Provision A.1.8

Under Code Provision A.1.8, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. As at the date of this report, the Company has not arranged such insurance coverage for the Directors.

The Company is in the process of reviewing and comparing the quotations and insurance proposals from different insurers, and currently targets to purchase the relevant liability insurance for the Directors within 2015.

2 Code Provision A.6.7

This Code Provision requires that independent non-executive Directors and other non-executive Directors, as equal members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders of the Company.

All Directors had attended and active participated at the meetings regularly, give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications. Mr. Wang Fugen, a non-executive Director, was unable to attend the annual general meeting of the Company held on 20 May 2014 as he was out of town for other businesses.

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.

COMPETING INTERESTS

During the year and up to the date of this report, none of the Directors, supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor any conflicts of interest which has or may have with the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, details of which are set out below.

Stock Supply Agreement

On 19 March 2013, Beijing Huamei Scientific Co., Ltd. ("Beijing Huamei") entered into a stock supply agreement (the "Stock Supply Agreement") with IBP. Pursuant to the Stock Supply Agreement, Beijing Huamei agreed to supply reagents consumables and apparatus to IBP.

The selling price for the reagents consumables and apparatus shall be determined between the parties after arm's length negotiations in a fair and reasonable manner after considering the relevant production costs and the market price of the same or similar types of reagents consumables and apparatus.

The details of Stock Supply Agreement are set out in the announcement dated 19 March 2013 issued by the Company. The annual cap in respect of the transactions under the Stock Supply Agreement for the period from 18 March 2013 to 31 December 2013, and the year ending 31 December 2014, and the year ending 31 December 2015 shall not exceed RMB4,000,000, RMB5,000,000 and RMB6,000,000, respectively.

The aggregate sales amounts under the continuing connected transactions between Beijing Huamei and IBP for the year ended 31 December 2014 were RMB2,276,000.

Relationship between the parties

Beijing Huamei, a non-wholly owned subsidiary of the Company, is a limited liability company established in the PRC in which 56.62% is owned by the Company.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has received a letter from the auditors which has confirmed the matters required under Rule 20.38 of the GEM Listing Rules.

IBP is a substantial shareholder of the Company and holds approximately 23.84% of the issued share capital of the Company. Accordingly, IBP is a connected person of the Company and therefore the transactions contemplated under the Stock Supply Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

AUDITORS

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

ON BEHALF OF THE BOARD

Wu Lebin
Chairman

Beijing, the People's Republic of China
18 March 2015

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, on resolutions made by the Board 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 Board is in compliance with the Company's articles of association and operating norms.

The Supervisory Committee considers that the Company's 2014 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 2015 to better discharge its duty, including securing shareholders' interests.

The Fifth Supervisory Committee of Biosino Bio-Technology and Science Incorporation
Yan xiyun
Chairman of the Supervisory Committee

Beijing, the People's Republic of China
18 March 2015

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD

Mr. Wu Lebin（吳樂斌先生）, aged 53, is the chairman and an executive Director of the Company. Mr. Wu graduated from the Jiangxi Medical College with a bachelor's degree in medicine in 1983 and from the Graduate University of CAS 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 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 IBP respectively. He possesses over 20 years of experience in research management, science development, administration and corporate management. Mr. Wu joined the Company in 2001. He is the president of the Company since 2003, and is chairman of the Board in 2006 and resigned the concurrent post of president on 10 July 2014.

VICE CHAIRMEN AND NON-EXECUTIVE DIRECTORS

Mr. Chen Jintian（陳錦添先生）, aged 37, is a vice chairman and a non-executive Director of the Company. Mr. Chen completed a financial computerization program of The Open University of Fujian*（福建廣播電視大學）in 1999, and completed an EMBA program of University of Management and Technology in 2012. He holds a master degree and is a senior economist. He was the chairman of the board of directors of Beijing Shuoze Commercial Group*（北京碩澤商業集團）, HK Future Investment Group*（香港未來投資集團）and is currently the chairman of the board of Beijing Shuoze. Mr. Chen was appointed as a non-executive Director in March 2015, subject to the approval at the forthcoming AGM.

Dr. Bi Lijun（畢利軍博士）, aged 41, is a vice chairman and a non-executive Director of the Company. Dr. Bi obtained a bachelor degree in food science from the School of Food Science of Henan University of Science and Technology*（河南科技大學）, a master degree in food science from the School of Food Science of Shenyang Agricultural University*（瀋陽農業大學）, a doctoral degree in microbiology from Institute of Applied Ecology of CAS（中科院瀋陽應用生態研究所）and a post doctor fellow from Kinki University (Japan). Thereafter, Ms. Bi worked successively as a deputy research associate and research associate and is currently the assistant to the director in IBP of CAS. Dr. Bi joined the Company in August 2014.

Dr. Gao Guangxia（高光俠博士）, aged 50, was a former vice chairman and a non-executive Director of the Company. He is currently working in IBP of the CAS as a researcher, an assistant to the director 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 a vice chairman of the Company. Dr. Gao resigned in August 2014.

Mr. Ni Xiaowei (倪小偉先生), aged 52, was a former vice chairman and a non-executive Director of the Company. He is currently the vice president of Fosun Pharmaceutical Group* (復星醫藥集團). During 1990 to 1998, he worked in the human resources department and subsequently as the manager of the retail pharmaceutical department of Shanghai Pharmaceutical Co., Ltd.* (上海市醫藥股份有限公司), a company listed on the Shanghai Stock Exchange ("Shanghai Stock Exchange") and the Main Board of the Stock Exchange (stock code: 601607 and 02607) and as the general manager of Putong Medicine Corporation* (浦東醫藥公司). During 1998 to 2001, he worked as the general manager of the investment business department and retail pharmaceutical business department of the Company; During 2001 to 2008, he worked successively as the general manager of the retail pharmaceutical department of China Huayuan Group Limited* (中國華源集團有限公司), the deputy general manager of Beijing Pharmaceutical Group* (北京醫藥集團), the director and deputy general manager of China Huayuan Group Company Limited* (中國華源生命產業有限公司); During 2008 to June 2011, he worked as the chairman of Xian Xinxibei Shuanghe Pharmaceutical Company Limited* (西安新西北雙鶴醫藥有限公司) and Kunshan Shuanghe Pharmaceutical Company Limited* (昆山雙鶴醫藥有限公司). Mr. Ni obtained an associate degree in mathematics from the Shanghai Normal University* (上海師範大學) in September 1982, and a MBA degree from the Sino-foreign Monash University of Australia in May 1998. Mr. Ni resigned in March 2015.

EXECUTIVE DIRECTORS

Mr. Zhou Jie (周潔先生), aged 53, is an executive Director and the president 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 Zhong Sheng Biochemical Reagent Technology Development Corporation* (中生生化試劑技術開發公司) ("Biosino Biochemical", the predecessor of the Company) in 1990 and worked in Chengdu Office, responsible for the sales across the southwestern region of the PRC. He then worked in the marketing department of the Company as a department manager, fully responsible for the sales function. In April 2001, Biosino Biochemical was transformed to become the existing Company and Mr. Zhou was recruited as a vice president, responsible for market sales and leading our sales team. The sales team pushed up the sales revenue from over RMB30 million to RMB170 million, a six-fold increase in growth, and had established the Company to become a sizable renowned enterprise in the industry. In recent years, Mr. Zhou has participated in the organization and implementation of certain research projects such as the National Eleventh Five, Twelfth Five "863" key scientific research projects, National Technology Support Program (國家科技部支撐計劃項目) and CAS Medical Transform Research Program (中科院轉化醫學研究項目), exploring the scientific and research co-operation-based sales model and laid a good foundation in achieving the strategic adjustment and rapid development of the Company together with the senior management. Mr. Zhou was appointed as the president of the Company on 10 July 2014 and an executive Director in March 2015, subject to the approval at the forthcoming AGM.

Dr. Wang Lin (王琳博士), aged 48, is an executive director 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. Dr. Wang conducted postdoctoral researches at the University of California-San Diego from 1997 to 2000, and 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. Dr. Wang joined the Company in September 2005 and was appointed as an executive Director of the Company in January 2007.

Dr. Xu Cunmao（許存茂博士）, aged 52, is an executive Director, a vice president and the secretary of the Board of the Company, responsible for the overseas investment functions and the relevant matters of general meetings, board meeting and information disclosure of the Company. Dr. Xu obtained a Bachelor's Degree in Science and a Master's Degree in Science in economic geography from Northwest Normal University（西北師範大學）, and a Ph.D Degree in Science in regional economic geography from Northeast Normal University（東北師範大學）. He was an associate professor of the School of Economics in Hainan University（海南大學）, executive deputy general manager of Hainan Nanxi Industrial Co., Ltd.*（海南南茜實業股份有限公司）, executive deputy general manager of Beijing Beida Nanxi Bio-Engineering Co., Ltd.*（北京北大南茜生物工程有限公司）, general manager of Shanghai Guangkong Industrial Investment Co., Ltd.*（上海廣控實業投資有限公司）and general manager of PKU Weiming Diagnostics Co., Ltd.（北大未名診斷試劑有限公司）. Dr. Xu joined the Company in 2003 and was appointed as an executive Director in March 2015, subject to the approval at the forthcoming AGM.

Mr. Hou Quanmin（侯全民先生）, aged 49, is an executive director 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 corporate 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 IBP . Mr. Hou was the vice head in charge of technology（科技副縣長）of Chicheng County, Zhangjiakou City, Hebei Province, the assistant to 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 in January 2007.

NON-EXECUTIVE DIRECTORS

Mr. Wang Fugen（王福根先生）, aged 52, is an engineer and a non-executive Director. Mr. Wang studied a postgraduate 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.

Mr. Yu Tongle（余同樂先生）, aged 46, was a former non-executive Director. He graduated from the University of Fudan. From 1987 to 2008, Mr. Yu held various positions such as an engineer of Shanghai Medical Analysis Equipment Factory Co., Ltd.*（上海醫用分析儀器廠）, an engineer of Shanghai Antai Analysis Equipment Co., Ltd.*（上海安泰分析儀器有限公司）, the deputy general manager of U.S.A. Pointe Biotechnology (Shanghai) Co., Ltd.*（美國波音特生物技術（上海）有限公司）, the deputy general manager of Shanghai Shenneng Group Biotechnology Co., Ltd.*（上海申能集團生物技術有限公司）, the vice president of Germany Desai Biotechnology (Shanghai) Co., Ltd.*（德國德賽生物技術（上海）有限公司, the deputy general manager of Shanghai Heyi Industries Co., Ltd.*（上海合意實業有限公司）. Since March 2008, Mr. Yu acted as the investment officer, senior investment officer as well as the general manager of the second investment department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*（上海復星醫藥（集團）股份有限公司）. Mr. Yu resigned in March 2015.

Mr. Jia Hongfei（賈鴻飛先生）, Canadian, aged 48, was a former non-executive Director. He is currently a senior vice president and chief financial officer of Fosun Pharmaceutical Group*（復星醫藥集團）. Before joining the Group, Mr. Jia worked successively as the financial budget planning manager of Sino-America (Tianjin) Smith Kline Pharmaceutical Limited*（中美（天津）史克制藥有限公司）and the financial manager of Glaxo Wellcome (China) Limited*（葛蘭素威康（中國）有限公司）, from November 1996 to May 1999. During July 2011 to October 2012, he worked as the financial controller of Goodbaby International Holdings Limited, a company listed on the Stock Exchange (stock code: 01086). Mr. Jia obtained a bachelor of science degree in management science from Fudan University*（復旦大學）and a master of business administration from the University of Texas at Dallas*（達拉斯大學）in the United States in July 1989 and December 2005, respectively. Mr. Jia resigned in March 2015.

Mr. Yao Fang（姚方先生）, aged 45, was a former non-executive Director. Mr. Yao obtained a master degree in business administration from The Chinese University of Hong Kong in 1993. From the year 1993 to 2009, Mr. Yao was successively the assistant general manager of international business department of Shanghai Wanguo Securities Company Limited*（上海萬國證券有限公司）, general manager of Shanghai Shangshi Assets Management Company Limited*（上海上實資產經營有限公司）, general manager of Shangshi Management (Shanghai) Company Limited*（上實管理（上海）有限公司）, managing director of Shanghai Industrial Pharmaceutical Investment Co., Ltd.*（上海實業醫藥投資股份有限公司）, chairman of Shanghai Overseas Company*（上海海外公司）and executive director of Shanghai Industrial Holdings Limited*（上海實業控股有限公司）Mr. Yao successively worked as the deputy general manager, chief financial officer, vice chairman and general manager of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.（上海復星醫藥（集團）股份有限公司）from 9 April 2010 to 8 June 2010. Mr. Yao resigned in March 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Rao Yi（饒毅博士）, aged 52, was a former independent non-executive Director. 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 an assistant professor, an associate professor and a 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 a professor of neural medicine in the School of Medicine; Elsa Swanson Professor of Neurology; director of research, Feinberg Clinical Neuroscience Research Institute; and an associate director of 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 Peking University. Dr. Rao resigned in March 2015.

Dr. Zheng Yongtang（鄭永唐博士）, aged 52, is an independent non-executive Director. He is a research associate and a doctoral student advisor of Kunming Institute of Zoology of the CAS*（中國科學院昆明動物研究所）("KIZ"). Dr. Zheng obtained a bachelor degree in medicine from Jiangxi Medical College*（江西醫學院）in 1983, a master degree in cellular immunology and a doctoral degree in viral immunology from KIZ in 1989 and 1997, respectively. Dr. Zheng was a teaching assistant at the Department of Microbiology and Immunology of Gannan Medical College*（贛南醫學院微生物與免疫學教研室）between 1983 and 1986. Since 1991, Dr. Zheng joined KIZ and worked as a research assistant, research associate and doctoral student advisor. Dr. Zheng was appointed as an independent non-executive Director in March 2015, subject to the approval at the forthcoming AGM.

Dr. Hu Canwu Kevin（胡燦武博士）, male, aged 39, is an independent non-executive Director. 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 in 2006. 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. Hu joined the Company in February 2009.

Mr. John Wong Yik Chung（黃翼忠先生）, aged 48, is a qualified accountant by training with more than 20 years of experience in auditing and corporate finance work, with extensive exposure to the business enterprises in the PRC. He had served at PricewaterhouseCoopers, Arthur Anderson, Ernst & Young and Deloitte & Touche Corporate Finance Limited. Mr. Wong is currently a partner of Vantage Consulting Group and a director and senior consultant of TMF China. Mr. Wong is also an independent non-executive director of Ecogreen Fine Chemicals Group Limited (stock code: 2341), Golden Resources Development International Limited (stock code: 677) and Beijing North Star Company Limited (stock code: 588), all being companies listed on the Main Board of the Stock Exchange, an independent non-executive director of CDW Holdings Limited, a company listed on the Singapore Stock Exchange, and an independent director of Yangguang Co. Ltd., a company listed on the Shenzhen Stock Exchange. He was an independent director of General Steel Holdings Inc., a company listed on the New York Stock Exchange between June 2006 and March 2010. Mr. Wong graduated from the University of Melbourne. He is a fellow member of each of the Australian Society of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He also obtained a PRC Certificate of Independent Directorship in 2002. Mr. Wong joined the Company in March 2011.

Mr. Wang Daixue（王代雪先生）, aged 59, is currently the chairman of Beijing Beilu Pharmaceutical Co., Ltd.*（北京北陸藥業股份有限公司）, a company listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300016) ("Beijing Beilu"). In October 1992, Mr. Wang founded Beijing Beilu Pharmaceutical and Chemical Co., Ltd.*（北京北陸醫藥化工公司）and acted as its general manager. After the restructuring of Beijing Beilu Pharmaceutical and Chemical Co., Ltd. in 1999, it became Beijing Beilu in which Mr. Wang acted as the chairman and general manager. Beijing Beilu was converted into a joint stock company in February 2001 and was one of the first batch of companies listed on the ChiNext board of the Shenzhen Stock Exchange in 2009. Mr. Wang is also the controlling shareholder of Beijing Beilu. Mr. Wang joined the Company in March 2013.

SUPERVISORS

Dr. Yan Xiyun（閻錫蘊博士）, female, aged 57, is the chairman of the Supervisory Committee of the Company. Ms. Yan obtained a bachelor degree from Henan Medical University*（河南醫科大學）and a doctoral degree in medicine from University of Heidelberg (Germany). Since 1993, Ms. Yan has been engaging in the research on protein functions and antibodies engineering. She has undertaken a number of large-scale scientific research projects, responsible for the State 863 and 973 projects and certain research projects funded by the National Natural Science Foundation of China. She also hosted the major knowledge-innovative "antibodies engineering" program at CAS during the 9th Five-Plan and the 10th Five-Plan. Ms. Yan successfully worked as a research trainee, an assistant research associate in IBP of CAS. She also worked as a deputy research associate, research associate and supervisor of doctoral students in Institute of Microbiology of CAS. Ms. Yan is currently the secretary general of the Biophysical Society of China*（中國生物物理學會）. She was appointed as a supervisor of the Company between 2003 and 2006 and rejoined the Company in August 2014.

Mr. Shao Yimin（邵依民先生）, aged 57, was 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. Mr. Shao is currently the vice officer of the president's office of the Company. Mr. Shao joined the Company in January 2004.

Ms. Huang Aiyu（黃愛玉女士）, aged 28, is a supervisor of the Company, obtained a bachelor degree in financial management from Beijing Technology and Business University（北京工商大學）in 2008. She was the finance manager of Beijing Shuoze Commercial Group*（北京碩澤商業集團）. Ms. Huang was appointed as a supervisor in March 2015, subject to the approval at the forthcoming AGM.

Dr. He Rongqiao（赫榮喬博士）, aged 60, was the former chairman of the Supervisory Committee 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 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 IBP and a member of Biophysical Society USA, the administrator of the "Brain and Cognitive Sciences Center" of 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 resigned in August 2014.

Ms. Guan Xiaohui（關曉暉女士）, aged 44, obtained a master degree in accounting from the Chinese University of Hong Kong in 2007 and is a certified public accountant. From July 1992 to April 2000, Ms. Guan was the staff to the Jiangxi branch of Industrial and Commercial Bank of China. Starting from May 2000, Ms. Guan was successively the financial manager of medicine circulation department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.（上海復星醫藥（集團）股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600196), the chief financial officer of Shanghai Fosun Pharmacy Company Limited*（上海復星藥業有限公司）, an assistant to the chief financial officer and the vice chief financial officer, the vice chairman of commercial management committee and the assistant to the chairman and the general manager of financial department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.. Ms. Guan resigned in March 2015.

SENIOR MANAGEMENT

Ms. Yao Ping（姚萍女士）, aged 53, is a vice president of the Company, and is responsible for the administration and human resources division. 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 IBP and was responsible for corporate development. Ms. Yao joined the Company in April 2001.

Ms. Wang Jianqing（王建清女士）, aged 52, is a vice president of the Company, and is responsible for the production and quality control of diagnostic reagents. 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.（山東綠葉製藥股份有限公司）. Her career fields, include among other matters, education, scientific research, logistics control. Ms. Wang has also worked as a tutor in quality management, an engineer, and a senior engineer, respectively. Ms. Wang joined the Company in August 2004.

Mr. Jiang Hongyan（姜鴻雁先生）, aged 45, is the chief financial officer of the Company. Mr. Jiang obtained a bachelor's degree in accounting from The Central University of Finance and Economics（中央財經大學）and a master's degree in business administration from National University of Singapore（新加坡國立大學）, he is also an associate member of the Association of Chartered Certified Accountants of the United Kingdom (ACCA). Since March 2003, Mr. Jiang worked successively in the position of chief financial officer of Beijing Origin Seed Technology Inc.（北京奧瑞金種業股份有限公司）, Beijing Zhengluejunce Enterprise Management Consultancy Co., Ltd. (北京正略鈞策企業管理諮詢有限公司）and Beijing Lüsejinke Bio-Technology Co., Ltd.*（北京綠色金可生物技術股份有限公司）respectively. Mr. Jiang joined the Company in July 2011.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric（董渙樟先生）, aged 44, is the company secretary of the Company. Mr. Tung graduated from York University, Toronto, Canada with a honor bachelor's degree in administrative 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 of the American Institute of Certified Public Accountants. Mr. Tung previously worked in Ernst & Young and possesses extensive experience. Mr. Tung is currently the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited (stock code: 392), the executive director, chief financial officer and company secretary of Beijing Enterprises Water Group Limited (stock code: 371), an independent non-executive director of South China Financial Holdings Limited (stock code: 619) and GR Properties Limited (stock code: 108), all are companies listed on the Main Board of the Stock Exchange.

QUALIFIED ACCOUNTANT

Mr. Cheung Yeung（張洋先生）, aged 35, 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 certified public accountant of Hong Kong Institute of Certified Public Accountants. He has over 10 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

EY 安永

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

We have audited the consolidated financial statements of Biosino Bio-Technology and Science Incorporation (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
18 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**265,331**	234,464
Cost of sales		**(133,556)**	(106,615)
Gross profit		**131,775**	127,849
Other income and gains	5	**14,948**	13,507
Selling and distribution expenses		**(56,590)**	(51,189)
Administrative expenses		**(41,317)**	(41,048)
Research and development expenses		**(24,826)**	(22,557)
Other expenses		**(2,476)**	(68)
Finance costs	7	**(38)**	–
Share of losses of:			
Joint ventures		**(3,275)**	(4,935)
Associates		**(3,968)**	(2,432)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**14,233**	19,127
Income tax expense	10	**(3,703)**	(4,404)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**10,530**	14,723
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12	**(391)**	(3,710)
PROFIT FOR THE YEAR		**10,139**	11,013
Attributable to:			
Owners of the parent		**8,485**	9,132
Non-controlling interests	11	**1,654**	1,881
		10,139	11,013
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
– For profit for the year		**RMB0.06**	RMB0.07
– For profit from continuing operations		**RMB0.07**	RMB0.10

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 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**10,139**	11,013
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**9**	179
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**9**	179
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9**	179
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,148**	11,192
Attributable to:		
Owners of the parent	**8,494**	9,311
Non-controlling interests	**1,654**	1,881
	10,148	11,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**88,043**	88,021
Prepaid land lease payments	*16*	**3,331**	3,432
Goodwill	*17*	**309**	309
Other intangible assets	*18*	**2,423**	5,139
Investments in joint ventures	*20*	**22,114**	25,389
Investments in associates	*21*	**19,189**	23,157
Long-term receivables	*22*	**4,049**	5,307
Deferred tax assets	*23*	**827**	462
Total non-current assets		**140,285**	151,216
CURRENT ASSETS			
Available-for-sale investments	*24*	**10,000**	10,000
Inventories	*25*	**57,295**	36,918
Trade receivables	*26*	**55,192**	46,290
Prepayments, deposits and other receivables	*27*	**37,007**	35,494
Time deposits	*28*	**27,000**	21,000
Cash and cash equivalents	*28*	**54,844**	69,047
		241,338	218,749
Assets of a disposal group classified as held for sale	*12*	**–**	7,507
Total current assets		**241,338**	226,256
CURRENT LIABILITIES			
Trade payables	*29*	**24,179**	11,803
Other payables and accruals	*30*	**34,323**	37,567
Interest-bearing bank borrowing	*31*	**1,000**	–
Tax payable		**1,021**	152
		60,523	49,522
Liabilities directly associated with the assets classified as held for sale	*12*	**–**	985
Total current liabilities		**60,523**	50,507
NET CURRENT ASSETS		**180,815**	175,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**321,100**	326,965

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**321,100**	326,965
NON-CURRENT LIABILITIES			
Deferred income	*32*	**6,861**	9,853
Deferred tax liabilities	*23*	**474**	–
Total non-current liabilities		**7,335**	9,853
Net assets		**313,765**	317,112
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*33*	**131,304**	131,304
Reserves	*34(a)*	**142,868**	147,504
Proposed final dividend	*13*	**13,130**	13,130
		287,302	291,938
Non-controlling interests		**26,463**	25,174
Total equity		**313,765**	317,112

Wu Lebin
Director

Wang Lin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to owners of the parent								
	Note	**Issued capital** RMB'000 *(note 33)*	**Capital reserve** RMB'000 *(note 34(a))*	**Statutory reserve** RMB'000 *(note 34(b))*	**Retained profits** RMB'000	**Proposed final dividend** RMB'000 *(note 34(b))*	**Exchange fluctuation reserve** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2013		131,304	61,017	43,202	47,104	13,130	–	295,757	25,288	321,045
Profit for the year		–	–	–	9,132	–	–	9,132	1,881	11,013
Other comprehensive income for the year		–	–	–	–	–	179	179	–	179
Total comprehensive income for the year		–	–	–	9,132	–	179	9,311	1,881	11,192
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	(1,995)	(1,995)
Transfer from retained profits		–	–	1,440	(1,440)	–	–	–	–	–
Final 2012 dividend declared	*13*	–	–	–	–	(13,130)	–	(13,130)	–	(13,130)
Proposed 2013 final dividend	*13*	–	–	–	(13,130)	13,130	–	–	–	–
At 31 December 2013		131,304	61,017	44,642	41,666	13,130	179	291,938	25,174	317,112
At 1 January 2014		**131,304**	**61,017**	**44,642**	**41,666**	**13,130**	**179**	**291,938**	**25,174**	**317,112**
Profit for the year		**–**	**–**	**–**	**8,485**	**–**	**–**	**8,485**	**1,654**	**10,139**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**9**	**9**	**–**	**9**
Total comprehensive income for the year		**–**	**–**	**–**	**8,485**	**–**	**9**	**8,494**	**1,654**	**10,148**
Transfer from retained profits		**–**	**–**	**1,006**	**(1,006)**	**–**	**–**	**–**	**–**	**–**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,011)**	**(3,011)**
Increase of issued capital of a subsidiary		**–**	**24,680**	**(3,000)**	**(21,680)**	**–**	**–**	**–**	**2,646**	**2,646**
Final 2013 dividend declared	*13*	**–**	**–**	**–**	**–**	**(13,130)**	**–**	**(13,130)**	**–**	**(13,130)**
Proposed 2014 final dividend	*13*	**–**	**–**	**–**	**(13,130)**	**13,130**	**–**	**–**	**–**	**–**
At 31 December 2014		**131,304**	**85,697***	**42,648***	**14,335***	**13,130**	**188***	**287,302**	**26,463**	**313,765**

* These reserve accounts comprise the consolidated reserves of RMB142,868,000 (2013: RMB147,504,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**14,233**	19,127
From discontinued operations		**(391)**	(3,710)
Adjustments for:			
Finance costs	*7*	**38**	–
Share of losses of joint ventures		**3,275**	4,935
Share of losses of associates		**3,968**	2,432
Loss/(gain) on disposal of items of property, plant and equipment, net	*6*	**21**	(46)
Bank interest income	*5*	**(1,485)**	(1,460)
Depreciation	*15*	**18,172**	15,886
Recognition of prepaid land lease payments	*16*	**101**	101
Amortisation of other intangible assets	*18*	**762**	1,385
Impairment of other intangible assets	*18*	**1,954**	–
Interest income from available-for-sale investments	*5*	**(1,216)**	(2,116)
Gain on disposal of a subsidiary	*35*	**(4,380)**	–
Exchange loss/(gain), net	*6*	**39**	(13)
		35,091	36,521
Increase in inventories		**(20,377)**	(1,440)
Increase in trade receivables		**(7,644)**	(12,087)
Increase in prepayments, deposits and other receivables		**(1,504)**	(18,059)
Increase in trade payables		**12,376**	2,742
(Decrease)/increase in other payables and accruals		**(1,284)**	3,471
(Decrease)/increase in deferred income		**(2,992)**	1,830
Cash generated from operations		**13,666**	12,978
Income tax paid		**(2,334)**	(4,830)
Interest received		**1,485**	1,460
Net cash flows from operating activities		**12,817**	9,608

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows from operating activities		**12,817**	9,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(18,275)**	(11,507)
Proceeds from disposal of items of property, plant and equipment		**60**	1,363
(Increase)/decrease in time deposits		**(6,000)**	5,000
Received from available-for-sale investments		**11,216**	42,316
Purchase of available-for-sale investments		**(10,000)**	(10,000)
Proceeds from disposal of a subsidiary	*35*	**7,178**	–
Net cash flows (used in)/from investing activities		**(15,821)**	27,172
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,000**	–
Capital contributions from non-controlling shareholders		**2,646**	–
Dividend paid		**(15,090)**	(15,580)
Interest paid		**(38)**	–
Net cash flows used in financing activities		**(11,482)**	(15,580)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,486)**	21,200
Cash and cash equivalents at beginning of year		**69,369**	48,156
Effect of foreign exchange rate changes, net		**(39)**	13
CASH AND CASH EQUIVALENTS AT END OF YEAR		**54,844**	69,369
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*28*	**54,844**	69,047
Cash and cash equivalents attributable to a discontinued operation	*12*	**–**	322
Cash and cash equivalents as stated in the statement of cash flows	*28*	**54,844**	69,369

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**79,901**	78,756
Prepaid land lease payments	*16*	**2,901**	2,982
Other intangible assets	*18*	**1,600**	1,800
Investments in subsidiaries	*19*	**68,064**	55,477
Investments in joint ventures	*20*	**35,000**	35,000
Investments in associates	*21*	**26,053**	26,053
Long-term receivables	*22*	**4,049**	5,307
Deferred tax assets	*23*	**827**	462
Total non-current assets		**218,395**	205,837
CURRENT ASSETS			
Inventories	*25*	**34,855**	21,562
Due from subsidiaries	*19*	**6,669**	3,383
Trade receivables	*26*	**42,478**	34,602
Prepayments, deposits and other receivables	*27*	**25,521**	30,324
Tax recoverable		**–**	422
Cash and cash equivalents	*28*	**43,013**	53,264
		152,536	143,557
Asset held for sale	*12*	**–**	7,500
Total current assets		**152,536**	151,057
CURRENT LIABILITIES			
Due to subsidiaries	*19*	**1,402**	4,313
Trade payables	*29*	**11,747**	3,695
Other payables and accruals	*30*	**15,148**	21,380
Tax payable		**692**	–
Total current liabilities		**28,989**	29,388
NET CURRENT ASSETS		**123,547**	121,669
TOTAL ASSETS LESS CURRENT LIABILITIES		**341,942**	327,506

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**341,942**	327,506
NON-CURRENT LIABILITY			
Deferred income	*32*	**5,547**	8,351
Deferred tax liabilities	*23*	**474**	–
Total non-current liability		**6,021**	8,351
Net assets		**335,921**	319,155
EQUITY			
Issued capital	*33*	**131,304**	131,304
Reserves	*34(b)*	**191,487**	174,721
Proposed final dividend	*13*	**13,130**	13,130
Total equity		**335,921**	319,155

Wu Lebin
Director

Wang Lin
Director

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 Company and its subsidiaries (collectively referred to as the "Group") principally engaged in the manufacture, sale and distribution of in-vitro diagnostic reagent.

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 ("HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less cost to sell as further explained in note 2.4. 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 for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other Comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 Included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to HKFRS 3 Included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to HKFRS 13 Included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 Included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] *Effective from 1 July 2014*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisition of Interest in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27(2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

[1] *Effective for annual periods beginning on or after 1 July 2014*
[2] *Effective for annual periods beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after 1 January 2017*
[4] *Effective for annual periods beginning on or after 1 January 2018*
[5] *Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are no expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investment in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures 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 other comprehensive income of associates and joint venture are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in associates and joint ventures *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in associates and joint ventures are treated as non-current assets and is stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Interests in joint operations

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

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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 of disposal, 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 statement of profit and loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an 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 statement of profit and loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss 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 depreciates them accordingly.

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%
Machinery	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 the parts 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 including 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 statement of profit and loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale *(Continued)*

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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 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 statement of profit or loss 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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of financial assets, except in the case of financial assets at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(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 primarily derecognised (i.e. removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When the Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)
The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 and all collateral has been realised or has transferred to the Group.

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 write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value though profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowing.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and borrowings

After initial recognition, 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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a 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.

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 statement of profit or loss.

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.

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 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 country 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:

- when 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 joint ventures, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss 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 over 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension scheme

In accordance with the rules and regulations in the PRC, the employees of the Group participate in a defined contribution pension 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 statement of profit or loss as they become payable, in accordance with the rules of the central pension scheme. The employer contributions vest fully with the employee once made.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of an oversea subsidiary is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Estimation uncertainty

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

Current 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 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.

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

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for 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. The amount of unrecognised tax losses at 31 December 2014 was RMB26,776,000 (2013: RMB14,040,000). Further details are contained in note 23 to the financial statements.

Useful lives and residual values of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges of 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.

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 an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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 other receivables

The Group's management determines the provision for impairment of trade and other 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.

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

Estimation uncertainty *(Continued)*

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 statement of profit or loss 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 estimation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the in-vitro diagnostic reagent products segment, which manufactures, sells and distributes a variety of mono/double diagnostic reagent products.

Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment. All of the Group's revenue from external customers and profits from continuing operations are generated from this single segment.

Information about major customers

No revenue from transactions with a single customer amounted to more than 10% of the Group's total revenue.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

During the years ended 31 December 2014 and 2013, almost all of the Group's revenue was generated from customers located in Mainland China and all of the non-current assets of the Group were located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of tax and surcharges during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2014 **RMB'000**	2013 RMB'000
Revenue		
Sale of in-vitro diagnostic reagent products	**265,331**	234,464
Other income		
Bank interest income	**1,485**	1,460
Interest income from available-for-sale unlisted investments	**1,216**	2,116
Government grants	**6,310**	8,630
Service income	**315**	198
Sale of semi-finished products	**33**	580
Others	**1,209**	416
	10,568	13,400
Gains		
Gain on disposal of items of property, plant and equipment	**–**	46
Gain on disposal of a subsidiary	**4,380**	–
Write-off of trade payables	**–**	61
	4,380	107
	14,948	13,507

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
Cost of inventories sold	**133,556**	106,615
Employee benefit expense (including directors' and supervisors' remuneration (note 8)):		
Wages, salaries and bonuses	**39,446**	37,540
Pension scheme contributions*	**3,667**	4,755
Social welfare and other costs	**8,238**	6,144
	51,351	48,439
Research and development costs	**24,826**	22,557
Government grants released	**(6,310)**	(8,630)
Loss/(gain) on disposal of items of property, plant and equipment, net	**21**	(46)
Minimum lease payments under operating leases in respect of land and buildings	**2,348**	3,192
Auditors' remuneration	**700**	700
Depreciation	**18,172**	15,476
Recognition of prepaid land lease payments	**101**	101
Amortisation of other intangible assets	**762**	785
Impairment of other intangible assets	**1,954**	–
Foreign exchange differences, net	**39**	(13)

* At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2013: Nil).

7. FINANCE COSTS

An analysis of finance costs from the continuing operations is as follows:

	2014 RMB'000	2013 RMB'000
Interest on bank loan wholly repayable within five years	**38**	–

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Fees	**310**	324
Other emoluments:		
Salaries, allowances and benefits in kind	**2,223**	2,464
Pension scheme contributions	**12**	12
	2,235	2,476
	2,545	2,800

(a) Independent non-executive directors

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

	2014	2013
	RMB'000	RMB'000
Mr. Rao Yi	**60**	60
Dr. Hu Canwu Kevin	**60**	60
Mr. John Wong Yik Chung	**60**	60
Mr. Wang Daixue	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014				
Executive directors:				
Mr. Wu Lebin[1]	–	2,022	–	2,022
Dr. Wang Lin	14	–	–	14
Mr. Hou Quanmin	14	–	–	14
Non-executive directors:				
Dr. Gao Guangxia[2]	–	–	–	–
Mr. Wang Fugen	21	–	–	21
Ms. Bi Lijun[3]	–	–	–	–
Mr. Jia Hongfei[4]	–	–	–	–
Mr. Yao Fang[5]	–	–	–	–
Mr. Yu Tongle	–	–	–	–
Mr. Ni Xiaowei	–	–	–	–
Supervisors:				
Dr. He Rongqiao[6]	14	–	–	14
Ms. Guan Xiaohui	7	–	–	7
Ms. Yan Xiyun[7]	–	–	–	–
Mr. Shao Yimin	–	201	12	213
	70	2,223	12	2,305

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013				
Executive directors:				
Mr. Wu Lebin	–	2,263	–	2,263
Dr. Wang Lin	11	–	–	11
Mr. Hou Quanmin	11	–	–	11
Non-executive directors:				
Dr. Gao Guangxia	11	–	–	11
Mr. Wang Fugen	11	–	–	11
Mr. Qiao Zhicheng[8]	11	–	–	11
Mr. Yao Fang	11	–	–	11
Mr. Yu Tongle	–	–	–	–
Mr. Ni Xiaowei	–	–	–	–
Supervisors:				
Dr. He Rongqiao	11	–	–	11
Ms. Guan Xiaohui	7	–	–	7
Mr. Shao Yimin	–	201	12	213
	84	2,464	12	2,560

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

1 Mr. Wu Lebin resigned from the chief executive officer of the Company on 10 July 2014, and Mr. Zhou Jie was appointed as the chief executive officer on 10 July 2014.

2 Dr. Gao Guangxia resigned from the non-executive director on 20 August 2014.

3 Ms. Bi Lijun was appointed as a non-executive director on 20 August 2014.

4 Mr. Jia Hongfei was appointed as a non-executive director on 13 March 2014.

5 Mr. Yao Fang resigned from a non-executive director on 13 March 2014.

6 Dr. He Rongqiao resigned from the chairman of supervisory committee on 20 August 2014.

7 Ms. Yan Xiyun was appointed as the chairman of supervisory committee on 20 August 2014.

8 Dr. Qiao Zhicheng resigned from the non-executive director on 31 July 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2013: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2013: four) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,619**	4,096
Pension scheme contributions	**159**	13
	2,778	4,109

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**4**	1
HK$1,000,001 to HK$1,500,000	**–**	3
	4	4

10. INCOME TAX EXPENSE

Taxes on profits assessable in the PRC, where the Group operates, have been calculated at the rate of tax prevailing in the PRC. Under the PRC income tax laws, enterprises are subject to corporate income tax ("CIT") at a rate of 25%.

The Company and Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu"), a subsidiary of the Company, are subject to a preferential rate of 15% under the PRC income tax law for a period of three years commencing from 1 January 2012 as they are assessed by relevant government authorities as High and New Technology Enterprises.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the year.

	2014 **RMB'000**	2013 RMB'000
Current – the PRC	**3,606**	4,426
Adjustments in respect of current tax of previous periods	**(12)**	113
Deferred	**109**	(135)
Total tax charge for the year	**3,703**	4,404

10. INCOME TAX EXPENSE *(Continued)*

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

	2014		2013	
	RMB'000	**%**	RMB'000	%
Profit before tax from continuing operations	**14,233**		19,127	
Tax at the statutory tax rates	**3,558**	**25**	4,782	25
Preferential tax rate or concessions	**(3,713)**	**(26)**	(2,359)	(12)
Adjustments in respect of current tax of previous periods	**(12)**	**–**	113	1
Losses attributable to joint ventures and associates	**1,811**	**13**	1,842	10
Tax incentives on eligible expenditures	**(2,559)**	**(18)**	(2,555)	(13)
Income not subject to tax	**(331)**	**(2)**	(19)	–
Expenses not deductible for tax	**2,882**	**19**	1,218	6
Tax losses utilised from previous periods	**(54)**	**–**	(165)	(1)
Tax losses not recognised	**2,121**	**15**	1,547	8
Tax charge at the Group's effective rate	**3,703**	**26**	4,404	24

The share of tax attributable to associates and joint ventures are nil (2013: Nil).

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB17,309,000 (2013: RMB21,764,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DISCONTINUED OPERATION

At the shareholders' meeting of BJ Biosino-DMD Biotechnology Co., Ltd. on 28 November 2013, the Company agreed to sell and another shareholder of BJ Biosino-DMD Biotechnology Co., Ltd., Zhenshi Liu, agreed to buy 55.56% equity interest in BJ Biosino-DMD Biotechnology Co., Ltd. As at 31 December 2013, BJ Biosino-DMD Biotechnology Co., Ltd. was classified as a disposal group held for sale in the consolidated statement of financial position of the Group and the investment in BJ Biosino-DMD Biotechnology Co., Ltd. was classified as an asset held for sale in the statement of financial position of the Company.

The disposal of BJ Biosino-DMD Biotechnology Co., Ltd. was completed in March 2014. Further details are included in note 35 to the financial statements.

13. DIVIDEND

	2014 **RMB'000**	2013 RMB'000
Proposed final dividend – RMB0.1 (2013: RMB0.1) per share	**13,130**	13,130

The proposed final dividend for the year 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 RMB8,485,000 (2013: RMB9,132,000) and the weighted average number of ordinary shares of 131,303,670 (2013: 131,303,670) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both years.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	2014	2013
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and dilute earnings per share calculation:		
From the continuing operation	**8,876**	12,842
From the discontinued operation	**(391)**	(3,710)
	8,485	9,132

	Numbers of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**131,303,670**	131,303,670

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	44,360	15,780	86,940	6,883	7,386	–	161,349
Accumulated depreciation	(7,943)	(8,779)	(46,217)	(4,984)	(5,405)	–	(73,328)
Net carrying amount	36,417	7,001	40,723	1,899	1,981	–	88,021
At 1 January 2014, net of accumulated depreciation	36,417	7,001	40,723	1,899	1,981	–	88,021
Additions	–	542	15,675	613	665	780	18,275
Disposals	–	–	(47)	(24)	(10)	–	(81)
Depreciation provided during the year	(1,611)	(2,202)	(12,725)	(744)	(890)	–	(18,172)
Transfers	780	–	–	–	–	(780)	–
At 31 December 2014, net of accumulated depreciation	35,586	5,341	43,626	1,744	1,746	–	88,043
At 31 December 2014:							
Cost	45,140	16,322	98,590	6,429	7,851	–	174,332
Accumulated depreciation	(9,554)	(10,981)	(54,964)	(4,685)	(6,105)	–	(86,289)
Net carrying amount	35,586	5,341	43,626	1,744	1,746	–	88,043

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

Group *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	44,198	15,883	81,715	6,835	6,924	–	155,555
Accumulated depreciation	(6,186)	(5,839)	(36,355)	(4,803)	(4,591)	–	(57,774)
Net carrying amount	38,012	10,044	45,360	2,032	2,333	–	97,781
At 1 January 2013, net of accumulated depreciation	38,012	10,044	45,360	2,032	2,333	–	97,781
Additions	–	771	6,989	691	462	162	9,075
Disposals	–	(312)	(1,076)	(21)	–	–	(1,409)
Assets included in a discontinued operation	–	(877)	(524)	(139)	–	–	(1,540)
Depreciation provided during the year	(1,757)	(2,625)	(10,026)	(664)	(814)	–	(15,886)
Transfers	162	–	–	–	–	(162)	–
At 31 December 2013, net of accumulated depreciation	36,417	7,001	40,723	1,899	1,981	–	88,021
At 31 December 2013:							
Cost	44,360	15,780	86,940	6,883	7,386	–	161,349
Accumulated depreciation	(7,943)	(8,779)	(46,217)	(4,984)	(5,405)	–	(73,328)
Net carrying amount	36,417	7,001	40,723	1,899	1,981	–	88,021

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

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	39,153	11,081	80,587	3,850	4,699	–	139,370
Accumulated depreciation	(6,452)	(5,109)	(42,345)	(2,984)	(3,724)	–	(60,614)
Net carrying amount	32,701	5,972	38,242	866	975	–	78,756
At 1 January 2014, net of accumulated depreciation	32,701	5,972	38,242	866	975	–	78,756
Additions	–	–	15,058	427	665	780	16,930
Disposals	–	–	(15)	(17)	(10)	–	(42)
Depreciation provided during the year	(1,358)	(1,439)	(12,090)	(325)	(531)	–	(15,743)
Transfers	780	–	–	–	–	(780)	–
At 31 December 2014, net of accumulated depreciation	32,123	4,533	41,195	951	1,099	–	79,901
At 31 December 2014:							
Cost	39,933	11,081	95,321	3,232	5,164	–	154,731
Accumulated depreciation	(7,810)	(6,548)	(54,126)	(2,281)	(4,065)	–	(74,830)
Net carrying amount	32,123	4,533	41,195	951	1,099	–	79,901

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

Company *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	38,991	10,990	74,967	3,851	4,594	–	133,393
Accumulated depreciation	(4,956)	(3,711)	(33,143)	(3,053)	(3,316)	–	(48,179)
Net carrying amount	34,035	7,279	41,824	798	1,278	–	85,214
At 1 January 2013, net of accumulated depreciation	34,035	7,279	41,824	798	1,278	–	85,214
Additions	–	92	6,695	380	104	162	7,433
Disposals	–	(307)	(1,075)	(19)	–	–	(1,401)
Depreciation provided during the year	(1,496)	(1,092)	(9,202)	(293)	(407)	–	(12,490)
Transfers	162	–	–	–	–	(162)	–
At 31 December 2013, net of accumulated depreciation	32,701	5,972	38,242	866	975	–	78,756
At 31 December 2013:							
Cost	39,153	11,081	80,587	3,850	4,699	–	139,370
Accumulated depreciation	(6,452)	(5,109)	(42,345)	(2,984)	(3,724)	–	(60,614)
Net carrying amount	32,701	5,972	38,242	866	975	–	78,756

At 31 December 2014, certain of the Group's buildings with a net carrying amount of approximately RMB32,123,000 were pledged to secure general bank facilities granted to the Group, which was not utilised as at the end of the reporting period.

16. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January	**3,537**	3,638	**3,057**	3,138
Recognised during the year	**(101)**	(101)	**(81)**	(81)
Carrying amount at 31 December	**3,436**	3,537	**2,976**	3,057
Current portion included in prepayment, deposits and other receivables	**(105)**	(105)	**(75)**	(75)
Non-current portion	**3,331**	3,432	**2,901**	2,982

The parcels of leasehold land are held under medium term leases and are situated in Mainland China.

At 31 December 2014, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB2,976,000 were pledged to secure general bank facilities granted to the Group, which was not utilised as at the end of the reporting period.

17. GOODWILL

	Group
	RMB'000
At 1 January 2013 and 31 December 2013:	
Cost	470
Accumulated impairment	(161)
Net carrying amount	309
At 1 January 2014 and 31 December 2014:	
Cost	470
Accumulated impairment	(161)
Net carrying amount	309

17. GOODWILL *(Continued)*

Impairment testing of goodwill

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

– Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu"); and

– Biosino-AgiAccu Bio-Technology Co., Ltd. ("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 10% (2013: 10%).

Assumptions were used in the value in use calculation of each of the cash-generating units for 31 December 2014 and 31 December 2013. 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.

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 the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

	Know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2014			
At 31 December 2013 and 1 January 2014:			
Cost	9,823	1,020	10,843
Impairment	(684)	–	(684)
Accumulated amortisation	(4,099)	(921)	(5,020)
Net carrying amount	5,040	99	5,139
Net carrying amount:			
At 1 January 2014	5,040	99	5,139
Impairment during the year	(1,954)	–	(1,954)
Amortisation provided during the year	(746)	(16)	(762)
At 31 December 2014	2,340	83	2,423
At 31 December 2014:			
Cost	9,823	1,020	10,843
Impairment	(2,638)	–	(2,638)
Accumulated amortisation	(4,845)	(937)	(5,782)
Net carrying amount	2,340	83	2,423

18. OTHER INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

	Know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2013			
At 31 December 2012 and 1 January 2013:			
Cost	13,823	912	14,735
Impairment	(684)	–	(684)
Accumulated amortisation	(3,973)	(912)	(4,885)
Net carrying amount	9,166	–	9,166
Net carrying amount:			
At 1 January 2013	9,166	–	9,166
Additions	2,000	108	2,108
Amortisation provided during the year	(1,376)	(9)	(1,385)
Assets included in a discontinued operation	(4,750)	–	(4,750)
At 31 December 2013	5,040	99	5,139
At 31 December 2013:			
Cost	9,823	1,020	10,843
Impairment	(684)	–	(684)
Accumulated amortisation	(4,099)	(921)	(5,020)
Net carrying amount	5,040	99	5,139

18. OTHER INTANGIBLE ASSETS *(Continued)*

Company

	Know-how RMB'000
31 December 2014	
At 31 December 2013 and 1 January 2014:	
Cost	**2,000**
Accumulated amortisation	**(200)**
Net carrying amount	**1,800**
Net carrying amount:	
At 1 January 2014	**1,800**
Amortisation provided during the year	**(200)**
At 31 December 2014	**1,600**
At 31 December 2014:	
Cost	**2,000**
Accumulated amortisation	**(400)**
Net carrying amount	**1,600**

18. OTHER INTANGIBLE ASSETS *(Continued)*

Company *(Continued)*

	Know-how RMB'000
31 December 2013	
At 31 December 2012 and 1 January 2013:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
Net carrying amount:	
At 1 January 2013	2,000
Amortisation provided during the year	(200)
At 31 December 2013	1,800
At 31 December 2013:	
Cost	2,000
Accumulated amortisation	(200)
Net carrying amount	1,800

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted equity investments in the PRC, at cost	**68,064**	55,477

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB6,669,000 (2013: RMB3,383,000) and RMB1,402,000 (2013: RMB4,313,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Company name	Place of registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu") (北京中生金域診斷技術有限公司)*	PRC/Mainland China	RMB30million	46.76%	–	Manufacture, sale and distribution of in-vitro diagnostic reagent products
Biosino-AgiAccu Bio-Technology Co., Ltd. ("AgiAccu") (北京中生朗捷生物技術有限公司)	PRC/Mainland China	RMB5.3million	56.25%	–	Research, development, manufacture and distribution of biological reagents
Mian Yang Hi-tech Industrial Park Zhongke Bioengineering Co., Ltd. ("Mian Yang Zhongke") (綿陽高新區中科生物工程有限公司)*	PRC/Mainland China	RMB14 million	50%	–	Development, manufacture and distribution of enzyme and biological products
Biosino Suzhou Medical Instrument Co., Ltd. ("Biosino Suzhou") (中生(蘇州)醫療儀器有限公司)	PRC/Mainland China	RMB30 million	93.33%	–	Production of medical instruments
Beijing Huamei Scientific Co., Ltd. ("Huamei") (中生華美(北京)科技有限公司)	PRC/Mainland China	RMB4.6 million	56.52%	–	Purchase and distribution of biological products
Canada Biosino LVD Technology Co., Ltd. (加拿大中生體外診斷技術有限公司)	Canada	USD488 thousand	100%	–	Research, development, sale and distribution of biological reagents and instruments
Biosino DNA (Beijing) Technology Development Co., Ltd. ("Biosino DNA") (中生迪恩(北京)科技發展有限公司)	PRC/Mainland China	RMB0.5million	80.00%	–	Research, Development, sale and distribution of chemical products
Beijing Biosino-Immunodiagnosis Technology Co., Ltd. (北京中生信誠醫院投資管理有限公司)	PRC/Mainland China	RMB13million	100%	–	Distribution of immunodiagnostic products

* These entities are accounted for as subsidiaries by virtue of the Company's control over them.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Zhongsheng Jinyu	**53.24%**	49.00%

	2014 **RMB'000**	2013 RMB'000
Profit for the year allocated to non-controlling interests:		
Zhongsheng Jinyu	**2,964**	3,979
Dividends paid to non-controlling interests:		
Zhongsheng Jinyu	**1,960**	2,450
Accumulated balances of non-controlling interests at the reporting dates:		
Zhongsheng Jinyu	**19,879**	14,269

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company elimination:

	2014 **RMB'000**	2013 RMB'000
Revenue	**37,348**	37,985
Total expenses	**(31,774)**	(29,864)
Profit for the year	**5,574**	8,121
Total comprehensive income for the year	**5,574**	8,121
Current assets	**45,369**	37,719
Non-current assets	**2,049**	2,180
Current liabilities	**(10,078)**	(10,780)
Non-current liabilities	**–**	–
Net cash flow from operating activities	**4,695**	7,126
Net cash flow used in investing activities	**(731)**	(368)
Net cash flow used in financing activities	**(151)**	(2,821)
Net increase in cash and cash equivalents	**3,813**	3,937

20. INVESTMENTS IN JOINT VENTURES

	Group		**Company**	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Unlisted equity investment, at cost	**–**	–	**35,000**	35,000
Share of net assets	**17,832**	21,107	**–**	–
Goodwill on acquisition	**4,282**	4,282	**–**	–
	22,114	25,389	**35,000**	35,000

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Suzhou Otian Medical Co., Ltd. (蘇州奧潤醫療科技有限公司)	Registered capital of RMB1 each	PRC/ Mainland China	35%	35%	35%	Production of scientific instruments
BioTrand Bio-Technology Co., Ltd. ("BioTrand") (北京百川飛虹生物科技有限公司)	Registered capital of RMB1 each	PRC/ Mainland China	50%	50%	50%	Biotechnology research

All of the above investments in joint ventures are directly held by Company.

The following table illustrates the summarised financial information of the joint ventures:

	2014 **RMB'000**	2013 RMB'000
Share of the joint ventures assets and liabilities:		
Current assets	**3,919**	4,589
Non-current assets	**16,083**	18,031
Current liabilities	**(1,633)**	(1,065)
Non-current liabilities	**(537)**	(448)
Net assets	**17,832**	21,107
Share of the joint ventures results:		
Revenue	**6,666**	1,213
Other income	**734**	1,076
	7,400	2,289
Total expenses	**(10,675)**	(7,224)
Profit after tax	**(3,275)**	(4,935)

21. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investment, at cost	**–**	–	**29,100**	29,100
Share of net assets	**19,189**	23,157	**–**	–
	19,189	23,157	**29,100**	29,100
Provision for impairment	**–**	–	**(3,047)**	(3,047)
	19,189	23,157	**26,053**	26,053

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

Company name	**Place of registration and operations**	**Nominal value of paid-up capital/ registered capital**	**Percentage of equity attributable to the Group**	**Principal activities**
Beijing Zhongsheng Ke Wei Technology Co., Ltd. ("Ke Wei", formerly known as "Beijing Zhongsheng KeWei Medical Technology Co., Ltd.")(北京中生科維技術有限公司，原名為"北京中生科維醫療科技有限公司")	PRC/Mainland China	RMB5.7 million	19.30%	Development, manufacture and distribution of clinical instruments
Biosino Lab Tech. Co., Ltd. ("BioLab")(北京中生可利檢驗醫學技術有限責任公司)	PRC/Mainland China	RMB9 million	42.22%	Medical science research
Beijing Zhonghe Baike Scientific Instrument and Technology Co., Ltd. ("Baike")(北京眾合百克科學儀器技術有限公司)	PRC/Mainland China	RMB1 million	20%	Production of scientific instruments
Sinofn (Tianjin) Pharm-Tech Co. Ltd. 中恩(天津)營養品有限公司	PRC/Mainland China	RMB50 million	48.00%	Wholesale of prepackaged food

The Group has discontinued the recognition of its share of losses of Ke Wei and Baike because the share of losses of the associates exceeded the Group's investments in the associates. The amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively amounted to RMB124,000 (2013: RMB48,000) and RMB1,894,000 (2013: RMB1,770,000), respectively.

21. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014 **RMB'000**	2013 RMB'000
Assets	**97,931**	83,458
Liabilities	**57,377**	34,526
Revenues	**11,756**	11,137
Losses	**(8,377)**	(5,227)

22. LONG-TERM RECEIVABLES:

Group and Company

	2014 **RMB'000**	2013 RMB'000
Receivables from instrument sales (note 26)	**4,049**	5,307

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group and Company

	2014			
	Provision for bonus RMB'000	**Provision for sales rebate RMB'000**	**Provision for impairment of assets RMB'000**	**Total RMB'000**
At 1 January 2014	**65**	**102**	**295**	**462**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**65**	**300**	**–**	**365**
At 31 December 2014	**130**	**402**	**295**	**827**

23. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Group and Company *(Continued)*

	2013			
	Provision for bonus RMB'000	Provision for sales rebate RMB'000	Provision for impairment of assets RMB'000	Total RMB'000
At 1 January 2013	–	32	295	327
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	65	70	–	135
At 31 December 2013	65	102	295	462

Deferred tax liabilities

	Depreciation of assets RMB'000
At 1 January 2014	–
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	474
At 31 December 2014	474

24. AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2014, the available-for-sale investments of the Group represented investments of debt securities carried at fair value. The debt securities were issued by bank and other financial institution with fixed maturity dates and expected interest rates ranging from 2.6% to 4.8%.

25. INVENTORIES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**19,303**	12,778	**11,941**	8,049
Work in progress	**2,480**	1,519	**361**	563
Semi-finished goods	**4,178**	1,443	**2,086**	1,316
Finished goods	**31,334**	21,178	**20,467**	11,634
	57,295	36,918	**34,855**	21,562

26. TRADE RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**60,246**	52,602	**47,532**	40,914
Impairment *(Note (a))*	**(1,005)**	(1,005)	**(1,005)**	(1,005)
	59,241	51,597	**46,527**	39,909
Less: amount shown as non-current *(Note (22))*	**(4,049)**	(5,307)	**(4,049)**	(5,307)
	55,192	46,290	**42,478**	34,602

Except for certain established customers of the Group which have been granted with payment terms ranging from two to four years in respect of certain sales of instruments, 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The trade receivables are interest-free.

26. TRADE RECEIVABLES *(Continued)*

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**37,608**	36,333	**29,819**	27,744
4 to 6 months	**10,397**	5,966	**9,474**	4,901
7 to 12 months	**5,668**	3,119	**3,861**	2,241
1 to 2 years	**3,323**	3,833	**2,644**	2,980
Over 2 years	**2,245**	2,346	**729**	2,043
	59,241	51,597	**46,527**	39,909

Notes:

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January and 31 December	**1,005**	1,005	**1,005**	1,005

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB828,000 (2013: RMB828,000) with a carrying amount before provision of RMB828,000 (2013: RMB828,000).

The individually impaired trade receivable as at 31 December 2014 relates to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over this balance.

26. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The aged analysis of the trade receivables of the Group and the Company that are not individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**52,054**	47,606	**43,154**	36,947
Less than 1 month past due	**6,182**	2,941	**2,644**	2,241
1 to 3 months past due	**1,005**	1,050	**729**	721
	59,241	51,597	**46,527**	39,909

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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance to suppliers	**13,322**	18,186	**11,115**	15,771
Deposits and other receivables	**22,395**	16,116	**14,406**	14,131
Tax recoverable	**–**	2	**–**	422
Due from related companies *(note (b))*	**227**	227	**–**	–
Due from a shareholder *(note (a))*	**1,063**	963	**–**	–
	37,007	35,494	**25,521**	30,324

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

(a) The balance as at 31 December 2014 represented other receivable due from the Institute of Biophysics of the Chinese Academy of Sciences ("IBP"), the substantial shareholder of the Company (2013: RMB963,000). The amounts due from IBP are unsecured, interest-free and have no fixed terms of repayment.

(b) The balance as at 31 December 2014 represented receivable due from Ke Wei, an associate of the Group, of RMB150,000 (2013: RMB150,000) and BioTrand, a joint venture of the Group, of RMB77,000 (2013: RMB77,000). The amounts are unsecured, interest-free and have no fixed terms of repayment.

28. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**54,844**	69,047	**43,013**	53,264
Time deposits	**27,000**	21,000	**–**	–
	81,844	90,047	**43,013**	53,264
Less: Time deposits with maturity over three months	**27,000**	21,000	**–**	–
Cash and cash equivalents	**54,844**	69,047	**43,013**	53,264

28. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB53,782,000 (2013: RMB67,516,000), and the time deposit of the Group denominated in RMB amount to RMB27,000,000 (2013: RMB21,000,000). The 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one and six months and earn 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.

29. TRADE PAYABLES

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

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**21,360**	10,583	**9,895**	3,423
4 to 6 months	**1,105**	220	**988**	117
7 to 12 months	**515**	157	**240**	57
1 to 2 years	**985**	631	**578**	56
Over 2 years	**214**	212	**46**	42
	24,179	11,803	**11,747**	3,695

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

30. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Advances from customers		**9,540**	6,071	**1,285**	704
Salaries and welfare payables		**8,349**	12,165	**7,506**	10,815
Accrued expenses		**5,745**	4,373	**4,266**	3,613
Other liabilities		**5,336**	6,028	**1,110**	2,430
Other tax payable		**1,491**	3,458	**387**	2,725
Due to a shareholder	*(a)*	**3,768**	5,379	**500**	1,000
Due to a related company	*(b)*	**94**	93	**94**	93
		34,323	37,567	**15,148**	21,380

Notes:

(a) The balance as at 31 December 2014 represented the amount due to IBP, included in which were an accrued technical service fee of RMB500,000 (2013: RMB1,000,000) for the right to use a technical know-how held by IBP and an advance of RMB3,268,000 (2013: RMB4,379,000) for purchasing goods from the Group. The Group did not have any payable (2013: RMB1,000,000) to IBP for the expense paid on behalf of the Group. Further details of the technical service fee arrangements are set out in note 39 to the financial statements. The amount due to IBP is unsecured, interest-free and has no fixed terms of repayment.

(b) Included in the amounts due to a related company as at 31 December 2014 are the amounts of RMB94,000 (2013: RMB93,000) payable to BioLab, an associate of the Group. The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment.

31. INTEREST-BEARING BANK BORROWINGS

31 December 2014	2014			2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Group						
Current						
Bank loans, unsecured	8%	2015	1,000	–	–	–

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	1,000	–	–	–

32. DEFERRED INCOME

Various government grants have been received by the Group and the Company for setting up research and development activities and acquisition of required assets. 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 statement of profit or loss 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 used for research and development activities or acquisition of the required assets.

33. ISSUED CAPITAL

	2014 RMB'000	2013 RMB'000
Registered, issued and fully paid:		
67,017,528 (2013: 67,017,528) domestic shares of RMB1 each	**67,018**	67,018
64,286,143 (2013: 64,286,143) H shares of RMB1 each	**64,286**	64,286
	131,304	131,304

34. 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 54 of the financial statements.

Capital reserve

The capital reserve of the Group includes the Company's share premium of RMB49,524,000 and the non-distributable reserves of the Company and its subsidiaries created in accordance with the accounting and financial regulations of the PRC.

(b) Company

Surplus reserve

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 capital. 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 these usages.

34. RESERVES *(Continued)*

(b) Company *(Continued)*

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

	Capital reserves RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	49,593	33,858	82,636	166,087
Total comprehensive income for the year	–	–	21,764	21,764
Transfer to statutory reserves	–	1,440*	(1,440)*	–
Proposed final 2013 dividend	–	–	(13,130)	(13,130)
At 1 January 2014	49,593	35,298	89,830	174,721
Total comprehensive income for the year	–	–	17,309	17,309
Increase of issued capital of a subsidiary	12,587	–	–	12,587
Transfer to statutory reserves	–	1,006*	(1,006)*	–
Proposed final 2014 dividend	–	–	(13,130)	(13,130)
At 31 December 2014	62,180	36,304	93,003	191,487

* The amount transferred from retained profits to the statutory reserves during the year ended 31 December 2014 represented the statutory surplus reserve amounting to RMB1,006,000 (2013: RMB1,440,000).

Distributable reserves

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, amounted to RMB106,133,000 (2013: RMB102,960,000).

The amount for which the Company can legally distribute by way of a dividend is determined based on the lower of the retained profits determined in accordance with the generally accepted accounting principles in the PRC and HKFRSs.

35. DISPOSAL OF A SUBSIDIARY

The carrying amounts of the assets and liabilities of BJ Biosino-DMD Biotechnology Co., Ltd. as at the date of disposal were as follows:

	2014 RMB'000
Net assets disposed of	
Property, plant and equipment	**1,540**
Other intangible assets	**4,750**
Inventories	**29**
Trade receivables	**48**
Cash and cash equivalents	**322**
Prepayments, deposits and other receivables	**818**
Trade payables	**(81)**
Other payables and accruals	**(1,295)**
Non-controlling interests	**(3,011)**
	3,120
Gain on disposal of a subsidiary	**4,380**
Satisfied by:	
Cash	**7,500**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary was as follows:

	2014 RMB'000
Cash consideration	**7,500**
Cash and cash equivalents disposed of	**(322)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**7,178**

36. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Guarantees given to a bank in connection with loans granted to an associate	**50,000**	–	**50,000**	–

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014 **RMB'000**	2013 RMB'000
Within one year	**281**	245
In the second to fifth years, inclusive	**57**	–
	338	245

(b) As lessee

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

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Within one year	**1,907**	2,763	**155**	101
In the second to fifth years, inclusive	**1,929**	2,983	**–**	176
	3,836	5,746	**155**	277

38. COMMITMENTS

On 9 December 2004, the Company and its substantial shareholder, IBP, entered into an exclusive technology licensing agreement (the "Licensing Agreement") with regard to the production of diagnostic reagents by employing the technologies owned by IBP (the "Reagent Technologies"). Pursuant to the Licensing Agreement, the Company is required to pay a fee of RMB500,000 per annum to IBP for 20 years, commencing on the effective date of the Licensing Agreement. As at 31 December 2014, the technical service fees payable by the Group of RMB500,000 (31 December 2013: RMB1,000,000) were included in the amount due to a shareholder (note 30(a)).

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	**2014 RMB'000**	2013 RMB'000
Rental paid to IBP	*(i)*	**112**	112
Products sold to IBP*	*(ii)*	**(2,276)**	(1,562)
Products purchased from BioLab	*(iii)*	**927**	466
Technical service fee paid to IBP *(note 38)*		**500**	500
Instrument purchased from Baike	*(iv)*	**–**	714
Products purchased from BioTrand	*(v)*	**383**	296

Notes:

(i) The Company made a payment of RMB112,000 (2013: RMB112,000) for the lease of office premises.

(ii) The Group sold biological products to IBP during the years ended 31 December 2014 and 2013.

39. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes: (Continued)

(iii) The Group purchased biological products from an associate, Biolab during the year ended 31 December 2014.

(iv) The Group purchased biological instruments from an associate, Baike during the year ended 31 December 2013.

(v) The Group purchased biological products from a joint venture, Bio Trand during the year ended 31 December 2014.

* The related party transactions also constitute connected transactions as defined in the Growth Enterprise Market Listing Rule Chapter 20.

In the opinion of the directors, these transactions are all done with the terms and conditions agreed between the Group and its related party, and above transactions were conducted in the ordinary course of business of the Group.

(b) Outstanding balances with related parties are set out in notes 27 and 30 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014	2013
	RMB'000	RMB'000
Short term employee benefits	**5,364**	7,450
Post-employment benefits	**198**	99
Total compensation paid to key management personnel	**5,562**	7,549

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

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:

2014

Financial assets

	Group		
	Loans and receivable RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Long-term receivables	**4,049**	**–**	**4,049**
Available-for-sale investments	**–**	**10,000**	**10,000**
Trade receivables	**55,192**	**–**	**55,192**
Financial assets included in prepayments, deposits and other receivables	**23,685**	**–**	**23,685**
Time deposits	**27,000**	**–**	**27,000**
Cash and cash equivalents	**54,844**	**–**	**54,844**
	164,770	**10,000**	**174,770**

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank borrowing	**1,000**
Trade payables	**24,179**
Financial liabilities included in other payables and accruals	**9,198**
	34,377

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013

Financial assets

	Group		
	Loans and receivable RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Long-term receivables	5,307	–	5,307
Available-for-sale investments	–	10,000	10,000
Trade receivables	46,290	–	46,290
Financial assets included in prepayments, deposits and other receivables	17,307	–	17,307
Time deposits	21,000	–	21,000
Cash and cash equivalents	60,047	–	69,047
	158,951	10,000	168,951

Financial liabilities

	2013 Financial liabilities at amortised cost RMB'000
Trade payables	11,803
Financial liabilities included in other payables and accruals	11,500
	23,303

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	2014 Loans and receivables RMB'000	2013 Loans and receivables RMB'000
Long-term receivables	**4,049**	5,307
Due from subsidiaries	**6,669**	3,383
Trade receivables	**42,478**	34,602
Financial assets included in prepayments, deposits and other receivables	**14,406**	14,131
Cash and cash equivalents	**43,013**	53,264
	110,615	110,687

Financial liabilities

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Due to subsidiaries	**1,402**	4,313
Trade payables	**11,747**	3,695
Financial liabilities included in other payables and accruals	**1,704**	3,523
	14,853	11,531

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

Financial assets

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term receivables	**4,049**	5,307	**4,049**	5,307
Available-for-sale investments	**10,000**	10,000	**10,000**	10,000
	14,049	15,307	**14,049**	15,307

Company

Financial assets

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term receivables	**4,049**	5,307	**4,049**	5,307

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due to the ultimate holding company and loans from associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the long-term receivables has been calculated by discounting the expected future cash flows using rate currently available for an instrument on similar terms, credit risk and remaining maturity.

The fair values of the Group's and the Company's available-for-sale investments as at 31 December 2014 are measured based on discounted cash flow valuation model.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investment	**–**	**10,000**	**–**	**10,000**

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investment	–	10,000	–	10,000

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and time 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.

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

Interest rate risk

In the opinion of the directors, the Group has no significant concentration of interest rate risk.

Foreign currency risk

The Group's businesses are mostly located in Mainland China and most transactions are conducted in RMB, except that the Group occasionally purchases equipment and some in-vitro diagnostic reagent products from overseas countries for resale in Mainland China and the administrative expenses incurred by the Canadian Subsidiary. Small amount of cash denominated in Hong Kong dollars ("HKD") are placed in bank accounts in Hong Kong for payments of miscellaneous expenses such as professional fees incurred in Hong Kong.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, time deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, 27% (2013: 28%) of the Group's trade receivables were due from the Group's five largest customers.

The Group performs ongoing credit evaluations of its customers' financial conditions. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables.

The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Interest-bearing bank borrowing	–	1,018	–	1,018
Trade payables	24,179	–	–	24,179
Financial liabilities included in other payables and accruals	3,862	5,336	–	9,198
	28,041	6,354	–	34,395

Group 2013

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	–	11,803	–	11,803
Financial liabilities included in other payables and accruals	5,472	6,028	–	11,500
	5,472	17,831	–	23,303

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Due to subsidiaries	**1,402**	**–**	**–**	**1,402**
Trade payables	**11,747**	**–**	**–**	**11,747**
Financial liabilities included in other payables and accruals	**594**	**1,110**	**–**	**1,704**
	13,743	**1,110**	**–**	**14,853**

Company 2013

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Due to subsidiaries	4,313	–	–	4,313
Trade payables	3,695	–	–	3,695
Financial liabilities included in other payables and accruals	1,093	2,430	–	3,523
	9,101	2,430	–	11,531

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 debt 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 ratio of capital and debt required to support its planned business growth.

43. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events taking place subsequent to 31 December 2014.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2015.

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 2014, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
REVENUE	**265,331**	234,464	210,075	184,153	229,282
PROFIT BEFORE TAX	**13,842**	15,417	27,063	23,504	34,706
TAX	**(3,703)**	(4,404)	(6,355)	(4,576)	(5,339)
PROFIT FOR THE YEAR	**10,139**	11,013	20,708	18,928	29,367
ATTRIBUTABLE TO:					
Owners of the parent	**8,485**	9,132	17,242	17,956	27,647
Non-controlling interests	**1,654**	1,881	3,466	972	1,720
	10,139	11,013	20,708	18,928	29,367

ASSETS, LIABILITIES AND EQUITY

	31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**381,623**	377,472	374,108	456,564	405,594
TOTAL LIABILITIES	**(67,858)**	(60,360)	(53,063)	(124,858)	(81,086)
NET ASSETS	**313,765**	317,112	321,045	331,706	324,508
REPRESENTED BY:					
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	**287,302**	291,938	295,757	292,401	288,021
NON-CONTROLLING INTERESTS	**26,463**	25,174	25,288	39,305	36,487
TOTAL EQUITY	**313,765**	317,112	321,045	331,706	324,508