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)

2015 Annual Report

* For identification purpose only

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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 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 Executive Director
Mr. Chen Jintian

Executive Directors
Dr. Xu Cunmao
Mr. Zhang Haitao (appointed on 2 December 2015)
Mr. Zhou Jie (resigned on 2 December 2015)
Dr. Wang Lin (resigned on 28 May 2015)

Non-executive Directors
Dr. Bi Lijun *(Vice-Chairman)*
Mr. Hou Quanmin
Mr. Wang Fugen (resigned on 2 December 2015)

Independent Non-executive Directors
Dr. Zheng Yongtang
Dr. Hu Canwu Kevin
Mr. Wang Daixue
Mr. John Wong Yik Chung (resigned on 2 December 2015)

SUPERVISORS

Mr. Zhou Jie (appointed on 2 December 2015)
Ms. Yan Xiyun
Ms. Huang Aiyu
Mr. Shao Yimin (resigned on 2 December 2015)

AUDIT COMMITTEE

Dr. Zheng Yongtang *(Chairman)*
Dr. Hu Canwu Kevin
Mr. Wang Daixue
Mr. John Wong Yik Chung (resigned on 2 December 2015)

REMUNERATION COMMITTEE

Dr. Zheng Yongtang *(Chairman)*
Dr. Hu Canwu Kevin
Mr. Wang Daixue
Mr. John Wong Yik Chung (resigned on 2 December 2015)

NOMINATION COMMITTEE

Dr. Hu Canwu Kevin *(Chairman)*
Dr. Zheng Yongtang
Mr. Wu Lebin
Mr. Wang Daixue
Mr. John Wong Yik Chung (resigned on 2 December 2015)

CORPORATE INFORMATION

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:
Loong & Yeung Solicitors

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.

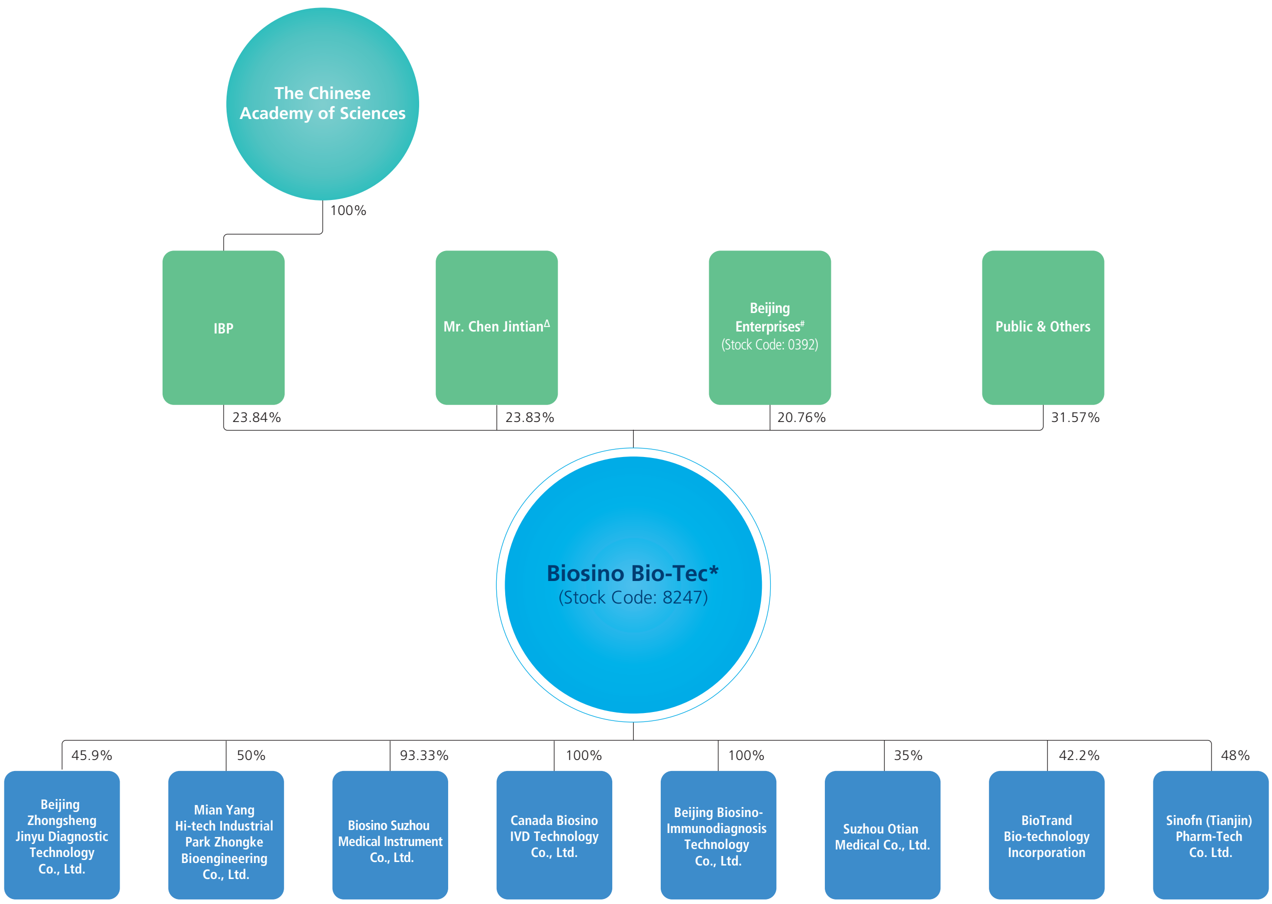
In addition, a number of management members of the Group are professors in universities or holding doctorate degrees. Upholding our business principles of "By the people, for the people; advocating innovation; unquestionable quality pursuing perfection; genuine craftsmanship and lawful operation", our 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 2016



* *For identification purposes only*

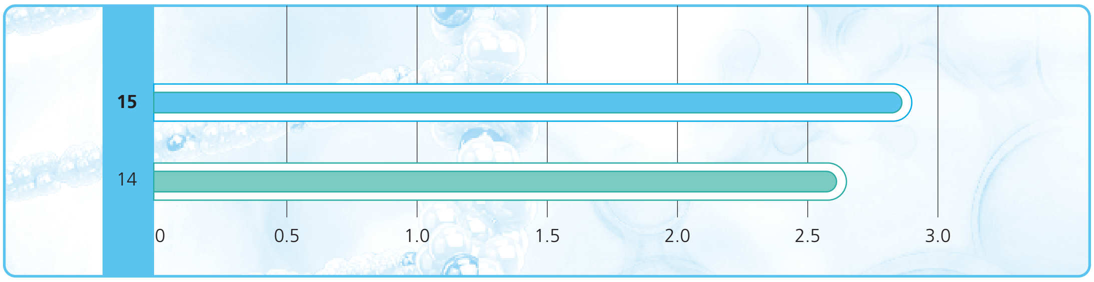
* The H shares of Biosino Bio-Tech are listed on the GEM
# The shares of Beijing Enterprises are listed on the Main Board of the Stock Exchange
△ Mr. Chen Jintian via Beijing Shuoze and HK Future Investment Group Limited*（香港未來投資集團有限公司）("HK Future") holds 18.67% and 5.16% of Biosino Bio-Tech respectively, totalling 23.83% shareholding.

FINANCIAL HIGHLIGHTS

- Revenue for the year kept growing to approximately RMB290 million, representing an increase of 9.4% from that of last year.
- Profit for the year amounted to approximately RMB2.13 million, representing a decrease of 79% from that of last year.
- The Board has proposed a final dividend of RMB0.1 per share for the year ended 31 December 2015.

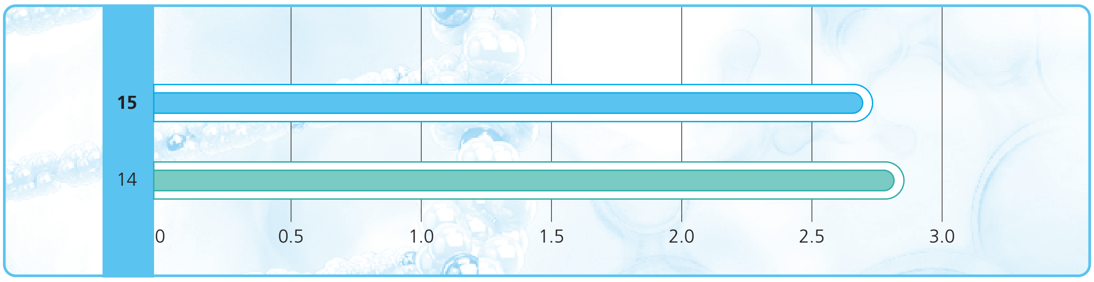
1. REVENUE FOR THE YEAR

(RMB hundred million)



2. EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

(RMB hundred million)



CHAIRMAN'S STATEMENT

Dear shareholders,

It is with great pleasure that, on behalf of the board of directors (the "Board") of Biosino Bio-Technology And Science Corporation (the "Company", together with its subsidiaries, collectively referred to as the "Group"), I hereby present to you the annual report of the Group for the year ended 31 December 2015 (hereinafter referred to the "Year" or the "Reporting Period").

During the Year, in upholding the principle of "enrichment of living standards through the use of science and technologies", the Group completed the re-election of members of the next session of the Board and Supervisory Committee successfully, realigned the management team and achieved smooth transition, thereby constructing a capable and highly effective organizational structure as well as building up a management team with reasonable structure to strive for enterprise stable growth.

Throughout 2015, the Group continued to expand the markets actively, overcame challenges due to various unfavourable factors, and managed to operate our strategic business administration activities in an orderly, effective and pragmatic manner. The operations of the Company and certain of its subsidiaries developed 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 2015. 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 continued to optimize the structure of business personnel, focused on increasing our investments on sales team realignment to make the age structure younger. The Company was the first batch of members of the Advanced Medical Equipment Industry Incubation Alliance of Chinese Academy of Sciences (中國科學院先進醫療器械產業孵化聯盟). The "Clinic Biochemical Diagnostic Reagents Systematization (臨床生化診斷試劑系統化)" Project was granted a supporting fund of RMB3,000,000 as a high-tech achievement transformation project recognized by Beijing Municipal Science & Technology Commission, the "Full Automatic Allergen Diagnosis System Development (全自動過敏原診斷系統研製)" obtained a supporting fund of RMB300,000 under the industrial transformation and upgrading policy of Changping District, and "Cholesterol Assay Kit (膽固醇測定試劑盒)" was ascertained as the New Technology and New Products (Services) of Beijing City. We received the recognition of General Requirements for Testing and Calibration Laboratories (檢測和校準實驗室能力的通用要求) under ISO/IEC2005 and obtained the accreditation logo of CNAS Laboratory for trial, formally entered into the internationally mutual recognition circle in the authorization aspect.

During the reporting period, the Group continued to endeavour the expansion of sales channels, pushed forward a major breakthrough in product sales in segmented markets and regions through close cooperation with distributors and innovation of business model, the preliminary results were seen. 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 continued to conduct strategic integration and reorganization to our controlling and shareholding companies, with the objective of "downsizing the structure". We put forward corresponding operation proposals and key requirements, such as equity transfer and application of listing on New Third Board, to our subsidiaries one after another. The group has currently completed the transfer of all equity interest or downsized the equity interest holding in several subsidiaries.

FUTURE PROSPECTS

Clinical medical examination and testing is the principal consumption direction for in-vitro diagnostic reagents. In China, approximately 90% of in-vitro diagnostic reagent products are concentrated on hospital clients, including 22,700 all-level hospitals, 37,200 town-level health centers and 450 blood stations, and also those emerging physical examination centers and independent medical laboratories. With increasing homogenization of diagnostic reagents, diversification in client selection and other changes, strong customer loyalty has become the key of enterprise differentiation and competitiveness. The traditional IVD manufacturing enterprises are mainly focused on distribution. During the operating process, the agents have strong bargaining power. The Company will integrate the agents in different regions to mitigate price reduction pressure at the terminal segment, further the close cooperation with the downstream, increase the market share of our products.

At present, in the domestic in-vitro diagnostic reagents market, biochemical diagnostic reagents and immune diagnostic reagents represented over 50% of total market size. Technically speaking, for the items broadly used in clinical application with vast market prospect (such as enzymes, lipids, liver function, blood glucose, urine test and immune reagent series in clinical biochemistry), technology standard of domestic major manufacturers has basically reached the current international level. The biochemical diagnostic market has the characteristics of higher demand and stock, relatively low in technology barrier and market concentration, so industry competition is increasingly fierce. However, the application of new technology and the development of new projects are far less active than immune diagnosis and molecular diagnosis sectors. The enhancement in concentration and industrial capacity expansion are two main drivers for key enterprises in IVD to achieve growth in future, especially the clinical biochemical diagnosis.

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, the operating atmosphere and market sentiment of the industry were further improved.

The important changes in medical reform policies by the government, such as encouragement of private capital investment in medical service industry, will bring new changes for the setup and management model of hospitals. It is expected 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. However, with the gradual implementation of new medical reform and after the removal of medicine markups policies, the charges of medical services begin to draw public attention. In terms of the criterion for medical service pricing issued for provinces and cities, reduction in the proportion of inspection fee and lowering inspection and testing item pricing begins to take shape.

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. Under the adjustment and optimization of the sales team, the Company will take more incentive measures to explore new marketing mode actively, 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 new market changes and new demand. In 2016, the Group will pursue the spirit of "Unity, Regulated, Courage, Efficiency, Win-win", initiate all employees to be aggressive enough to enhance their occupation quality, improve their own competitiveness in all directions and means, and increase 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 and endeavor to make the Company a respectable enterprise. With years of hard work and established foundation, the Board directs the Company to step towards the objective of being the "Legend Group" in China health industry with independent intellectual property rights and international competitiveness, and achieve the best performance and bring satisfactory returns for our shareholders.

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 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

As the biochemical reagent technology barrier is relatively low as well as the opening up of biochemical analyzers, domestic enterprises entered the market by taking track and imitating foreign technologies and producing reagent products supporting imported biochemical analyzers, thereby forming a batch with certain sizable in-vitro diagnostic ("IVD") enterprises which mainly manufacture biochemical reagents. At present, the biochemical diagnostic reagent has become the most developed segment in the IVD industry in the PRC, the overall technology standard had basically matched the international level of the same period, and product quality and independent innovation capacity have increased substantially. Through the traceability of diagnostic products, the accuracy, consistency and comparability of examination and testing results were improved, the room of import substitution is continuously expanding, the market share for domestic reagents had reached over 60% in the biochemical reagent sector in the PRC, hence import substitution had basically completed. However, the high-end biochemical analyzers is still dominated by foreign brands due to higher technology barriers. The characteristics of IVD industry is the focus of primary importance in determining the research and development of analyzers. Reagents are permitted to bundle its sales with analyzers, and sales of analyzers can drive up high sales of reagents due to the resulted higher barrier in research and development of analyzers. The high-end instruments are mostly run in closed operation, that is, such instruments are only applied to special reagents from specific manufacturers. As the quality of domestic biochemical diagnostic reagents are homogenized seriously, along with fierce price competition, the growth rate declined year on year. It is urgently necessary to increase our competitiveness with new technologies and new products. The research and development is the core competition barrier for IVD reagents.

At present, under the overall background of increasing awareness in disease prevention and health consciousness of citizens, as well as drugs price reduction and removal of medicine markups policies, the examination service will become the main income source for hospitals. In 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. With the improved strength of PRC enterprises in research and development and the increase in examination and testing quantities in primary hospitals, together with the guideline policy of charging by inspection item/examination and testing methods and so on, it will further facilitate the process of the IVD instruments and reagents to achieve import substitution. That is, under the need of "expense control" by hospitals, hospitals will tend to use more domestic reagents, which will be beneficial to domestic reagent enterprises.

With the development of diagnostic technology, from the stages of screening, definite diagnosis to treatment, the diagnostic technology has begun to be professionally segmented. Research and development of new technologies and their applications, which include advanced diagnostic technology, treatment technology and health management platform have 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 emergence 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

Revenue

In 2015, the Group was unable to achieve the profit target set by the Board and recorded a net profit of RMB2.13 million, down by 79% as compared to last year. Sales revenue from the principal businesses was RMB290 million, up by 9.4% as compared to last year. In 2015, although the Group continued to develop its businesses orderly through efforts of all relevant parties, however, the operating revenue was still unable to achieve the expected growth target.

During the reporting period, the growth rate of profit attributable to shareholders was unable to meet the target due to the impact of the Group's internal and external factors, especially the extensive span of losses from its subsidiaries and the amounts are relatively high.

Gross Profit and Margin

The gross profit in 2015 was RMB139.4 million, which was 5.8% higher than that of the previous year, and gross profit margin was 48% (2014: 49.7%).

Selling and Distribution Expenses

For the year ended 31 December 2015, selling and distribution expenses increased by 26% or RMB14.70 million to approximately RMB71.29 million. The increase in such expenses was primarily attributable to further expanding market share, increasing the number of regional offices and cooperating agents as well as formulating the sales incentive policy for regional offices and cooperating agents.

Research and Development Costs

In 2015, the Company obtained registration certificates for 6 new products, including thyroid stimulating hormone (TSH) quantitative assay kit (magnetic particle chemiluminescence assays)（促甲狀腺素(TSH)定量檢測試劑盒（磁微粒化學發光法））, free triiodothyronine (FT3) quantitative assay kit (magnetic particle chemiluminescence assays)（游離三碘甲狀腺原氨酸(FT3)定量檢測試劑盒（磁微粒化學發光法））, triiodothyronine (T3) quantitative assay kit (magnetic particle chemiluminescence assays)（三碘甲狀腺原氨酸(T3)定量檢測試劑盒（磁微粒化學發光法））, thyroxine (T4) quantitative assay kit (magnetic particle chemiluminescence assays)（甲狀腺素(T4)定量檢測試劑盒（磁微粒化學發光法））, free thyroxine (FT4) quantitative assay kit (magnetic particle chemiluminescence assays)（游離甲狀腺素(FT4)定量檢測試劑盒（磁微粒化學發光法））and lithium reagents kit (phosphatase assays)（鋰測定試劑盒（磷酸酶法）. We completed the re-registration of 2 existing products and submitted renewal registration of 124 products, obtained 4 national invention patents (quantitative determination reagent and kit for high density lipoprotein cholesterol（高密度脂蛋白膽固醇的定量測定試劑及試劑盒）; quantitative determination method, reagent and kit for low density lipoprotein cholesterol（低密度脂蛋白膽固醇的定量測定方法、試劑及試劑盒）, a bovine serum cholesterol standard substance and its application（一種牛血清膽固醇標準物質及其應用）, and a chemical liquid substrate for HRP enzymatic reaction（一種用於以HRP為酶促反應的化學發光底物液））. Total research and development costs for the year amounted to RMB22.69 million, down by 8.6% as compared to RMB24.83 million of last year.

Profit for the Year

Profit for the year was RMB2.13 million, representing a decrease of 79% as compared to RMB10.14 million in 2014.

Profit Attributable to Owners of the Parent

During the reporting period, profit attributable to owners of the parent was RMB0.59 million, representing a decrease of 93% or RMB7.90 million from that of the previous 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. Of which, 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 leased for use or constructed pursuant to relevant laws and regulations, and those facilities currently are all in normal operating conditions.

PROSPECTS AND FUTURE OUTLOOK

Clinical medical examination and testing is the principal consumption direction for IVD reagents. In China, approximately 90% of IVD reagent products are concentrated on hospital clients, including 22,700 all-level hospitals, 37,200 town-level health centres and 450 blood stations, and also those emerging physical examination centres and independent medical laboratories. With increasing homogenization of diagnostic reagents, diversification in client selection and other changes, strong customer loyalty has become the key of enterprise differentiation and competitiveness. The traditional IVD manufacturing enterprises are mainly focused on distribution. During the operating process, the agents have strong bargaining power. The Company will integrate the agents in different regions to mitigate price reduction pressure at the terminal segment, enhance the close cooperation with the downstream and increase the market share of our products.

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With increasing market participants, market competition for IVD reagent sector is becoming more and more intense. Enterprises are also facing on-going challenges in product quality enhancement and product-mix optimisation. Under the adjustment and optimisation of the sales team, the Company will take more incentive measures to explore new marketing mode actively, 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 new market changes and new demand. In 2016, the Group will pursue the spirit of "Unity, Regulated, Courage, Efficiency, Win-win", initiate all employees to be aggressive enough to enhance their occupation quality, improve their own competitiveness in all directions and means, and increase 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 and endeavor to make the Company a respectable enterprise. With years of hard work and established foundation, the Board directs the Company to step towards the objective of being the "Legend Group" in China's health industry with independent intellectual property rights and international competitiveness, and achieve the best performance and bring satisfactory returns for our shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

IVD industry, of which the Company is principally engaged in, is classified as strategic emerging industry and has been developed rapidly in recent years. It is expected that the IVD industry will maintain a continuously rapid growth in the future, which will attract a large amount of newcomers that will intensify the competition in IVD industry. As such, the Company and its major competitors will face higher risks, including but not limited to: (i) the research and development of the Company fails to meet the market demand; (ii) the exclusive technology of the Company being replaced or substituted by competitors' products; (iii) instability of products' quality; (iv) monitoring distributors; (v) risk of decreasing market share; (vi) compliance with new laws and regulations; (vii) financial risk due to increasing accounts receivables; and (viii) risk of failure of invested projects. All these risks will enhance the difficulties of the Company's management and operation, hence higher requirements have been putting forward to the management of the Company.

Adverse impact may be imposed to the production and operation of the Company if the Company fails to increase its management ability and to employ more talents to cope with the future development of the Company and the change of market environment. As such, the Company further optimize the corporate governance structure, introduce various talents into the Group, develop an effective incentive mechanism and strict internal control system, enhance employees' training, and standardize the operation in the aspects of product research and development, production transport, market development, resources integration and capital operation, strengthen the management and control of the above aspects in order to reduce the abovementioned risks.

ENVIRONMENTAL POLICIES

The In-vitro diagnostic reagent, which is the principal business of the Company is subject to the following relevant regulations and policies of the government:

In-vitro diagnostic reagent and IVD reagents are regulated by China Food and Drug Administration(國家食品藥品監督管理部門). Permits for Medical Device Operation Enterprises(醫療器械經營企業許可證)and Permits for Medical Device Production Enterprises(醫療器械生產企業許可證)must be granted by China Food and Drug Administration before engaging in the production and operation of in-vitro diagnostic reagent and IVD reagents, which is also subject to a number of laws and regulations including Regulation on the Supervision and Administration of Medical Devices(醫療器械監督管理條例), Measures for Supervision and Administration of Medical Device Production(醫療器械生產監督管理辦法)and Measures for the Administration of Medical Device Registration(醫療器械註冊管理辦法).

The Company has developed a quality management system on the basis of its certificates of ISO9001:2008 and ISO13485:2003, and such system has been approved and verified by authoritative international institutions. Under the quality management system, all-rounded quality control has been conducted on the areas of design of products, procurement of raw materials, production of products, and sales and after-sale services. In order to ensure the products of the Company from the stage of procurement of raw materials to the stage of after-sale services fully comply with the rules, regulations and policies of the PRC government, the Company has implemented Quality Control Manual（品質手冊）, Procedures and Control of Procurement（採購控制程式）and Procedures and Control of the Provision of Production and Services（生產和服務提供的控制程式）to formulate specific procedures.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on GEM. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in the PRC and Hong Kong.

CAPITAL STRUCTURE

As at 31 December 2015, the capital structure of the Company has no significant change as compared to that of last year.

LIQUIDITY AND FINANCIAL POSITION

	2015 RMB million	2014 RMB million
Cash and bank balances and time deposit	**70**	82
Short-term loans	**–**	1
Long-term loans	**–**	–
Net cash	**70**	81
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 RMB11 million, which was mainly due to an increase in the balance from accounts receivables and other receivables at the end of 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 purchases equipment and some in-vitro diagnostic reagent products from foreign countries for resale in the PRC occasionally and the administrative expenses incurred by the subsidiary in Canada. Certain bank accounts denominated in Hong Kong dollar are opened in Hong Kong for the payments of miscellaneous expenses such as professional fees incurred in Hong Kong.

PLEDGE OF ASSETS OF THE GROUP

At 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately RMB31,433,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co., Ltd. Such bank facilities were not utilised by the associate as at the end of the reporting period.

At 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB2,895,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co., Ltd. Such bank facilities were not utilised by the associate 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:

	2015 **RMB'000**	2014 RMB'000
Guarantee given to a bank in connection with the loans granted to an associate	**50,000**	50,000

EMPLOYEES

As at 31 December 2015, the Group had a total of 532 full-time employees (2014: 650 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 2015 amounted to approximately RMB53.61 million. The Group determines 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 who 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 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 2016 to 20 May 2016 (both days inclusive) in order to determine the entitlement to attend the annual general meeting (the "AGM") to be held on 20 May 2016. 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 2016, 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 2015. The registers of members of the Company will be closed from 27 May 2016 to 2 June 2016 (both days inclusive) in order to determine the entitlement to 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 26 May 2016, for registration. The final dividend will be payable on or before 31 July 2016.

WITHHOLDING AND PAYMENT OF INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS AND NON-RESIDENT INDIVIDUAL SHAREHOLDERS IN RESPECT OF THE PROPOSED 2015 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 2016. 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 27 May 2016 to 2 June 2016, both days inclusive, during which period no transfer of the Company's H shares will be effected. In order for the 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 26 May 2016, 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)（《國家税務總局關於印發〈非居民享受税收協議待遇管理辦法（試行）〉的通知》（國税發2009124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 for payment 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 for payment 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 27 May 2016 to 2 June 2016, both days inclusive.

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 2016 and will withhold and pay the individual income tax based on the register of members of the Company as at 2 June 2016. 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 26 May 2016, 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 2016.

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 2016.

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 2015, the Company complied with all the 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 Provision A.1.8 as addressed below.

Code Provision A.1.8

Under Code Provision A.1.8, the Company should arrange appropriate insurance to cover the 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 2016.

THE BOARD OF DIRECTORS

During the most time of year 2015, the Board mainly comprised twelve Directors, including the chairman, executive Directors, non-executive Directors and independent non-executive Directors, after the change of the session of the Board in December 2015, its number has been changed to 9 members from the previous 12 members. Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years . The Board is mainly accountable to the owners of the parent. It is also in charge of the management, business, strategy, annual, 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 2015, 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 2015.

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 2015, the Board held a total of four meetings. The average attendance rate reached 87.6%. The details of the attendance rate of the Board and respective Directors are as follows:–

Date of meeting	**Total number of Directors**	**Number of Directors present**	**Attendance rate**
2 February 2015	12	12	100%
18 March 2015	12	9	75%
13 July 2015	12	10	83%
15 October 2015	11	10	91%
2 December 2015	9	8	89%

Name of Directors	Number of meetings attended
Mr. Wu Lebin *(Chairman and executive Director)*	5/5
Dr. Bi Lijun *(Vice chairman and non-executive Director)*	4/5
Mr. Chen Jintian *(Vice chairman and executive Director)*	4/4
Mr. Zhang Haitao *(Executive Directors)* (appointed on 2 December 2015)	1/1
Dr. Xu Cunmao *(Executive Directors)*	4/4
Mr. Hou Quanmin *(Non-executive Director)*	4/5
Mr. Wang Daixue *(Independent non-executive Directors)*	5/5
Dr. Hu Canwu Kevin *(Independent non-executive Directors)*	3/5
Dr. Zheng Yongtang（*(Independent non-executive Directors)*	3/3
Mr. Zhou Jie *(Executive Director)* (resigned on 2 December 2015)	4/4
Dr. Wang Lin *(Executive Directors)* (resigned on 28 May 2015)	2/2
Mr. Wang Fugen *(Non-executive Director)* (resigned on 2 December 2015)	5/5
Dr. Rao Yi *(Independent non-executive Directors)* (resigned on 23 March 2015)	2/2
Mr. John Wong Yik Chung *(Independent non-executive Directors)* (resigned on 2 December 2015)	3/4

ANNUAL GENERAL MEETING HELD IN 2015

During the year 2015, the annual general meeting of the Company was held on 20 May 2015 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
Mr. Chen Jintian *(Vice-Chairman and executive Director)*	1/1
Dr. Bi Lijun *(Vice-Chairman and non-executive Director)*	1/1
Dr. Xu Cunmao *(Executive Director)*	1/1
Dr. Wang Lin *(Executive Director)* (resigned on 28 May 2015)	1/1
Mr. Hou Quanmin *(Non-executive Director)*	1/1
Mr. Zhou Jie *(Executive Director)* (resigned on 2 December 2015)	1/1
Mr. Wang Fugen *(Non-executive Director)* (resigned on 2 December 2015)	1/1
Dr. Zheng Yongtang *(Independent non-executive Director)*	1/1
Dr. Hu Canwu Kevin *(Independent non-executive Director)*	1/1
Mr. Wang Daixue *(Independent non-executive Director)*	1/1
Mr. John Wong Yik Chung *(Independent non-executive Director)* (resigned on 2 December 2015)	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. Chen Jintian 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. Chen Jintian, 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 the conduct of 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, that 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 2015.

BOARD COMMITTEES

The Board has established three board committees, namely remuneration committee, nomination committee and 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 2015, members of the Remuneration Committee include all independent non-executive Directors, Dr. Zheng Yongtang, Dr. Hu Canwu Kevin, Mr. John Wong Yik Chung and Mr. Wang Daixue, with Dr. Zheng Yongtang as the chairman of the Remuneration Committee. Following Mr. John Wong Yik Chung's resignation as an independent non-executive Director on 2 December 2015, he also ceased to be the member of the Remuneration Committee.

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 2015.

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 2015, the Remuneration Committee met once and the individual attendance of each member is set out below:

Name of Directors	**Number of meetings attended**
Dr. Zheng Yongtang	1/1
Dr. Hu Canwu Kevin	1/1
Mr. Wang Daixue	1/1
Mr. John Wong Yik Chung (resigned on 2 December 2015)	1/1

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands (RMB)	**Number of person**
RMB1,000,000 and under	3
RMB1,000,001 to RMB1,500,000	Nil
RMB1,500,001 to RMB2,000,000	Nil
RMB2,000,001 to RMB2,500,000	2

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 2015, 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 2015, the Nomination Committee comprises an executive Director, namely Mr. Wu Lebin, and four independent non-executive Directors, namely Dr. Hu Canwu Kevin, Dr. Zheng Yongtang, Mr. John Wong Yik Chung and Mr. Wang Daixue. Dr. Hu Canwu Kevin is the chairman of the Nomination Committee. Following Dr. John Wong Yik Chung's resignation as an independent non-executive Director on 2 December 2015, he also ceased to be a member of the Nomination Committee.

In carrying out its functions, the Nomination Committee met once during the year ended 31 December 2015. 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. Zheng Yongtang	1/1
Mr. Wu Lebin	1/1
Mr. Wang Daixue	1/1
Mr. John Wong Yik Chung (resigned on 2 December 2015)	1/1

AUDIT COMMITTEE

The Company established the audit committee (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 risk management and internal control systems of the Group and other major financial matters; 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 once every quarter 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 that arise within the scope of its terms of reference and continues to 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 2015.

During the year ended 31 December 2015, 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. Zheng Yongtang	3/4
Dr. Hu Canwu Kevin	4/4
Mr. Wang Daixue	4/4
Dr. Rao Yi (resigned on 23 March 2015)	1/4
Mr. John Wong Yik Chung (resigned 2 December 2015)	4/4

In 2015, the Audit Committee comprises all independent non-executive Directors, namely Dr. Zheng Yongtang, Dr. Hu Canwu Kevin, Mr. John Wong Yik Chung and Mr. Wang Daixue, of which Dr. Zheng Yongtang 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 2015. 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. Furthermore, after Mr. John Wong Yik Chung resigned as the Independent non-executive Director on 2 December 2015, he also ceased to be a member of the Audit Committee.

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 2015, 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 47.

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 2015, a memorandum on the Company's regulatory and disclosure obligations as a listed company of Hong Kong 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.

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 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 33 to the financial statements.

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to Financial Statements" sections of this report. The above sections form part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 49 to 52.

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 2016. Upon approval by the shareholders, the final dividend will be paid on or before 31 July 2016. 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 126. 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 14 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 44 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 2015, amounted to approximately RMB80,364,000, 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 44 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers of RMB85,670,000, accounted for 29% of the total revenue for the year, in which sales to the largest customer amounted to 12%. Purchases from the Group's five largest suppliers of RMB30,713,000, accounted for 24% of the total purchases for the year, in which purchases from the largest supplier amounted to 11%. 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 EXECUTIVE DIRECTOR:

Mr. Chen Jintian

VICE CHAIRMEN AND NON-EXECUTIVE DIRECTOR:

Ms. Bi Lijun

EXECUTIVE DIRECTORS:

Dr. Xu Cunmao
Mr. Zhang Haitao (appointed on 2 December 2015)
Mr. Zhou Jie (resigned on 2 December 2015)
Dr. Wang Lin (resigned on 28 May 2015)

NON-EXECUTIVE DIRECTORS:

Mr. Hou Quanmin
Mr. Wang Fugen (appointed on 2 December 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Zheng Yongtang
Dr. Hu Canwu Kevin
Mr. Wang Daixue
Mr. John Wong Yik Chung (resigned on 2 December 2015)

SUPERVISORS:

Mr. Zhou Jie (appointed on 2 December 2015)
Ms. Yan Xiyun
Ms. Huang Aiyu
Mr. Shao Yimin (resigned on 2 December 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 42 to 46 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.

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 2015, 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	3,500,878	5.22%	2.67%
Mr. Hou Quanmin	300,000	0.45%	0.23%
Dr. Xu Cunmao	200,000	0.30%	0.15%
Mr. Zhou Jie	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 2015, 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 2015.

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

As at 31 December 2015, 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	
Institute of Biophysics of Chinese Academy of Sciences	Directly beneficially owned	31,308,576	–	46.72%	0.00%	23.84%
Beijing Shuoze Health Industry Investment Company Limited ("Beijing Shuoze")#	Directly beneficially owned	24,506,143	–	36.57%	0.00%	18.67%
Hong Kong Future Investment Group Limited ("HK Future")#	Directly beneficially owned	–	6,780,000	0.00%	10.55%	5.16%
Chen Jintian	Through controlled corporations	24,506,143	6,780,000	36.57%	10.55%	23.83%
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%

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

Each of Beijing Shuoze and HK Future is wholly owned by Mr. Chen Jintian who is therefore deemed to be interested in the domestic shares and H shares held by Beijing Shuoze and HK Future respectively pursuant to the SFO.

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

Save as disclosed above, as far as is known to any Directors or supervisors of the Company, as at 31 December 2015, 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 2015, 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 as addressed below.

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.

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 the 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 were 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 2015 were RMB1,151,000.

Relationship between the parties

Beijing Huamei is a limited liability company established in the PRC. It was a 56.52% non-wholly owned subsidiary of the Company. In July 2015, the Company had disposed of all the equity interests owned by it (being the 56.52% interest) in Beijing Huamei.

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 2016

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 2015 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 2016 to better discharge its duty, including securing shareholders' interests.

The Fifth Supervisory Committee of Biosino Bio-Technology and Science Incorporation
Zhou Jie
Chairman of the Supervisory Committee

Beijing, the People's Republic of China
18 March 2016

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD

Mr. Wu Lebin（吳樂斌先生）, aged 54, is the chairman and 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 deputy director and the director in the CAS and the deputy director in IBP of CAS successively. He possesses over 20 years of experience in research management, technology 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 since 2006 and resigned the concurrent post of president on 10 July 2014.

VICE CHAIRMEN AND EXECUTIVE DIRECTOR

Mr. Chen Jintian（陳錦添先生）, aged 39, is the vice chairman and executive Director of the Company and president. Mr. Chen Jintian 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 United States 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 Health Industry Investment Management Company Limited*（北京碩澤健康產業投資管理有限公司）. Mr. Chen joined the Company in March 2015 and became the president in December.

VICE CHAIRMEN AND NON-EXECUTIVE DIRECTORS

Dr. Bi Lijun（畢利軍博士）, female, aged 42, is the vice chairman and 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 October 2014.

EXECUTIVE DIRECTORS

Dr. Xu Cunmao（許存茂博士）, aged 53, is the executive Director, vice president and 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.*（海南南希實業股份有限公司）, executive deputy general manager of Beijing Beida Nanxi Bio-Engineering Co., Ltd.*（北京北大南希生物工程有限公司）, 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.

Mr. Zhang Haitao, aged 43, is an executive director, with a Master's degree, graduated from Xi'an Medical University in clinical medicine in July 1996 and obtained an EMBA from University of International Business and Economics in January 2010. Between July 1996 and May 2000, Mr. Zhang worked in the Hanting auto repair factory of China Railway Si Ju Fifth Construction Company Limited as staff; then worked in Beijing Leadman Biochemistry Co., Ltd.*（北京利德曼生化股份有限公司）consecutively as the manager of Jinan branch office, corporate marketing director, deputy general manager and vice president from June 2000 to January 2014. Mr. Zhang joined in the Company in October 2015 and was appointed as an executive Director in December 2015.

Dr. Wang Lin（王琳博士）, aged 49, 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. Wang resigned on 28 May 2015.

NON-EXECUTIVE DIRECTORS

Mr. Hou Quanmin（侯全民先生）, aged 50, is the non-executive director of the Company. Mr. Hou possesses over 15 years of experience in technological development and corporate management. Mr. Hou graduated from 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, assistant to general manager of Baiao Pharmaceuticals and deputy director of science and technology development department of IBP. Mr. Hou has been the general manager of Baiao Pharmaceuticals from 1999 to 2012, and re-designated as the Chairman of the Board in 2013. Mr. Hou severed as the executive Director of the Company in January 2007.

Mr. Wang Fugen（王福根先生）, aged 53, 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. Wang resigned on 2 December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zheng Yongtang (鄭永唐博士), aged 54, 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 has been engaging in immunology and virology research for a long period of time. Dr. Zheng undertakes over 30 projects of various scientific research projects, such as National Science and Technology Major Project, National 973 and 863 projects and National Natural Science Foundation etc. Dr. Zheng Yongtang joined the Company in March 2015.

Dr. Hu Canwu Kevin (胡燦武博士), male, aged 40, is the 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. Wang Daixue (王代雪先生), aged 60, 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 was 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.

Mr. John Wong Yik Chung (黃翼忠先生), aged 49, 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. Wong resigned on 2 December 2015.

SUPERVISORS

Mr. Zhou Jie (周潔先生), aged 54, is the chairman of the Supervisory Committee of the Company. Mr. Zhou completed a professional course in politics in Beijing Open 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 of 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 vice president. Mr. Zhou was recruited as the president of the Company on 10 July 2014 and appointed as executive Director in March 2015. He was elected as Supervisor by employee representative in December 2015.

Professor Yan Xiyun (閻錫蘊院士), female, aged 58, is the Supervisor of the Company. Professor 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). Dr. Yan has been engaging in the research on protein functions and antibodies engineering since 1993. 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. She worked as a research trainee, an assistant research associate in IBP. She also worked as a deputy research associate, research associate and supervisor of doctoral students in Institute of Microbiology of CAS and. Ms. Yan is currently the secretary general of the Biophysical Society of China* (中國生物物理學會) and a Member of the Chinese Academic of Sciences. Professor Yan was appointed as Supervisor of the Company between 2003 and 2006 and rejoined the Company in October 2014.

Ms. Huang Aiyu (黃愛玉女士), aged 29, Supervisor of the Company and holds a bachelor degree in Management. She completed the financial management professional course 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 joined the Company in March 2015.

Mr. Shao Yimin (邵依民先生), aged 58, 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 resigned on 2 December 2015.

SENIOR MANAGEMENT

Ms. Wang Jianqing (王建清女士), aged 53, is the vice president of the Company, responsible for the quality control and quality check 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 segments include, among other matters, education, scientific research, logistics control and quality management. Ms. Wang has also worked as a tutor, an engineer, and a senior engineer, respectively. Ms. Wang joined the Company in August 2004.

Ms. Yao Ping (姚萍女士), aged 54, is the vice president of the Company, responsible for the human resources division in the Company. Ms. Yao graduated from Shanxi College of Finance & Economics in 1983 with a bachelor's degree in economics 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 affairs. Ms. Yao joined the Company in April 2001.

Dr. Zheng Xiaowan, 33, is the vice president of the Company. She graduated from Virginia Polytechnic Institute and State University in U.S.A. in 2005 with an honorable bachelor's degree, major in Biochemical and minor in management and obtained a doctoral degree in medicine from the College of Pharmacy in University of Maryland-Baltimore County in U.S.A in 2010. She published six academic papers at various national renowned academic journals during her PhD study. She conducted post-doctoral research in Roche Pharmaceutical in the New Jersey branch in the U.S.A. after graduation. She joined the Company in 2011, and served as Assistant to President and Director of International Business, responsible for the various businesses such as oversea business cooperation and import and export business. She was recruited as vice president in December 2015.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric (董渙樟先生), aged 45, 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 36, 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 set out on pages 49 to 125, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**290,380**	265,331
Cost of sales		**(151,018)**	(133,556)
Gross profit		**139,362**	131,775
Other income and gains	5	**13,970**	14,948
Selling and distribution expenses		**(71,292)**	(56,590)
Administrative expenses		**(44,867)**	(41,317)
Research and development expenses		**(22,689)**	(24,826)
Other expenses		**(5,255)**	(2,476)
Finance costs	7	**(159)**	(38)
Share of losses of:			
Joint ventures		**(3,106)**	(3,275)
Associates		**(2,562)**	(3,968)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**3,402**	14,233
Income tax expense	10	**(1,277)**	(3,703)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2,125**	10,530
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**–**	(391)
PROFIT FOR THE YEAR		**2,125**	10,139
Attributable to:			
Owners of the parent		**588**	8,485
Non-controlling interests		**1,537**	1,654
		2,125	10,139
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		**RMB0.004**	RMB0.06
– For profit from continuing operations		**RMB0.004**	RMB0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**2,125**	10,139
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7)**	9
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(7)**	9
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(7)**	9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,118**	10,148
Attributable to:		
Owners of the parent	**581**	8,494
Non-controlling interests	**1,537**	1,654
	2,118	10,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**82,881**	88,043
Prepaid land lease payments	*15*	**3,230**	3,331
Goodwill	*16*	**309**	309
Other intangible assets	*17*	**1,478**	2,423
Investment in a joint venture	*18*	**14,273**	22,114
Investments in associates	*19*	**16,627**	19,189
Available-for-sale investment	*20*	**529**	–
Long-term receivables	*21*	**4,152**	4,049
Deferred tax assets	*29*	**1,159**	827
Total non-current assets		**124,638**	140,285
CURRENT ASSETS			
Available-for-sale investments	*22*	**3,000**	10,000
Inventories	*23*	**41,845**	57,295
Trade and bills receivables	*24*	**87,851**	55,192
Prepayments, deposits and other receivables	*25*	**55,635**	37,007
Time deposits	*26*	**25,000**	27,000
Cash and cash equivalents	*26*	**45,068**	54,844
Total current assets		**258,399**	241,338
CURRENT LIABILITIES			
Trade payables	*27*	**31,941**	24,179
Other payables and accruals	*28*	**42,689**	34,323
Interest-bearing bank borrowing		**–**	1,000
Tax payable		**335**	1,021
Total current liabilities		**74,965**	60,523
NET CURRENT ASSETS		**183,434**	180,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**308,072**	321,100

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**308,072**	321,100
NON-CURRENT LIABILITIES			
Deferred income	*30*	**11,442**	6,861
Deferred tax liabilities	*29*	**505**	474
Total non-current liabilities		**11,947**	7,335
Net assets		**296,125**	313,765
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*31*	**131,304**	131,304
Reserves	*32*	**143,449**	155,998
		274,753	287,302
Non-controlling interests		**21,372**	26,463
Total equity		**296,125**	313,765

Wu Lebin
Director

Chen Jintian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent							
	Issued capital RMB'000 *(note 31)*	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	131,304	61,017	44,642	54,796	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 in issued capital of a subsidiary	–	24,680	(3,000)	(21,680)	–	–	2,646	2,646
Final 2013 dividend declared	–	–	–	(13,130)	–	(13,130)	–	(13,130)
At 31 December 2014	131,304	85,697	42,648	27,465#	188	287,302	26,463	313,765

\# Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

		Attributable to owners of the parent							
	Note	**Issued capital RMB'000** *(note 31)*	**Capital reserve RMB'000**	**Statutory reserve RMB'000**	**Retained profits RMB'000**	**Exchange fluctuation reserve RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2015		**131,304**	**85,697**	**42,648**	**27,465**	**188**	**287,302**	**26,463**	**313,765**
Profit for the year		**–**	**–**	**–**	**588**	**–**	**588**	**1,537**	**2,125**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(7)**	**(7)**	**–**	**(7)**
Total comprehensive income for the year		**–**	**–**	**–**	**588**	**(7)**	**581**	**1,537**	**2,118**
Increase in issued capital of a subsidiary		**–**	**1,087**	**(621)**	**(466)**	**–**	**–**	**594**	**594**
Transfer from retained profits		**–**	**–**	**790**	**(790)**	**–**	**–**	**–**	**–**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**(2,511)**	**(2,511)**
Final 2014 dividend declared	*12*	**–**	**–**	**–**	**(13,130)**	**–**	**(13,130)**	**–**	**(13,130)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(4,711)**	**(4,711)**
At 31 December 2015		**131,304**	**86,784***	**42,817***	**13,667***	**181***	**274,753**	**21,372**	**296,125**

* These reserve accounts comprise the consolidated reserves of RMB143,449,000 (2014: RMB155,998,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**3,402**	14,233
From a discontinued operation		**–**	(391)
Adjustments for:			
Finance costs	*7*	**159**	38
Share of losses of joint ventures		**3,106**	3,275
Share of losses of associates		**2,562**	3,968
Loss on disposal of items of property, plant and equipment, net	*6*	**48**	21
Bank interest income	*5*	**(1,936)**	(1,485)
Depreciation	*14*	**19,373**	18,172
Amortisation of prepaid land lease payments	*15*	**101**	101
Amortisation of other intangible assets	*17*	**412**	762
Impairment of other intangible assets	*17*	**533**	1,954
Impairment of an investment in a joint venture	*18*	**3,245**	–
Impairment of trade and bills receivables	*6*	**56**	–
Impairment of prepayments, deposits and other receivables	*6*	**600**	–
Impairment of inventories	*6*	**446**	–
Interest income from available-for-sale investments	*5*	**(523)**	(1,216)
Gain on disposal of subsidiaries	*5*	**(2,988)**	(4,380)
Gain on disposal of a joint venture	*5*	**(1,156)**	–
Exchange (gain)/loss, net	*6*	**(25)**	39
		27,415	35,091
Decrease/(increase) in inventories		**5,361**	(20,377)
Increase in trade and bills receivables		**(40,460)**	(7,644)
Decrease/(increase) in prepayments, deposits and other receivables		**5,523**	(1,504)
Increase in trade payables		**10,027**	12,376
Increase/(decrease) in other payables		**21,375**	(1,284)
Increase/(decrease) in accruals and deferred income		**4,581**	(2,992)
Cash generated from operations		**33,822**	13,666
Income tax paid		**(2,264)**	(2,334)
Interest received		**1,936**	1,485
Net cash flows from operating activities		**33,494**	12,817

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities		**33,494**	12,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(14,950)**	(18,275)
Proceeds from disposal of items of property, plant and equipment		**266**	60
Decrease/(increase) in time deposits		**2,000**	(6,000)
Received from available-for-sale investments		**23,524**	11,216
Entrusted loan	*25*	**(30,000)**	–
Purchase of available-for-sale investments		**(16,000)**	(10,000)
Proceeds from disposal of a joint venture		**2,116**	–
Proceeds from disposal of subsidiaries	*34*	**3,532**	7,178
Net cash flows used in investing activities		**(29,512)**	(15,821)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**3,000**	1,000
Repayment of bank loans		**(1,000)**	–
Capital contributions from non-controlling shareholders		**594**	2,646
Dividends paid to non-controlling shareholders of subsidiaries		**(3,088)**	–
Dividend paid		**(13,130)**	(15,090)
Interest paid		**(159)**	(38)
Net cash flows used in financing activities		**(13,783)**	(11,482)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,801)**	(14,486)
Cash and cash equivalents at beginning of year		**54,844**	69,369
Effect of foreign exchange rate changes, net		**25**	(39)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**45,068**	54,844
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as at the end of year	*26*	**45,068**	54,844

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Zhongsheng Jinyu Diagnostic Technology Co., Ltd. ("Zhongsheng Jinyu") (北京中生金域診斷技術股份有限公司)*	PRC/Mainland China	RMB30 million	45.9%	–	Manufacture, sale and distribution of in-vitro diagnostic reagent products
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
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
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	RMB13 million	100%	–	Distribution of immunodiagnostic products

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

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. 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).

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 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.

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 for subsidiaries above. 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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business *Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interest in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27(2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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
4 No mandatory effective date yet determined but is available for adoption

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 is currently assessing the impact 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.

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

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.

HKFRS 15 establishes a new five-step model to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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 a 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 not 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in associates and a joint venture *(Continued)*

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.

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.

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 Non-current Assets Held for Sale and Discontinued Operations.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 "Non-current Assets Held for Sale and Discontinued Operations". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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.

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 payments 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 land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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.

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 statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses 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.

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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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

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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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.

Subsequent measurement

The subsequent measurement of loans and borrowings 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Loans and borrowings *(Continued)*

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.

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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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:

(a) 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;

(b) 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;

(c) rental income, on a time proportion basis over the lease terms; and

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional 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.

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 overseas subsidiary is a currency other than RMB. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into RMB at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is 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.

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 16.

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.

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 2015 was RMB33,743,000 (2014: RMB26,776,000). Further details are contained in note 29 to the financial statements.

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.

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.

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 value of inventories and the write-down of inventories recognised in the period in which such estimate has been made.

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 the Group's 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

Revenue from continuing operations of approximately RMB35,129,000 (2014: Nil) was derived from sales by the in-vitro diagnostic reagent products segment to a single customer, which amounted to more than 10% of the Group's total revenue.

Geographical information

During the years ended 31 December 2015 and 2014, 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 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:

	Note	2015 RMB'000	2014 RMB'000
Revenue			
Sale of in-vitro diagnostic reagent products		**290,380**	265,331
Other income			
Bank interest income		**1,936**	1,485
Interest income from available-for-sale investments		**523**	1,216
Government grants		**5,805**	6,310
Service income		**349**	315
Others		**1,213**	1,242
		9,826	10,568
Gains			
Gain on disposal of subsidiaries	*34*	**2,988**	4,380
Gain on disposal of a joint venture		**1,156**	–
		4,144	4,380
		13,970	14,948

6. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**151,018**	133,556
Employee benefit expense (including directors' and supervisors' remuneration *(note 8)*):			
Wages, salaries and bonuses		**40,743**	39,446
Pension scheme contributions *		**4,458**	3,667
Social welfare and other costs		**8,407**	8,238
		53,608	51,351
Research and development costs		**22,689**	24,826
Government grants released	*5*	**(5,805)**	(6,310)
Loss on disposal of items of property, plant and equipment, net		**48**	21
Minimum lease payments under operating leases in respect of land and buildings		**3,140**	2,348
Auditors' remuneration		**700**	700
Depreciation	*14*	**19,373**	18,172
Amortisation of prepaid land lease payments	*15*	**101**	101
Amortisation of other intangible assets	*17*	**412**	762
Impairment of other intangible assets	*17*	**533**	1,954
Impairment of trade and bills receivables	*24(a)*	**56**	–
Impairment of prepayments, deposits and other receivables		**600**	–
Impairment of inventories		**446**	–
Impairment of an investment in a joint venture	*18*	**3,245**	–
Gain on disposal of subsidiaries	*34*	**(2,988)**	(4,380)
Gain on disposal of a joint venture		**(1,156)**	–
Foreign exchange differences, net		**(25)**	39

* At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: Nil).

7. FINANCE COSTS

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

	Group	
	2015	2014
	RMB'000	RMB'000
Interest on bank loans	**159**	38

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	RMB'000
Fees	**319**	310
Other emoluments:		
Salaries, allowances and benefits in kind	**4,832**	2,223
Pension scheme contributions	**–**	12
	4,832	2,235
	5,151	2,545

(a) Independent non-executive directors

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

	2015	2014
	RMB'000	RMB'000
Dr. Rao Yi[1]	**25**	60
Dr. Zheng Yongtang[2]	**35**	–
Dr. Hu Canwu Kevin	**60**	60
Mr. Wang Daixue	**60**	60
Mr. John Wong Yik Chung[3]	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

1 Dr. Rao Yi resigned as an independent non-executive director on 23 March 2015.

2 Dr. Zheng Yongtang was appointed as an independent non-executive director on 23 March 2015.

3 Mr. John Wong Yik Chung resigned as an independent non-executive director on 2 December 2015.

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	Total remuneration RMB'000
2015			
Executive directors:			
Mr. Wu Lebin	–	2,176	2,176
Mr. Chen Jintian[1]	–	–	–
Dr. Xu Cunmao[2]	–	572	572
Mr. Zhang Haitao[3]	–	66	66
Mr. Zhou Jie[4]	–	2,018	2,018
Dr. Wang Lin[5]	4	–	4
Mr. Hou Quanmin[6]	11	–	11
	15	4,832	4,847
Non-executive directors:			
Mr. Chen Jintian[1]	14	–	14
Dr. Bi Lijun	14	–	14
Mr. Hou Quanmin[6]	–	–	–
Mr. Wang Fugen[7]	14	–	14
Mr. Jia Hongfei[8]	–	–	–
Mr. Yu Tongle[9]	–	–	–
Mr. Ni Xiaowei[10]	–	–	–
	42	–	42
Supervisors:			
Mr. Zhou Jie[4]	–	–	–
Ms. Yan Xiyun	11	–	11
Ms. Huang Aiyu[11]	11	–	11
Mr. Shao Yimin[12]	–	–	–
Ms. Guan Xiaohui[13]	–	–	–
	22	–	22
	79	4,832	4,911

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
2014				
Executive directors:				
Mr. Wu Lebin	–	2,022	–	2,022
Dr. Wang Lin	14	–	–	14
Mr. Hou Quanmin	14	–	–	14
	28	2,022	–	2,050
Non-executive directors:				
Dr. Gao Guangxia[14]	–	–	–	–
Mr. Wang Fugen	21	–	–	21
Dr. Bi Lijun	–	–	–	–
Mr. Jia Hongfei	–	–	–	–
Mr. Yao Fang[15]	–	–	–	–
Mr. Yu Tongle	–	–	–	–
Mr. Ni Xiaowei	–	–	–	–
	21	–	–	21
Supervisors:				
Dr. He Rongqiao[16]	14	–	–	14
Ms. Guan Xiaohui	7	–	–	7
Ms. Yan Xiyun	–	–	–	–
Mr. Shao Yimin	–	201	12	213
	21	201	12	234
	70	2,223	12	2,305

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

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

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

1 Mr. Chen Jintian was appointed as a non-executive director on 3 March 2015 and appointed as an executive director and the chief executive officer on 2 December 2015.

2 Dr. Xu Cunmao was appointed as an executive director on 3 March 2015.

3 Mr. Zhang Haitao was appointed as an executive director on 2 December 2015.

4 Mr. Zhou Jie was appointed as an executive director on 3 March 2015, resigned as an executive director and the chief executive officer on 2 December 2015 and appointed as a supervisor on 2 December 2015.

5 Dr. Wang Lin resigned as an executive director on 28 May 2015.

6 Mr. Hou Quanmin resigned as an executive director and was appointed as a non-executive director on 2 December 2015.

7 Mr. Wang Fugen resigned as a non-executive director on 2 December 2015.

8 Mr. Jia Hongfei resigned as a non-executive director on 3 March 2015.

9 Mr. Yu Tongle resigned as a non-executive director on 3 March 2015.

10 Mr. Ni Xiaowei resigned as a non-executive director on 3 March 2015.

11 Ms. Huang Aiyu was appointed as a supervisor on 3 March 2015.

12 Mr. Shao Yimin resigned as a supervisor on 2 December 2015.

13 Ms. Guan Xiaohui resigned as a supervisor on 3 March 2015.

14 Dr. Gao Guangxia resigned as a non-executive director on 20 August 2014.

15 Mr. Yao Fang resigned as a non-executive director on 13 March 2014.

16 Dr. He Rongqiao resigned as the chairman of the supervisory committee on 20 August 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and one supervisor (2014: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: four) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**1,057**	2,619
Pension scheme contributions	**88**	159
	1,145	2,778

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**–**	–
	2	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 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 2015 as they are assessed by relevant government authorities as High and New Technology Enterprises.

10. INCOME TAX EXPENSE *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Current – the PRC	**1,578**	3,606
Adjustments in respect of current tax of previous periods	**–**	(12)
Deferred (note 29)	**(301)**	109
Total tax charge for the year	**1,277**	3,703

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:

	2015		2014	
	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	**3,402**		14,233	
Tax at the statutory tax rate	**851**	**25**	3,558	25
Preferential tax rate or concessions	**(1,383)**	**(41)**	(3,713)	(26)
Adjustments in respect of current tax of previous periods	**–**	**–**	(12)	–
Losses attributable to joint ventures and associates	**850**	**25**	1,811	13
Tax incentives on eligible expenditures	**(1,819)**	**(53)**	(2,559)	(18)
Income not subject to tax	**(621)**	**(18)**	(331)	(2)
Expenses not deductible for tax	**973**	**29**	2,882	19
Tax losses utilised from previous periods	**(35)**	**(1)**	(54)	–
Tax losses not recognised	**2,461**	**72**	2,121	15
Tax charge at the Group's effective rate	**1,277**	**38**	3,703	26

There was no share of tax attributable to associates and joint ventures (2014: Nil).

11. 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 a 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.

12. DIVIDEND

	2015	2014
	RMB'000	RMB'000
Proposed final dividend – RMB0.1 (2014: 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.

13. 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, and the weighted average number of ordinary shares of 131,303,670 (2014: 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 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both the years ended 31 December 2015 and 2014.

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

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

	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations:		
From the continuing operations	**588**	8,876
From the discontinued operation	**–**	(391)
	588	8,485

	Numbers of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**131,303,670**	131,303,670

14. PROPERTY, PLANT AND EQUIPMENT

	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 2015							
At 31 December 2014 and at 1 January 2015:							
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
At 1 January 2015, net of accumulated depreciation	35,586	5,341	43,626	1,744	1,746	–	88,043
Additions	–	–	12,680	975	898	397	14,950
Disposals	–	–	(216)	(42)	(56)	–	(314)
Disposal of subsidiaries	–	–	(271)	(111)	(43)	–	(425)
Depreciation provided during the year	(1,340)	(2,195)	(14,456)	(625)	(757)	–	(19,373)
At 31 December 2015, net of accumulated depreciation	34,246	3,146	41,363	1,941	1,788	397	82,881
At 31 December 2015:							
Cost	45,140	16,322	112,976	6,539	7,171	397	188,545
Accumulated depreciation	(10,894)	(13,176)	(71,613)	(4,598)	(5,383)	–	(105,664)
Net carrying amount	34,246	3,146	41,363	1,941	1,788	397	82,881

14. PROPERTY, PLANT AND EQUIPMENT *(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 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

At 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately RMB31,433,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co.,Ltd. Such bank facilities were not utilised by the associate as at the end of the reporting period.

15. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**3,436**	3,537
Amortisation during the year	**(101)**	(101)
Carrying amount at 31 December	**3,335**	3,436
Current portion included in prepayments, deposits and other receivables	**(105)**	(105)
Non-current portion	**3,230**	3,331

At 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB2,895,000 were pledged to secure general bank facilities granted to an associate, Sinofn (Tianjin) Pharm-Tech Co.,Ltd.. Such bank facilities were not utilised by the associate as at the end of the reporting period.

16. GOODWILL

	RMB'000
At 1 January 2014 and 31 December 2014:	
Cost	470
Accumulated impairment	(161)
Net carrying amount	309
At 1 January 2015 and 31 December 2015:	
Cost	309
Accumulated impairment	–
Net carrying amount	309

16. GOODWILL *(Continued)*

Impairment testing of goodwill

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

– Zhongsheng Jinyu;

The recoverable amount of the cash-generating unit 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 11% (2014: 10%).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2015 and 31 December 2014. 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 unit.

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.

17. OTHER INTANGIBLE ASSETS

	Know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2015			
At 31 December 2014 and 1 January 2015:			
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
Net carrying amount:			
At 1 January 2015	2,340	83	2,423
Impairment during the year	(533)	–	(533)
Amortisation provided during the year	(401)	(11)	(412)
At 31 December 2015	1,406	72	1,478
At 31 December 2015:			
Cost	8,690	1,020	9,710
Impairment	(2,487)	–	(2,487)
Accumulated amortisation	(4,797)	(948)	(5,745)
Net carrying amount	1,406	72	1,478

17. OTHER INTANGIBLE ASSETS *(Continued)*

	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			
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. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Share of net assets	**13,236**	17,832
Goodwill on acquisition	**4,282**	4,282
	17,518	22,114
Provision for impairment	**(3,245)**	–
	14,273	22,114

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

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration**	**Ownership interest**	**Voting power**	**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

The above investment is directly held by the Company.

In May 2015, the Company disposed 40% equity interest in BioTrand Bio-Technology .Co., Ltd. ("BioTrand"), a joint venture of the Company with 50% equity interest in previous years. After the completion of the disposal, the remaining 10% investment in BioTrand became an available-for-sale financial investment of the Company.

18. INVESTMENT IN A JOINT VENTURE *(Continued)*

The following table illustrates the summarised financial information adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2015 **RMB'000**	2014 RMB'000
Share of the joint venture assets and liabilities:		
Current assets	**403**	3,919
Non-current assets	**13,930**	16,083
Current liabilities	**(1,097)**	(1,633)
Non-current liabilities	**–**	(537)
Net assets	**13,236**	17,832
Share of the joint ventures' results:		
Revenue	**501**	6,666
Other income	**62**	734
	563	7,400
Total expenses	**(3,669)**	(10,675)
Loss after tax	**(3,106)**	(3,275)

19. INVESTMENTS IN ASSOCIATES

	2015 **RMB'000**	2014 RMB'000
Share of net assets	**16,627**	19,189

Particulars of the associates are as follows:

Name	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Beijing Zhongsheng Ke Wei Technology Co., Ltd. ("Ke Wei", formerly known as "Beijing Zhongsheng Ke Wei 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	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	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	20%	Production of scientific instruments
Sinofn (Tianjin) Pharm-Tech Co.,Ltd. 中恩(天津)醫藥科技有限公司	PRC/Mainland China	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 total amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were RMB135,000 (2014: RMB124,000) and RMB2,029,000 (2014: RMB1,894,000), respectively.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2015 **RMB'000**	2014 RMB'000
Share of the associates' loss for the year	**(2,562)**	(3,968)
Share of the associates' total comprehensive loss	**(2,562)**	(3,968)
Aggregate carrying amount of the Group's investments in the associates	**16,627**	19,189

20. AVAILABLE-FOR-SALE INVESTMENT

	2015 **RMB'000**	2014 RMB'000
Unlisted equity investment, at cost	**529**	–

21. LONG-TERM RECEIVABLES:

	2015 **RMB'000**	2014 RMB'000
Receivables from instrument sales *(note 24)*	**4,152**	4,049

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 **RMB'000**	2014 RMB'000
Debt securities, at fair value	**3,000**	10,000
	3,000	10,000

The debt securities were issued by bank with fixed maturity dates and expected interest rates ranging from 1.5% to 4%.

23. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**20,756**	19,303
Work in progress	**2,741**	2,480
Semi-finished goods	**4,459**	4,178
Finished goods	**13,889**	31,334
	41,845	57,295

24. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**91,083**	60,246
Bills receivables	**1,932**	–
Impairment *(note (a))*	**(1,012)**	(1,005)
	92,003	59,241
Less: amount shown as non-current *(note 21)*	**(4,152)**	(4,049)
	87,851	55,192

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 non-interest bearing.

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

	2015 RMB'000	2014 RMB'000
Within 3 months	**60,972**	37,608
4 to 6 months	**19,309**	10,397
7 to 12 months	**7,247**	5,668
1 to 2 years	**2,248**	3,323
Over 2 years	**2,227**	2,245
	92,003	59,241

24. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes:

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

	2015 RMB'000	2014 RMB'000
At beginning of year	**1,005**	1,005
Impairment losses recognised	**56**	–
Amount written off as uncollectible	**(49)**	–
	1,012	1,005

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB884,000 (2014: RMB828,000) with a carrying amount before provision of RMB884,000 (2014: RMB828,000).

The individually impaired trade receivable as at 31 December 2015 relates to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over this balance.

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**87,528**	52,054
Less than 1 month past due	**3,463**	6,182
1 to 3 months past due	**1,012**	1,005
	92,003	59,241

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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Prepayments	**14,105**	13,322
Deposits and other receivables	**9,407**	22,395
Entrusted loans *(note (a))*	**30,000**	–
Tax recoverable	**1,950**	–
Due from related companies *(note (b))*	**173**	227
Due from a shareholder	**–**	1,063
	55,635	37,007

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

(a) The balance as at 31 December 2015 represented loans granted to Beijing Hongtu Jianye Trading Co. Ltd., a unrelated third party, through Shanghai Pudong Development Bank (2014: Nil).The amounts are unsecured, bear interest at 14.0% per annum and are repayable in 2016.

(b) The balance as at 31 December 2015 represented receivables due from Ke Wei, an associate of the Group, of RMB150,000 (2014: RMB150,000) and Suzhou Otian Medical Co., Ltd., a joint venture of the Group, of RMB23,000 (2014: Nil).The amounts are unsecured, interest-free and have no fixed terms of repayment.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**45,068**	54,844
Time deposits	**25,000**	27,000
	70,068	81,844
Less: Time deposits with maturity over three months	**25,000**	27,000
Cash and cash equivalents	**45,068**	54,844

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB43,338,000 (2014: RMB53,782,000), and the time deposits of the Group denominated in RMB amounted to RMB25,000,000 (2014: RMB27,000,000). The RMB is not freely convertible into other currencies, however, under Mainland China'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 six and twelve 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.

27. TRADE PAYABLES

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

	2015 **RMB'000**	2014 RMB'000
Within 3 months	**25,933**	21,360
4 to 6 months	**4,043**	1,105
7 to 12 months	**90**	515
1 to 2 years	**1,678**	985
Over 2 years	**197**	214
	31,941	24,179

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	**2015 RMB'000**	2014 RMB'000
Advances from customers		**4,282**	9,540
Salaries and welfare payables		**9,638**	8,349
Accrued expenses		**19,189**	5,745
Dividends payable to non-controlling shareholders		**1,623**	–
Other liabilities		**4,224**	5,336
Other tax payable		**2,639**	1,491
Due to a shareholder	*(a)*	**1,000**	3,768
Due to a related company	*(b)*	**94**	94
		42,689	34,323

Notes:

(a) The balance as at 31 December 2015 represented the amount due to the Institute of Biophysics ("IBP"), included in which was an accrued technical service fee of RMB1,000,000 (2014: RMB500,000) for the right to use technical know-how held by IBP. The Group did not have any payable (2014: Nil) to IBP for the expense paid on behalf of the Group. Further details of the technical service fee arrangements are set out in note 37 to the financial statements. The amount due to IBP is unsecured, interest-free and has no fixed terms of repayment.

(b) The balance as at 31 December 2015 represented the amounts of RMB94,000 (2014: RMB94,000) 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.

29. DEFERRED TAX

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

Deferred tax assets

	2015 Provision for bonus RMB'000	Provision for sales rebate RMB'000	Provision for impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	**130**	**402**	**295**	**–**	**827**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**12**	**–**	**165**	**155**	**332**
At 31 December 2015	**142**	**402**	**460**	**155**	**1,159**

	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

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	2015		
	Depreciation of assets RMB'000	**Others RMB'000**	**Total RMB'000**
At 1 January 2015	**474**	**–**	**474**
Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 10)*	**(4)**	**35**	**31**
At 31 December 2015	**470**	**35**	**505**

	2014 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

30. DEFERRED INCOME

Various government grants have been received 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.

31. SHARE CAPITAL

	2015 RMB'000	2014 RMB'000
Registered, issued and fully paid:		
67,017,528 (2014: 67,017,528) domestic shares of RMB1 each	**67,018**	67,018
64,286,143 (2014: 64,286,143) H shares of RMB1 each	**64,286**	64,286
	131,304	131,304

32. RESERVES

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 53 of the financial statements.

33. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2015	2014
Percentage of equity interest held by non– controlling interests:		
Zhongsheng Jinyu	**54.1%**	53.24%

	2015 RMB'000	2014 RMB'000
Profit for the year allocated to non-controlling interests:		
Zhongsheng Jinyu	**2,473**	2,964
Increase of issued capital:		
Zhongsheng Jinyu	**594**	–
Dividends paid to non-controlling interests:		
Zhongsheng Jinyu	**4,711**	1,960
Accumulated balances of non-controlling interests at the reporting dates:		
Zhongsheng Jinyu	**18,235**	19,879

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Revenue	**36,329**	37,348
Total expenses	**(31,757)**	(31,774)
Profit for the year	**4,572**	5,574
Total comprehensive income for the year	**4,572**	5,574
Current assets	**45,900**	45,369
Non-current assets	**2,573**	2,049
Current liabilities	**(14,766)**	(10,078)
Net cash flows from operating activities	**6,057**	4,695
Net cash flows used in investing activities	**(2,064)**	(731)
Net cash flows used in financing activities	**(5,206)**	(151)
Net (Decrease)/increase in cash and cash equivalents	**(1,213)**	3,813

34. DISPOSAL OF SUBSIDIARIES

The Company signed an agreement of equity transfer with two shareholders of Biosino-AgiAccu Bio-Technology Co., Ltd., pursuant to which the Company agreed to sell a 56.25% equity interest in Biosino-AgiAccu Bio-Technology Co., Ltd. to these two shareholders, which was satisfied by a cash consideration of RMB3,000,000. The disposal of Biosino-AgiAccu Bio-Technology Co., Ltd was completed in April 2015.

The Company signed the agreement of equity transfer with a shareholder of Beijing Huamei Scientific Co., Ltd., pursuant to which the Company agreed to sell a 56.52% equity interest in Beijing Huamei Scientific Co., Ltd. to this shareholder, which was satisfied by a cash consideration of RMB3,200,000. The disposal of Beijing Huamei Scientific Co., Ltd. was completed in July 2015.

In July 2015, the liquidation of Biosino DNA (Beijing) Technology Development Co., Ltd. was completed.

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

The carrying amounts of the assets and liabilities of these subsidiaries disposed of as at the dates of disposal were as follows:

	Notes	**2015 RMB'000**	2014 RMB'000
Net assets disposed of:			
Property, plant and equipment		**425**	1,540
Other intangible assets		**–**	4,750
Inventories		**9,643**	29
Trade receivables		**7,642**	48
Cash and cash equivalents		**2,668**	322
Prepayments, deposits and other receivables		**5,242**	818
Trade payables		**(2,265)**	(81)
Interest-bearing bank borrowing		**(3,000)**	–
Other payables and accruals		**(14,632)**	(1,295)
Non-controlling interests		**(2,511)**	(3,011)
		3,212	3,120
Gain on disposal of subsidiaries	*5*	**2,988**	4,380
Satisfied by:			
Cash		**6,200**	7,500

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

	2015 RMB'000	2014 RMB'000
Cash consideration	**6,200**	7,500
Cash and cash equivalents disposed of	**(2,668)**	(322)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**3,532**	7,178

35. CONTINGENT LIABILITIES

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

	2015 **RMB'000**	2014 RMB'000
Guarantees given to banks in connection with loans granted to an associate	**50,000**	50,000

36. 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**57**	281
In the second to fifth years, inclusive	**–**	57
	57	338

(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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**3,857**	1,907
In the second to fifth years, inclusive	**11,375**	1,929
	15,232	3,836

37. 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 2015, the technical service fees payable by the Group of RMB1,000,000 (31 December 2014: RMB500,000) were included in the amount due to a shareholder (note 28(a)).

38. RELATED PARTY TRANSACTIONS

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

	2015 **RMB'000**	2014 RMB'000
Rental paid to IBP*	**300**	112
Products sold to IBP*	**1,151**	2,276
Products purchased from BioLab	**–**	927
Technical service fee paid to IBP* *(note 37)*	**500**	500
Products purchased from BioTrand	**–**	383

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

In the opinion of the directors, these transactions were conducted on terms and conditions agreed between the Group and its related parties in the ordinary course of business of the Group.

(b) Outstanding balances with related parties are set out in notes 25 and 28 to the financial statements.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**6,175**	5,364
Post-employment benefits	**204**	198
Total compensation paid to key management personnel	**6,379**	5,562

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

39. 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:

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Long-term receivables	**4,152**	**–**	**4,152**
Available-for-sale investments	**–**	**3,000**	**3,000**
Trade and bills receivables	**87,851**	**–**	**87,851**
Financial assets included in prepayments, deposits and other receivables	**39,580**	**–**	**39,580**
Time deposits	**25,000**	**–**	**25,000**
Cash and cash equivalents	**45,068**	**–**	**45,068**
	201,651	**3,000**	**204,651**

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2015 *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**31,941**
Financial liabilities included in other payables and accruals	**6,941**
	38,882

2014

Financial assets

	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

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014 *(Continued)*

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. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial assets				
Long-term receivables	**4,152**	4,049	**4,152**	4,049
Available-for-sale investments	**3,000**	10,000	**3,000**	10,000
	7,152	14,049	**7,152**	14,049

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 and an amount due to the ultimate holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

The policies and procedures for the fair value measurement of financial instruments are determined by the Group's finance department and are regularly reviewed by senior management.

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 rates currently available for an instrument on similar terms, credit risk and remaining maturity.

The fair value of the Group's available-for-sale investments as at 31 December 2015 was measured based on the discounted cash flow valuation model.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	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 investments	**–**	**3,000**	**–**	**3,000**

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 investments	–	10,000	–	10,000

41. 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 risk 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 there are administrative expenses incurred by the Canadian subsidiary. A small amount of cash denominated in Hong Kong dollars ("HKD") is 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, 49% (2014: 33%) of the Group's trade receivables were due from the Group's five largest customers. As the Group's major customers are public hospitals, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure is spread over a diversified portfolio of customers, there is no significant concentration of credit risk.

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.

41. 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:

2015

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade payables	31,941	–	–	31,941
Financial liabilities included in other payables and accruals	–	6,941	–	6,941
	31,941	6,941	–	38,882

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

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

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.

42. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events taking place subsequent to 31 December 2015.

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the compliance with the disclosure requirements Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**75,820**	79,901
Prepaid land lease payments	**2,820**	2,901
Other intangible assets	**1,400**	1,600
Investments in subsidiaries	**62,064**	68,064
Investment in a joint venture	**14,273**	35,000
Investments in associates	**16,627**	26,053
Long-term receivables	**4,152**	4,049
Available-for-sale investments	**529**	–
Deferred tax assets	**996**	827
Total non-current assets	**178,681**	218,395
CURRENT ASSETS		
Inventories	**27,978**	34,855
Due from subsidiaries	**11,638**	6,669
Trade and bills receivables	**81,307**	42,478
Prepayments, deposits and other receivables	**51,853**	25,521
Cash and cash equivalents	**25,621**	43,013
Total current assets	**198,397**	152,536
CURRENT LIABILITIES		
Due to subsidiaries	**680**	1,402
Trade payables	**25,408**	11,747
Other payables and accruals	**33,042**	15,148
Tax payable	**–**	692
Total current liabilities	**59,130**	28,989
NET CURRENT ASSETS	**139,267**	123,547
TOTAL ASSETS LESS CURRENT LIABILITIES	**317,948**	341,942

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT LIABILITIES		
Deferred income	**6,501**	5,547
Deferred tax liabilities	**505**	474
Total non-current liabilities	**7,006**	6,021
Net assets	**310,942**	335,921
EQUITY		
Issued capital	**131,304**	131,304
Reserves *(note)*	**179,638**	204,617
Total equity	**310,942**	335,921

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	**Statutory reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2014	49,593	35,298	89,830	174,721
Total comprehensive income for the year	–	–	17,309	17,309
Increase in issued capital of a subsidiary	12,587	–	–	12,587
Transfer to statutory reserve	–	1,006	(1,006)	–
At 1 January 2015	62,180	36,304	106,133	204,617
Total comprehensive income for the year	–	–	(11,849)	(11,849)
Transfer to statutory reserve	–	790	(790)	–
Final 2014 dividend declared	–	–	(13,130)	(13,130)
At 31 December 2015	62,180	37,094	80,364	179,638

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2016.

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 2015, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
REVENUE	**290,380**	265,331	234,464	210,075	184,153
PROFIT BEFORE TAX	**3,402**	13,842	15,417	27,063	23,504
TAX	**(1,277)**	(3,703)	(4,404)	(6,355)	(4,576)
PROFIT FOR THE YEAR	**2,125**	10,139	11,013	20,708	18,928
ATTRIBUTABLE TO:					
Owners of the parent	**588**	8,485	9,132	17,242	17,956
Non-controlling interests	**1,537**	1,654	1,881	3,466	972
	2,125	10,139	11,013	20,708	18,928

ASSETS, LIABILITIES AND EQUITY

	31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**383,037**	381,623	377,472	374,108	456,564
TOTAL LIABILITIES	**(86,912)**	(67,858)	(60,360)	(53,063)	(124,858)
NET ASSETS	**296,125**	313,765	317,112	321,045	331,706
REPRESENTED BY:					
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE PARENT	**274,753**	287,302	291,938	295,757	292,401
NON-CONTROLLING INTERESTS	**21,372**	26,463	25,174	25,288	39,305
TOTAL EQUITY	**296,125**	313,765	317,112	321,045	331,706