銘源醫療

MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE : 00233

Annual Report 2009

MISSION

Early Detection and Prevention of Diseases

MINGYUAN MEDICARE

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

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

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	10
Profiles of Directors	26
Profiles of Senior Management	28
Corporate Governance Report	29
Directors' Report	33
Independent Auditor's Report	40
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	44
Consolidated Statement of Cash Flows	45
Notes to the Consolidated Financial Statements	46
Financial Summary	103

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Yao Yuan
Mr. Iu Chung
Mr. Chien Hoe Yong, Henry
Mr. Hu Jun
Mr. Yu Ti Jun

Non-Executive Directors
Mr. Yang Zhen Hua
Mr. Ma Yong Wei

Independent Non-Executive Directors
Dr. Lam Lee G.
Mr. Hu Jin Hua
Mr. Lee Sze Ho, Henry

AUDIT COMMITTEE

Dr. Lam Lee G.
Mr. Hu Jin Hua
Mr. Lee Sze Ho, Henry

AUTHORISED REPRESENTATIVES

Mr. Chien Hoe Yong, Henry
Mr. Poon Kwong Wai, Kenny

COMPANY SECRETARY

Mr. Poon Kwong Wai, Kenny

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Baker & Mckenzie
Cheng Wong Lam & Partners
Clifford Chance
Stephenson Harwood & Lo
Jenner & Block LLP

PRINCIPAL BANKERS

CCB International Asset Management Limited
Citic Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRARS

Butterfield Corporate Services Limited
65 Front Street, Hamilton, Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Central Registration Hong Kong Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street,
Hamilton HM 12, Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1801-03, Hutchison House, 10 Harcourt Road,
Central, Hong Kong
Tel: (852) 3102 3201
Fax: (852) 3102 0905
Email: mingyuan@mingyuan-hk.com
Website: www.mymedicare.com.hk

PLACE OF SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODES

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

CHAIRMAN'S STATEMENT

"THERE is only one world for healthcare and we believe that today's advancement in biotechnology can offers patients more and better healthcare choices. Our founding corporate mission is to provide a viable and effective alternative to the people who understand the benefits of early screening of life threatening diseases such as cancer and has successfully raised the general awareness of the availability of early screening for cancer at affordable costs for the Chinese population.

A pioneer and a believer that new, innovative diagnostics and biological therapies are changing how some human diseases are prevented and how others are treated, we are expanding our early screening and detection products to include cervical cancer, tuberculosis diseases and influenza A viruses, and gradually establishing a bio-drug platform to provide for biological therapies for life threatening diseases.

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

Our drive to leverage on advanced biomedical tests to conduct early screening for life threatening diseases are rewarded by the steady and fast growth in the sale of our biomedical chips for cancer screening and that more people are routinely taking measures to protect their healthy lives and livelihood. We feel that the cooperation with China Life by way of Cancer Care Insurance Policy through its extensive retail distribution network and the successful registration of the C-12 test on the provincial drug catalog in certain provinces including, more recently the Shanghai Municipality will rapidly strengthen the concept of early screening amongst the Chinese population.

Being an early and leading pioneer of innovative biomedical solutions provider in China, we aspire to work alongside with established biomedical research institutions internationally including China that share our corporate mission to bring a diversity of cost effective disease screening products and solutions to our customers. Through this methodology of technology, production and distribution partnership, we aspire to build a more global product platform and to further raise the corporate profile of the company in the biomedical industry.

Lastly, the Board is committed to its corporate mission, and we believe that a successful implementation of the KM2003 objectives and the continual diversification of our reach to medical screening services and bio drugs will contribute towards a harmonious society by way of enhancing human health and quality of life, and build a solid foundation for shareholders' value by way of a sustainable revenue generating capability and growth."

Mr. Yao Yuan,
Chairman of the Board

CHAIRMAN'S STATEMENT (CONTINUED)

INTRODUCTION

We shall remember 2009 to be an extraordinary year following the global financial crisis in 2008 that threatened the global economies with a seemingly likelihood of a severe recession and has also been described by the Chinese Government as the most difficult year for its economic development since the beginning of the new century.

But as a result of a hugely successful G-20 economies intervention actions and China's own stimulus package, proactive fiscal policy and moderately lose monetary policy, the country's economy ended the accelerating slide and began to recover as a whole to witness a historical V-shaped recover of the economy from the world economic downturn.

Despite a challenging year of operation, it gives me pleasure to report that Mingyuan Medicare Development Company Limited and its subsidiaries (the "Group") has dealt successfully with the various challenges and achieved profitability. During the year, we have also successfully completed two important acquisitions which would establish a new business segment of medical centres management and consolidate all intellectual property rights related to our HPV DNA testing kits. We are confident that these acquisitions will strengthen further the Group's competitiveness in the healthcare industry and fortify synergies within the Group and will contribute greatly to the profitability of the Group in the coming years.

With a broader acceptance of early screening and detection of life threatening diseases amongst the Chinese population and a landmark healthcare reform in progress in China, the Group's pioneering and proven record of being a leading promoter in this field in evidently paying off with a steady and sustainable growth in the sales of its protein chips and HPV DNA diagnostic kits.

In addition to its flagship biomedical product of the C-12 protein chips, the Group is making good progress on the promotion and distribution of its HPV DNA diagnostic kit for cervical cancer for women to protect their health and is also currently applying for a drug license for the TB Screening Chip to be used mainly for rapid screening and diagnosis of the global disease of tuberculosis.

The Group believes that the further introduction of a diversity of different biomedical chips and tests on a regular basis will continue to be based on the founding principles of high sensitivity, high reliability, low costing and high throughout.

More information about the operations of the Group is elaborated in a separate section referred as "Management Discussion and Analysis".

PERFORMANCE

In 2009, the Group's consolidated turnover amounted to HK$394.3 million for the year (2008: HK$326.0 million), representing an increase of approximately 20.9 percent over that of last year. The increase in turnover was mainly attributable to the increase in sales of its flagship C-12 products following both the organic expansion of its existing sales channels under the PMD business segment and the first time contribution from the MCM business segment. The consolidated gross profit for the year was HK$319.3 million, representing a 21.0 percent increase over the HK$263.9 million of 2008.

The net profit attributable to shareholders for the year was HK$75.6 million, experiencing a sharp decline of 49.9 percent over the HK$150.8 million of 2008. As a result, earnings per share were 2.49 HK cents, compared with 5.13 HK cents in 2008 and representing a significant decline of 51.5 percent. The significant drop in the net profit was a result of a number of one off cash and non cash adjustments including the recent staff option scheme and the interests on the latest convertible bonds.

PCM Business Segment

At the Protein Chip Division, this year the Group recorded a turnover of HK$319.2 million (2008: HK$290.5 million), representing an increase of approximately 9.9 percent over that of last year. Segment profits of the operation amounted to HK$217.6 million (2008: HK$207.5 million), representing an increase of approximately 4.9 percent over that of last year.

At the Healthcare Division which consists of two business units, namely the Hospital Unit and the Cervical Care Unit, the combined turnover and segment loss amounted to HK$44.8 million (2008: 35.6 million) and HK$4.5 million (2008: profit HK$2.7 million) respectively.

Despite the growth at the Hospital Unit, the internal changes at the unit resulted in a small loss. At the same time, its sales on HPV DNA diagnostic kits continued to grow nationwide with an emphasis on registering the testing kits for sale at hospitals and at the end of the year over160 hospitals are approved to offer the testing kits to its customers.

MCM Business Segment

In the first year of contribution, this business segment recorded a turnover and profit of HK$30.2 million and HK$3.6 million respectively.

BUSINESS REVIEW

While the overall performance has improved at its PMD business segment particularly in its C-12 protein chips, we believe that the cooperation with China Life will continue to lead to increasing sales of its protein chips for the cancer care insurance policy and that registration of its protein chip test on an increasing number of provinces in China will also further strengthen sales growth.

While sales of its C-12 protein chips continues to grow sustainably, the Group continues to cultivate the potentials of other biomedical products including the HPV DNA diagnostic kits, C-6 protein chips and the TBS Chips. We intend to establish a more balanced revenue contribution from diversified product portfolios and to establish new business segments in medical screening centres and bio-drugs thereby positioning the Group to be a comprehensive IVD provider that includes testing kits, therapeutic drugs and medical services.

Sales and Marketing – The Basic

We are delighted that to date more than 12 million people have benefited from our protein chips for cancer screening and we have saved lives by effectively increasing the general public's awareness of cancer screening and the benefits of early detection of cancer for early treatment.

In the past few years, we have successfully developed a unique market for cancer screening to be included as part of the annual health appraisal programs for patients in China and have successfully registered the C-12 protein chip test on certain provinces on the drug catalogue for reimbursements. More recently in October 2009, the Group's Multi-Tumor Marker Protein Chip Test or more commonly referred to as the "C-12 Protein Chip Test" was officially listed on the Shanghai municipal medical insurance catalog as a reimbursable clinical test recently.

We believe that the successful listing of its C-12 Protein Chip Test on the Shanghai medical insurance catalogue would further raise the public awareness of cancer disease prevention and control, and would lead to further sales growth of its C-12 Protein Chip Tests in Shanghai and neighbouring provinces and cities. More importantly, we are confident that given Shanghai's prominent leadership position in the Yangtze River Delta and it being the largest city in China, would provide an effective study for the ongoing application progress of C-12 Protein Chip Test to be listed in other nearby provincial drug catalog and would serve as an important reference for a national drug catalog qualification.

We remain committed to the efforts of broadening sales channels and developing a broader customer base while engaged in the continual process of fine tuning its sales and marketing strategies. The exercise so far has led to the establishment of a more comprehensive pricing and cooperation structure tailored for direct sales to life insurance companies, hospitals and corporations, indirect sales to hospitals by way of nationwide distributorships. A combination of these methodical changes is producing strong growth in sales of protein chips and is expected to establish a more sustainable sales infrastructure for the Group.

Equally important has been the Group's successful efforts in optimizing the utilization of protein chips per chipreader that also contributed to the significant increase in the sales of protein chips and the Group will continue to deploy more chipreaders in the target points of sales in China. Sales and marketing for protein chips will continue to be a primary focus of the Group in the foreseeable future. However, we have always been aware that the development of a specialized sales network for biomedical products and services would take more time and resources than usual.

CHAIRMAN'S STATEMENT (CONTINUED)

Corporate Review

During the year, we have executed the following corporate finance activities:

Issue of Convertible Bonds with Warrants

On 18 March 2009, the Company entered into a subscription agreement with CCB International Asset Management Limited (referred to as "CCBI") in relation to the issue and subscription of convertible bonds at an aggregate principal amount of HK$232,572,000 together with warrants.

CCBI is an investment firm incorporated in Hong Kong which has invested in several companies listed in Hong Kong and overseas, in sectors such as healthcare, consumer and retail, energy, transportation, media and real estate. CCBI is a wholly owned subsidiary of China Construction Bank Corporation.

China Construction Bank Corporation is a leading commercial bank in China providing a comprehensive range of commercial banking products and services with over 13,000 branches nationwide.

The fund raised was subsequently applied for the acquisition of the remaining 95 percent equity interest in Genetel Biotech (BVI) Limited. We believe that the issue of bonds to CCBI was the first step to establish comprehensive and mutually beneficial business cooperation with the leading banking group.

Expansion of HPV DNA Testing Platform

On 16 April 2009, the Group acquired the remaining 95 percent equity interest of Genetel Biotech (BVI) Limited (referred to as "Genetel BVI") for a consideration of HK$280,000,000. After the acquisition, the Group owns 100 percent of Genetel BVI.

Genetel BVI owns 100 percent equity interest of Genetel Pharmaceuticals (Shenzhen) Company Limited (referred to as "Genetel Shenzhen"), a company incorporated in China with limited liability for the research and development of DNA technology and products.

SNIPER technology is a patented technology developed and owned by Genetel Shenzhen. SNIPER HPV DNA product series, a specialized product for screening of cervical cancer, developed by Genetel Shenzhen have received approval from the State Food and Drug Administration ("SFDA") in China for certification on medical device in vitro diagnosis.

Cervical cancer is a fully preventable disease if pre-cancerous cell changes are detected and treated early. Women above the age of 18 or sexually active are strongly recommended by the World Health Organization to take annual examination to screen cervical disease or cancer.

The acquisition of Genetel BVI will provide the Group with the ability to combine innovative and emerging technologies with its established sales and marketing resources. The recent launch of HPV vaccines by two of the largest pharmaceutical companies in the world (Merck and GSK) and the award of 2008 Nobel Prize in Medicine to the discoverer of HPV will significantly enhance the awareness of HPV screening as the primary tool for prevention of cervical cancer.

The Group has been participating in the HPV testing market for the past three (3) years and understands perfectly the trend where HPV testing is moving into the main stream as the primary tool for cervical cancer screening. In addition, Genetel Shenzhen has demonstrated its capability in bringing a technology from conceptual stage to regulatory approval and manufacturing.

In addition, the acquisition will give the Group access to a patented molecular diagnostic platform which will expand the Group's product and services offered to customers in China. With Genetel Shenzhen, we are confident that the Group will be able to compete effectively in all segments of the molecular diagnostics market.

Technology Opportunity – The Testing Kits for Influenza A viruses

On 10 June 2009, the Group entered into a milestone co-operation agreement (the "Co-operation Agreement") with Chinese National Human Genome Center in Shanghai ("CHGC") and Shanghai Biochip Co., Ltd. ("SBC") for joint development and production of advanced diagnostic kits for detecting Influenza A viruses.

Under the Co-operation Agreement, CHGC and SBC had successfully developed two advanced diagnostic kits for detecting Influenza A viruses, the Influenza A Virus Genotyping Detection Kit (RNA FQ-PCR) and the Influenza A Virus Genotyping Detection Kit (Sequencing) (collectively the "Kits") and SHMY Healthdigit Biochips Company Limited ("Healthdigit Biochips"), a wholly owned subsidiary of the Company, will be responsible for the registration of the Kits with the State Food and Drug Administration in China. Healthdigit Biochips will share jointly with CHGC and SBC for the ownership of all intellectual property rights relating to the Kits. In addition to development of the Kits, all parties to the Co-operation Agreement has agreed to establish an uniquely dynamic technology platform with rapid response capability to develop diagnostic kits for early detection of major or new infectious diseases on demand basis.

Influenza A viruses (including the recent outbreak of Influenza A (H1N1) virus is a highly infectious disease which has long been regarded as a major health hazard to human. It is known that early detection of Influenza A (H1N1) virus is an effective measure to better prevent the spread of the infectious disease and to improve the chance of recovery for patients.

Established in 1998, CHGC is a national research center for fulfilling the national scientific projects of human genome research and its application and development for China. CHGC was founded by many established institutes from the related biotech fields in Shanghai and the relevant government agencies including the Chinese Ministry of Science and Technology, Shanghai Municipal Government and Chinese Academy of Sciences ("CAS").

Founded in 2001, SBC is one of the leading biotech companies in China and is also the National Engineering Center for biochip design and engineering in Shanghai. Facilitated with advanced biotech platforms and labs and operated by strong teams for research, services, marketing and sales, SBC provides a series of biochips and related technical services, proprietary drug targets and relevant diagnostic products. SBC is funded by the Chinese government and was founded by eleven shareholders including the Shanghai Institute for Biological Sciences of CAS and other shareholders consisting of all top academic universities, research institutes, hospitals, and leading biotech companies.

PROSPECTS

Cancer Prevention and Control – Vision

Our corporate mission of developing innovative medicare solutions for the early detection and prevention of diseases could be traced back to the founding of HealthDigit, a wholly-owned subsidiary, in 2000 and since then the Group has been leading pioneer to engage biomedical methodology for the early screening of cancer tumors. The Group was delighted to witness a historical moment in the history of The World Health Organization (WHO) in 2005 for the prevention and control of cancer when the World Health Assembly, the supreme decision-making body of WHO adopted a resolution to promote cancer prevention and control strategies for all Member states, including China.

While many countries have been developing cancer control programs there remains a significant gap between existing knowledge and current practices, especially in many developing countries. The resolution has called for improved cancer prevention measures, better early detection and treatment, and increased palliative care. WHO is currently developing a cancer prevention and control strategy that will help countries addressing this growing health crisis, and represent an important new initiative for WHO.

CHAIRMAN'S STATEMENT (CONTINUED)

Cancer has for too long been a silent but deadly epidemic and is the second leading cause of death after cardiac related diseases, and is one of the most common causes of morbidity and mortality today. WHO estimates that more than 20 million people are living with cancer, more than 10 million new cases and 7 million people die each year worldwide. The incidence of cancer is on the rise in both developing and developed countries as a result of increased exposure to cancer risk factors such as tobacco use, unhealthy diet, physical inactivity, as well as some infections and carcinogen. A rapidly aging population in many countries is also a contributing factor to the increase of cancer patients.

WHO has also projected that by 2020 there will be 15 million new cancer cases and 10 million cancer patients will die each year. We believe that China, being the most populous country in the world, will be responsible for at least a quarter of these numbers. At the same time, it is also a fact that early detection, which comprises screening of asymptomatic populations and awareness of signs, greatly increases the probability of cure.

Products and Services – The Progress

The Company currently maintains two business units, namely the PMD and the MCM units. PMD stands for "Product, Manufacturing and Distribution" and is the traditional principal business segment of high margin sector of vitro diagnostic products ("IVD"). This business segment consists of the Protein Chips Division and the Healthcare Division. On the other hand, MCM segment stands for "Medical Centres Management", and represents the business of health screening and management and provides a new and direct sales channel for the Company's IVD products.

On 5 January 2010, the Company is setting up a new business segment based on biomedical drugs by announcing that SHMY HealthDigit Biochips Company Limited ("HealthDigit Biochips"), a wholly-owned subsidiary of the Company, had entered into a milestone Technology Transfer Agreement (the "TT Agreement") with the National Institute for the Control of Pharmaceutical and Biological Products (the "NICPBP") on 5 January 2010 for the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products (the "NCPP Drugs"). While vastly increasing the immunological ability of the corynebacterium pavum products (the "CPP") at clinical environment, the innovative NCPP drugs will enhance the immunotherapeutic efficacy of the CPP to its fullest potential and to treat patients with life threatening diseases including influenza A (H1N1), tuberculosis, human immunodeficiency virus (HIV) and certain types of cancer more safely and effectively.

Under the TT Agreement, the NICPBP transferred all intellectual property rights together with the production know how of the NCPP Drugs to HealthDigit Biochips. HealthDigit Biochips will be responsible for (i) the registration of the NCPP Drugs with the State Food and Drug Administration in China; and (ii) the production and commercialization of the NCPP Drugs. NICPBP will remain as a technical advisor to the development and production of the NCPP Drugs, and work jointly with HealthDigit Biochips to further develop the clinical applications of NCPP Drugs for various other diseases.

We believe that immunotherapy offers an innovative and attractive approach for treating life threatening diseases as the therapy often have fewer side effects, including less potential for creating resistance in microbial diseases and the new generation of non-specific nanotechnology immunomodulatory drugs provides a more effective and dynamic immunotherapeutic solution, than existing drug. We are confident that the new generation of nonspecific nanotechnology immunomodulatory drugs will contribute greatly to the treatment of life threatening diseases to all mankind.

CORPORATE GOVERNANCE AND INVESTORS RELATION STRATEGY

In a constantly changing but exciting business environment, the Group has a proven track record of making the necessary hard decisions to successfully implement its business model and to deliver a sustainable growth in profitability. As it is the Group's commitment to protect shareholders' interests, we will continue to make the necessary decisions based on managerial collective opinions to enhance shareholders' value and to maintain a good standard of corporate governance practice.

The Stock Exchange of Hong Kong Limited ("Stock Exchange") introduced the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules effective from 1st January, 2005. The Board took appropriate action to adopt the Code as part of an ongoing exercise to strengthen corporate governance so as to ensure better transparency and protection of shareholder's interest in general.

We continue to place an increasing and specific emphasis on reaching out to shareholders and potential investors who have been so supportive and understanding of our business nature and development. Being an early pioneer in the commercialization of biomedical products and services, we are patient to elaborate our business potentials, philosophy and strategies to the investing community.

During the year, representatives from the Group had met with the investors and relevant parties for a total attendance of 120. By category, those who attended included fund managers (76%); analysts (11%); bankers (4%); media (6%); and others (3%). In addition, 3 roadshows and 5 investor forums were conducted with a total attendance of 129.

We have also participated in corporate briefings to financial institutions organized by various international securities houses, including Morgan Stanley Asia Limited, ICBC International, Credit Suisse (Hong Kong) Limited in Singapore, Hong Kong and China.

CONCLUSION

While continuing on its existing corporate roadmap to maximise its existing sales revenue and channels under the PMD business segment, the Group continues to work more closely with China Life and to qualify its C-12 protein chips on more provincial drug catalog. The Group is also optimistic about the prospect of its other products including the HPV DNA testing kits for cervical cancer and the C-6 protein chip for cancer screening for the wider Chinese population.

Following the establishment of the two new business segments including the MCM and the Bio-Drug segments, the Group is gradually transforming into a diversified biomedical company and will be investing resources to further consolidate and to strengthen the business operations of all its business segments.

Finally, we are truly indebted to all employees and management for their contributions and efforts over the past, and also to our customers, shareholders, banks and business associates. With your steadfast support, we strive to realise our corporate mission and to bring better results in the coming year.

Yao Yuan
Executive Chairman
20 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The world financial crisis in September 2008 has shaped the year 2009 to be an extraordinary year globally, particularly for China. The unprecedented global response from the G-20 economies which put together substantial economic stimulus packages, monetary, financial and fiscal measures successfully halted the recessionary slide, stabilized financial markets and revived global economy. It is widely expected that full recovery will be gradual, and both macroeconomic and financial policies need to remain supportive internationally.

This extraordinary year was described by the China Government as the most difficult year in its economic development since the beginning of the new century. As a result of a hugely successful China's own stimulus package, proactive fiscal policy and moderately lose monetary policy, the country's economy ended the accelerating slide and began to recover as a whole to witness a historical V-shaped recover of the economy from the world economic downturn.

With the economic stimulus package in effect to drive investments and domestic spending, the gross domestic product in China rose 8.7 percent in 2009 from a year ago to Rmb33.53 trillion (US$4.91 trillion) and became the first few countries in the world to record a strong economic growth. Nevertheless, the National Bureau of Statistics most recently issued a note of caution that the China's economy will continue to face difficulties and challenges, and that the economy recovery has yet to achieve long term sustainability.

In the last five years, the China economy have grown over 84 percent with an average annual growth of 9.9 percent and the China economy is currently the third largest economy in the world, behind the US and Japan. Confronting economic complexity both at home and abroad, the China Government successfully engaged a flexible and prudent macro-economic policies to introduce more timely measures to expand domestic demand, speed up the construction of public facilities and improve living standards of the poor to achieve steady and relative fast economic growth.

Most recently at the Third Session of the 11th National People's Congress, the China Government has reaffirmed its commitment to a steady and fast economic growth with emphasis on quality and efficiency of the growth and the type of growth based on domestic demand and to maintain its GDP growth to at least 8 percent in 2010 while at the same time committed its efforts to reform the health care sector with an eventual goal of establishing a basic medical and health care system to provide safe, effective, convenient and affordable service for the society. While the global economy is slowly recovering, the China Government continue to engage on strategic and fundamental changes in the economic structure of the country and to place more emphasis on building a sustainable domestic economy based on heavy investments and strong domestic spending.

In pursuit of its landmark healthcare reform plan backed by a significant budget of RMB850 billion to be spent before 2011, the China Government is committed to provide basic medical security to all Chinese in both urban and rural areas, improve the quality of medical services, and make medical services more accessible and affordable for ordinary people and to pave the road for further medical reforms in the healthcare industry.

With the healthcare reform in full momentum, the healthcare industry in China will continue to be modernized and has already become one of the fastest growing healthcare markets in the

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

world over the last decade. Total healthcare expenditure and per capita healthcare expenditure have been growing at an annual average rate of over 16 percent. Underpinning such phenomenal growth are enhanced living standard, increase in per capita income, growth of the aging population, increasing healthcare consciousness, and the China Government's commitment to reform and to increase the healthcare budget for both the urban and rural medical systems as part of its committed effort to establish a harmonious society and will invariably drive up strong demands for medical products and services in the coming decade.

From 2001 to 2009, the per capita income of urban and rural residents in China grew at annual averages of 9.9 percent and 6.6 percent respectively. In 2009 the per capita income of urban and rural residents per year was approximately RMB17,175 and RMB5,153 respectively, representing a growth of 9.8 percent and 8.5 percent respectively over that of last year. The improved standard of living and the increase in healthcare consciousness have led to an increase on spending on healthcare products and services.

Equally important is the increase in State Basic Medical Insurance population for urban residents. According to the National Bureau of Statistics of China, the eligible participants have grown from 43.3 million in 2000 to 400.6 million in 2009, representing an increase of over 362.8 million participants with annual averages of 29 percent. Under the 11th Five Year Plan, it is estimated that the urban population in China will increase from 43 percent of total population to 47 percent of total population between 2005 and 2010, and at the end of 2009, the urban population reached 46.6 percent of the total population. The continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

During the year, the Group has maintained a prudent yet progressive approach towards its business agenda and financial management. While the Group has adopted a prudent credit policy with its customers to control sales growth, the Group took advantage of its strong balance sheet to complete two acquisitions below market valuation due to uncertain economic and worsening liquidity situations in the first half of the year.

In January, the Group completed the acquisition of a network of health screening centres and established a new Medical Centres Management business segment. In April, The Group successfully consolidated all the intellectual property rights related to the HPV DNA testing kits for cervical cancer testing by acquiring the remaining 95 percent equity interest in Genetel Biotech (BVI) Limited ("Genetel BVI").

The Protein Chips Division continues to be the principal contributor to the Group's revenue and profit and the Group is making good progress in establishing sustainable revenue sources from new product including the HPV DNA testing kits for cervical cancer. This year the Group continued to allocate its principal resources in the following major areas to further strengthen sales – including the continual implementation of its distribution arrangement with China Life Insurance Company Limited, Shanghai Branch ("CLS") on the cancer care insurance policy in Shanghai, the expansion of the cancer care insurance policy to other branches of China Life Insurance Company Limited ("China Life"), the registration of C-12 product under Basic Medical Insurance Scheme (the "BMIS") of individual provinces/ cities, the promotion of C-12 to be used for clinical applications and the promotion and registration of the HPV DNA testing kits with hospitals nationwide.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Major corporate activities undertaken in 2009 were summarized as follows:

Major Events and Issues in 2009:

January	The Company completed the acquisition of 75 percent equity interest in Shanghai Kang Pei Bio-Medical Company Limited ("Shanghai Kang Pei"). Shanghai Kang Pei is principally engaged in the business of providing comprehensive medical diagnostic, health check, medical management and medical appraisal services to both private and corporate clients in China and is currently managing twelve medical centres.
March	The Company issued a two year convertible bonds, carrying 9 percent coupon rate with a maturity date on 8 April 2011, at an aggregate principal amount of HK232,572,000 together with warrants to provide additional funding for Genetel BVI.
April	The Company acquired 95 percent of equity interest in Genetel BVI at a consideration of HK$280,000,000. After the acquisition, the Group owns 100 percent of Genetel BVI and all the intellectual property rights related to the HPV DNA testing kits. The consolidation greatly enhances the Company's research and development capability to further develop testing kits for cervical cancer related diseases and promotes a more cost effective structure to drive its sales more directly and effectively.
June	The Company entered into a Co-operation Agreement with Chinese National Human Genome Center and Shanghai Biochip Co., Ltd. for the joint development and production of diagnostic kits for detecting Influenza A viruses and to establish an uniquely dynamic technology platform with rapid response capability to develop diagnostic kits for early detection of major or new infectious diseases on demand basis.
September	The Company was informed by World Health Organization ("WHO") that its wholly owned Genetel BVI's HPV DNA product scores 100% in the second HPV LABNET proficiency study. Under the comparative evaluation study, sixty-one laboratories from six WHO regions participated in the study in which the sensitivity and specificity of HPV DNA detection and typing products routinely used in the laboratories worldwide were evaluated.
October	The Company's flagship C-12 product is officially listed on the Shanghai municipal medical insurance catalogue as a reimbursable clinical test. Prior to the listing in Shanghai, the C-12 product has already been listed on the medical insurance catalogue in several other provinces in China. Given Shanghai's unique and prominent position in the Yangtze River Delta, the successful listing will provide milestone case study to promote listing in other nearby provinces and to strengthen the test to be considered at a national catalogue level.
December	In the second successive year, the Company was awarded "Hong Kong Outstanding Enterprises Parade 2009" by the Economic Digest, a popular business and economic magazine in Hong Kong, and the award was based on a number of criteria including financial performance growth, quality of corporate governance and popularity among retail investors.

Mission Statement – Innovative Medicare Solutions Partnership

The Group is a leading pioneer in commercializing new diagnostics technologies and is a leading supplier of biomedical solutions in China and has sold cumulatively more than 12 million protein chips for cancer screening.

Founded in 2000, the Group is a pioneer that dedicates itself for the provision of low cost, non-invasive, and innovative medicare solutions in the areas of early detection and prevention of diseases, enhance human health and quality of life, and to provide a new approach to life insurance industries in the evaluation of health status and life span. It has been accepted that early detection of potential diseases including life threatening diseases would significantly improves the chances of successful medical therapy and treatment, raises the survival rate and improves the quality of life for patients.

The Group will continue to expand its role as a promoter of affordable and effective IVD solutions in health screening and diagnosis by working closely with independent medical centres and health appraisal departments at hospitals nationwide.

Protein Chips Division

Currently, the Group manufactures and distributes its C-12 products to hospitals, medical centres and life insurance companies in China. The C-12 product is capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the year, the Group continued to experience healthy growth in sales of C-12 products. As a proven and leading supplier of protein chips in China, the Group has been supplying C-12 products to life insurance companies in China for the pre-screening and general health appraisal of life and cancer policy applicants. In recent years, C-12 products are listed on the BMIS as a reimbursable drug in several provinces of China and more recently on the drug catalogue of Shanghai Municipality in October 2009. The Group believes that more provinces and municipalities will include C-12 products on their BMIS. Despite a weak and unstable global economy and limited export sales, the Group expects the overall growth for the protein chips sales based on domestic demand to be promising and sustainable in the future.

The Group continued to experience fast growth in its protein chips business operations and sold a total of 3.1 million protein chips (2008: 2.8 million), representing an increase of approximately 10.7 percent over that of last year.

The increase in the sale of chips was due mainly to a number of the following factors:

Sales Strategy

The Group's sales strategy includes the setting up of sales channels, the establishment of a comprehensive pricing structure for different sales channels, the strengthening of technical support structures, the building up a sustainable distribution network and the ongoing promotion of the effectiveness of IVD testing for life threatening diseases.

The Group's sales strategy has been implemented successfully with increases in both turnover and number of chips sold. The Group will review its strategy continuously and is prepared to make revisions from time to time. Recently the Group is promoting it protein chip as a potential clinical application kit which may further expand the commercial use in addition to its traditional screening role.

Following the successful licensing of C-6 product, the Group has actively conducting field studies at selected rural areas in China and intends to develop a new sales revenue source targeting the rural population that are most susceptible to cancer diseases. The Group intends to formulate affordable IVD products for both urban and rural population in China.

Sales channels

The Group continued to strengthen its sales network and has expanded beyond the distributorship channel where historically most of the sales were generated. The Group has successfully established direct sales channels for life insurance industry and large corporations, and more recently, has successfully be listed on the BMIS as a partially reimbursable IVD test in several provinces in China and more recently in October of 2009, the Shanghai Municipality. It is the long term strategy of the Group that the portfolios will be further developed to achieve a more balanced sales category platform and more importantly to reduce reliance on any particular sales channel.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

China Life – The Expectation

On 19 December 2006, the Group has successfully established a milestone sales channel that will invariably contribute progressively and sustainably to future revenue, profitability and growth of the Group. HD Biochips, a wholly-owned subsidiary of the Company entered into a cooperation agreement with CLS whereby the latter agreed to engage HD Biochips for the use of its C-12 products on a new insurance policy known as the "Cancer Care Insurance Policy" which was later launched in Shanghai.

The "Cancer Care Insurance Policy" is an innovative health insurance policy developed by China Life, the largest life insurance provider in China. Being a major branch of China Life, CLS has over 4,000 exclusive agents and over seven million customers.

The Cancer Care Insurance Policy seeks to provide protection for people against cancer for one year after a successful cancer screening test. Within the insured period, the policy holder will receive the appropriate compensation for medical care whether the cancer tumor is benign or malignant. Under the cooperation agreement, the Company will use its C-12 products to provide cancer screening testing and risk evaluation procedures for every customer who purchases Cancer Care Insurance Policy from CLS. The cancer screening testing and risk evaluation procedures will include a protein chip testing together with other medical tests. Under the cooperation agreement, CLS will pay to HD Biochip RMB192 for each successful policy applicant who receives the cancer screening testing and risk evaluation procedures.

Based on the feedback from China Life, the cancer policy is popular and easily understood by its customers because cancer diseases are the top natural diseases amongst the Chinese population and that cancer insurance coverage meets the insurable needs of the general insurance consumers.

Based on the successful Shanghai business model, the Group and China Life plans to work together to replicate the Shanghai business model into other China Life branches in various major cities in China. The progress originally made in 2008 was delayed by the global financial crisis and the Group has restarted the expansion programme with China Life in the fourth quarter of 2009.

In addition, the Group will continuously review the operational aspects to improve the quality of service provided to China Life's customers and the Group is prepared to make the necessary changes to establish a more customer oriented servicing model.

Being the top life insurer in the country, China Life has the most extensive distribution network with over 3,600 branches, over 638,000 exclusive individual insurance agents and 13,000 direct sales representatives in China. Having successfully established a sustainable sales revenue channel, the Group places this process of replication as its top priority and is committed to invest the resources to support the launching of cancer policy with other branches of China Life. While the momentum of the sales to China Life is in motion, the Group is patient in building a cooperation infrastructure for growth and providing education to the general employees regarding the advantages and reliability of IVD products.

Basic Medical Insurance System

The Group has successfully applied C-12 products as a partially reimbursable drug under the "BMIS" in several provinces of China and more recently in October 2009, the C-12 product is officially listed on the Shanghai municipal medical insurance catalogue as a reimbursable clinical test. Depending on the particular conditions of the participants and the hospitals, participants of the basic medical insurance program in the Shanghai Municipality will either enjoy free clinical test, or is only require to pay RMB28 or RMB56 of the approved price of RMB280 for each clinical application of the C-12 product at hospital.

According to the Shanghai Statistical Yearbook for 2009, there were a total of 301 registered hospitals servicing over 152 million patient consultation visits per annum in 2008. Cancer is the second highest mortality disease in Shanghai. It is estimated that cancer claimed more than 34,000 lives in the year 2008 in Shanghai. At present, approximately 8.2 million permanent registered residents in Shanghai are participants of the Shanghai basic medical insurance program.

The China government is currently investing a significant financial package of RMB850 billion in its healthcare reform which include improving the public health network for disease prevention and control. The Company believes that the successful listing of its C-12 product on the Shanghai medical insurance catalogue would further raise the public awareness of cancer disease prevention and control, and would lead to further sales growth of its C-12 product in Shanghai and, given Shanghai's unique and prominent position in the Yangtze River Delta, would provide an effective case study for the ongoing application progress of C-12 product to be listed in other nearby provincial catalogue.

Qualification process for reimbursement drug item is very stringent and difficult and is based on, amongst other factors, clinical need, safety and efficacy, reasonable pricing, and ease of use. The Group is currently applying to other provinces and cities for the inclusion of C-12 products as a reimbursable drug under the individual BMIS system and believes that the proven track record of C-12 utilization is a major prerequisite for the qualification.

The Group believes that its experience and the cost competitiveness of its other products such as C-6 Protein Chip, Tuberculosis Screening Chip ("TBS Chip") and HPV DNA testing kit are potential products for qualification for drug catalogue status.

Chipreader optimization plan

At 31 December 2009, the Group had 445 (2008: 435) chipreaders in the market. The Group has successfully increased the utilization rate per chipreader per month by promoting the sharing of chipreaders among hospitals in the same location, reallocating some existing chipreaders to newly signed up hospitals and insurance companies, and increasing the production of chipreaders to meet new demands. During the year, the implementation of the optimization plan for chipreaders also contributed significantly to the increase in sales volume for the C-12 products. The utilization rate per chipreader will be further increased should sales on C-12 products continue to experience growth in the future.

Chipset packaging diversification

The Group currently maintains three different sizes of packaging for its customers, namely 48 wells chipset for the simultaneous testing of 42 patients, 24 wells for the testing of 18 patients and 16 wells for the testing of 10 patients. The smaller packaging for 18 and 10 patients is more popular with regional hospitals and allows more regular processing of C-12 products for patients. Nevertheless, the Group maintains a flexible policy on packaging based on a reasonable demand from its customers and will review the packaging from time to time.

After sales service

The Group continues to strengthen after sales service to its customers and in house procedure has been developed to track down details of subsequent therapeutic treatments in hospitals for cancer patients being diagnosed. The Group places great emphasis on the after sales services and is hosting regular sales review with distributors and relevant hospital personnel to gather comments for further improvement in both products and services. The after sales services not only indicate that our customers are actually being cared for. It also embeds in our employees a sense of mission to assist our customers and their patients.

Healthcare Division

The division currently consists of two units, namely the Hospital Unit and the Cervical Cancer Care Unit.

Under the Hospital Unit, the Group continued to manage the Shanghai Woman and Child Healthcare Hospital of Hong-Kou District by way of a 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd. The hospital operation is demonstrating steady growth in patient's traffic and is fulfilling its functional role as a platform to introduce new diagnostic services to local women population.

Under the Cervical Cancer Unit, the Group launched a coordinated and nationwide sales and marketing campaign for its HPV DNA testing kits and making important progress to register its products for distribution to women's patients at hospitals nationwide.

The DNA-based diagnostic technology platform has been developed for the early screening and diagnosis of infectious and genetic diseases and involves a panel of techniques based on sensitive fluorescence detection, cost-effective microplate hybridization, and DNA microarray genotyping of amplified DNA products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The HPV DNA testing kits offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear test (50-60%). Besides, it does not require a large upfront capital investment on specialized equipment, and is only a fraction of the costs of other competitive products.

Cervical cancer is the second biggest cause of female mortality worldwide with over 288,000 deaths and 500,000 new cases every year. In China, cervical cancer causes over 50,000 deaths and over 130,000 new infections every year. Currently, it is estimated that over 300 million women nationwide undergo some form of cervical screening tests including the traditional methods of pap smear tests every year with much lower detection rate for cervical cancer.

According to the World Health Organization, cervical cancer is fully preventable and curable if pre-cancerous lesions are detected and treated early. Cervical cancer is caused by a common virus called human papilomavirus ("HPV"). High-risk, cancer-causing types of HPV can be detected using DNA technology. Women above age 18 are recommended to take annual examination to screen cervical disease or cancer.

Medical Centres Management

Over the years, the Group has successfully established valuable contacts at hospitals, medical centres and distributors in the healthcare industry and the Group intends to further leverage on its strength as a leading supplier of bio-medical products and its experience by establishing a national network of medical centres by mergers and acquisition of existing independent medical centres, and forming business alliances with regional medical centres in China.

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

The establishment of the division will also provide greater flexibility for the Company to expand its existing operations in China, to introduce new screening and diagnostic kits more effectively and to provide a more comprehensive servicing coverage for customer loyalty orientation.

FINANCIAL PERFORMANCE

The net profit attributable to shareholders amounted to HK$75.6 million (2008: HK$150.8 million), representing a decrease of 49.9 percent over that of last corresponding year. The significant decrease in net profit was due to the increase of HK$36 million in interest expenses relating to the 2011 Bonds based on effective interest basis and amortization of the fair value of share options in the amount of HK$39 million. Earnings per share was 2.49 HK cents (2008: 5.13 HK cents), representing a decrease of approximately 51.5 percent.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$319.2 million (2008: HK$290.5 million), representing an increase of approximately 9.9 percent over that of last year. Segment profit of this division amounted to HK$217.6 million (2008: HK$207.5 million), representing an increase of approximately 4.9 percent over that of last year.

Despite an unstable year of economic circumstances, the Group continued to record good reasonable growth and sold a total of 3.1 million protein chips (2008: 2.8 million), representing an increase of 10.7 percent over that of last year. During the year, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilization rate and diversification of chipset packaging.

Healthcare Division

This division currently consists of two units, namely the Hospital Unit and the Cervical Cancer Care Unit. Turnover contributed by this division amounted to HK$44.8 million (2008: HK$35.6 million). The division incurred a loss of HK$4.5 million for the year (2008: profit of HK$2.7 million). The loss was due to the amortization of technical know-how arising on acquisition of Genetal BVI in the amount of HK$10.7 million.

Cervical Cancer Care Unit

The Group officially launched its new HPV DNA diagnostic kits in 2007 with the successful appointment of distributors in over nine provinces and two municipalities including Beijing and Shanghai. In 2009, the Group sold more than 155,000 kits (2008: 38,000 kits), representing an increase of 4.1 times over last corresponding year. The HPV DNA diagnostic kits are already approved to sell in over 160 hospitals in China.

Hospital Unit

The Group currently holds fifty one percent equity interest in Shanghai Woman and Child Healthcare Hospital of Hong-Kou District and continued to contribute positively to the Group.

Medical Centres Management

Turnover contributed by this new division amounted to HK$30.2 million (2008: Nil). Segment profit of this division amounted to HK$3.6 million (2008: Nil).

PROSPECTS

The international financial crisis created new challenges in 2009 and the year ahead is likely to be equally demanding and challenging. It is widely believed that the foundation for global economic recovery remains weak and the China Government is committed to maintain steady and rapid economic development in dealing with the domestic economic situation and to maintain the momentum of the economic turnaround.

While taking advantage of the improved economic environment domestically, the Group will continue to adopt a prudent approach towards the management of its business operations and will review its sales and credit policy with its customers from time to time. The Group will further strengthen its communication with its customers including distributors, hospitals, medical centres and life insurance companies to provide closer technical and customer support while establishing a better understanding of their needs.

The Group maintains its belief that early screening and diagnosis of potentially fatal diseases would significantly improve the chances of successful treatment and raises the survival rate of the patients. The Group is committed to develop internally by way of its proprietary protein chip platform and externally with established biomedical research institutions to bring effective screening and diagnostic tools for life threatening diseases that would be targeting both the urban and rural segment of the population.

In pursuit of its KM2003 Objectives, the Group is pleased with the progress on the implementation of its business plans that are largely focused on product series diversification, sales channel diversification, production expansion, technology partnerships, technology promotion, etc. This has led to the successful listing of C-12 products on the provincial drug catalogue of several provinces and the Shanghai municipality, the continual expansion in the distribution of the HPV DNA testing kits for cervical cancer in over 160 hospitals, and the set up of the unique sales arrangement with CLS for its Cancer Care Insurance Policy which will continue to be expanded to other cities gradually.

Being a leading biomedical company in the area of early screening and detection of diseases in China, the Group understands that there are many challenges and risks associated with the industry ahead. While China represents one of the largest and rapidly growing markets in healthcare products and services, it is a very unique market that requires a comprehensive understanding of the existing medical industry, regulations and operational mechanism.

The Group applies a methodical approach and a disciplined cost control philosophy towards the implementation of its business plans in the strengthening of distribution network and process, continuous improvement of production process and efficiency, and the on time delivery of a diversified new and upgraded range of biomedical products from both its proprietary and licensed platforms for the detection of diseases.

Facing a weaker economy and tighter national budgets, government globally is facing strained healthcare budgets and there is a strong belief that a reallocation of resources to a program of strong prevention and early detection would contribute to a healthier population and deliver considerable savings. During the 58th World Health Assembly of the WHO held in 2005, member states adopted a number of resolutions that included a common understanding on early detection and prevention of diseases by way of promoting national health programs to control and prevent diseases including cancers. It is estimated by WHO that one third of all cancer cases and 80 percent of premature deaths from heart attacks and strokes are preventable. Earlier detection of diseases can lead to more effective treatment and prevention offers the most cost-effective and long term strategy for the control of cancer and other diseases.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Being a pioneer in this field of early screening, detection and prevention of diseases and a leading supplier of biomedical solutions in China, the Group has seized first mover advantage to service the increasing health conscious and affluent group of customers in China who demand higher standard of healthcare service and are looking for ways to improve quality of life including early medical therapy and treatment of diseases through early detection. The Group's biomedical chips are designed for early detection of diseases. With increasing health conscious worldwide and increasingly tight medical resources, the Group believes the dynamic development of biomedical solutions provides a new trend in healthcare industry that is moving decisively in the direction of early detection and prevention of diseases. The accumulation of market experiences over the last few years enables the Group to appreciate the opportunities and challenges for biomedical products and services, and structure its unique distribution network for growth.

Since 2003, the Group has been implementing business plans and strategies in accordance with the KM2003 Objectives with an intention to strengthen its leading position as a protein chip supplier in China which is one of the most promising healthcare markets in the world. Despite many challenges ahead, the outlook for the Group is promising and is optimistic about its future and role in the healthcare reform.

On 5 January 2010, the Group established a new business segment named Bio Drugs business segment or to be referred more commonly as BDS business segment by announcing that it will engaged in the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products (the "NCPP Drugs") following the acquisition of the relevant intellectual property rights relating to the NCPP Drugs from the National Institute for the Control of Pharmaceutical and Biological Products which is a an affiliated agency of the State Food and Drug Administration in China (or more commonly referred to as "SFDA"). The Group believes that there is a huge therapeutic market for major diseases and that this business segment is a natural progression of the existing business operations.

Key Milestones Progress

Based on KM2003 Objectives, the Group is committed to achieve key milestones and a summary of their respective progress are provided below:

Product Manufacturing and Distribution ("PMD")

(1) Production management

Protein Chips

Phase I of the new production facility in the Fengxian MA District of Shanghai (the "Shanghai Plant") began operational since August 2007 with a production capacity of four million protein chips. Back in 2005, the Group anticipated a significant growth in demand for its C-12 products and commenced the construction of a new production facility in the Fengxian MA District of Shanghai on a site area of approximately 81,764 sq.m. with a planned production capacity of 8 million chips annually. The Shanghai Plant will be the Group's principal production base for a range of protein chips used for screening and diagnosis of different diseases.

The existing plant at the Huzhou Economic & Technological Development Zone in the Zhejiang Province is currently operating at its full production capacity of 1.5 million C-12 products per annum.

HPV DNA Testing Kits

The existing production line is located at the Shenzhen Hi-tech Industrial Park in the Nanshan District and has a production capacity of 600,000 testing kits per annum.

(2) Build and strengthen the distribution channels and after sales support services.

The Group currently distributes its C-12 products to over 1,300 hospitals and health centres in China through regional distributorships and direct sales. The Group intends to expand the points of service to over 3,000 hospitals and health centres.

The successful arrangement with CLS to support the cancer evaluation process on the Cancer Care Insurance Policy in Shanghai is contributing greatly to the sale of C-12 products and the Group expects more branches of China Life will start making the policy program available to their customers across China shortly. Leveraging on the existing distribution network of China Life in China, the Directors is confident that the Group's revenue base will grow rapidly following more China Life branches joining as distribution points for the cancer care policy.

Already qualified as a partially reimbursable test in several provinces and the Shanghai Municipality in China, the Group is confident that the successful listing will provide milestone case study to promote listing in other nearby provinces and to strengthen the test to be considered at a national catalogue level.

(3) Commit resources in marketing and promotional activities.

The Group markets and promotes protein chips under the brand name "HealthDigit". Currently, the Group is gaining increasing recognition for its product quality and corporate credibility. The Group intends to further leverage on its first mover advantage and market leadership position by investing additional resources on the promotion and cultivation of the brand name "HealthDigit" and the Group's biomedical products and services.

(4) Pursue new research, discovery and product innovations.

The Group continues to conduct research in-house on different applications of protein chips to be used for early detection of diseases based on the existing protein technology platform and the emphasis will be on product development of cancer or cardiac related screening products. The Group intends to work with established research based institutions as partners in commercialization of successfully researched and licensed products which are used for early screening of diseases and which are complimentary to the existing products of the Group.

On 10 June 2009, the Group entered into a milestone co-operation agreement (the "Co-operation Agreement") with Chinese National Human Genome Center in Shanghai ("CHGC") and Shanghai Biochip Co., Ltd. ("SBC") for joint development and production of advanced diagnostic kits for detecting Influenza A viruses.

Under the Co-operation Agreement, CHGC and SBC had successfully developed two advanced diagnostic kits for detecting Influenza A viruses, the Influenza A Virus Genotyping Detection Kit (RNA FQ-PCR) and the Influenza A Virus Genotyping Detection Kit (Sequencing) (collectively the "Kits") and SHMY Healthdigit Biochips Company Limited ("Healthdigit Biochips"), a wholly owned subsidiary of the Company, will be responsible for the registration of the Kits with the SFDA. Healthdigit Biochips will share jointly with CHGC and SBC for the ownership of all intellectual property rights relating to the Kits. In addition to development of the Kits, all parties to the Co-operation Agreement has agreed to establish an uniquely dynamic technology platform with rapid response capability to develop diagnostic kits for early detection of major or new infectious diseases on demand basis.

Influenza A viruses (including the recent outbreak of Influenza A (H1N1) virus is a highly infectious disease which has long been regarded as a major health hazard to human. It is known that early detection of Influenza A (H1N1) virus is an effective measure to better prevent the spread of the infectious disease and to improve the chance of recovery for patients.

In May 2008, the Company announced that SHMY Healthdigit Biochips Company Limited ("Healthdigit"), a wholly owned subsidiary of the Company, has completed the development of a protein chip product (the "TBS Chip") for the rapid diagnosis of tuberculosis ("TB"). The TBS Chip is able to detect multiple TB specific antibodies in the blood serum of the patient without special laboratory settings rapidly and efficiently, and is capable of conducting TB screening for mass population. The Group believes that this kind of rapid test could contribute more positively towards an effective management of TB. The application process to the SFDA for the granting of drug license is underway with final approval expected in 2010.

The TBS Chip is the first product completed by Healthdigit with the technology developed at the Tuberculosis Research Laboratory of Second Affiliated Hospital of the PLA General Hospital in Beijing (the "PLA Hospital"). In August 2007, Healthdigit signed a long-term strategic partnership agreement with the PLA Hospital for the collaboration in scientific research and commercialization of technologies developed by the PLA Hospital, and participating in the various development programs of the PLA Hospital. In addition, the PLA Hospital has given Healthdigit exclusivity and priority to commercialize technologies developed by the PLA Hospital.

Formerly known as the PLA 309 Hospital, the Second Affiliated Hospital of the PLA General Hospital was founded in 1958. The PLA Hospital was affiliated to the PLA General Hospital and became its second affiliated hospital in May 2004. In its 50 years of development, the PLA Hospital has become one of the AAA ranked comprehensive hospital (the highest hospital ranking) in China and is highly reputable in treatment of respiratory infections and organ transplantation.

The Institute of Tuberculosis Research of the Hospital is the only PLA medical institution that is dedicated to the treatment, prevention, research, and education of TB. Throughout the years, the Institute is reputable in developing a series of treatment and diagnosis of TB which are being widely adopted by major hospitals in China.

(5) Establish global platform for the biomedical chips and testing kits.

While the major market for the Group is China, the Group has commenced feasibility studies on various markets outside China and intends to work with partners and regulators in their respective native countries for the distribution of "HealthDigit" protein chips and systems. The Group believes that the TBS Chip for tuberculosis and HPV DNA Testing Kits for cervical cancer have export potentials and could contribute effectively globally towards the management of the two diseases.

The Group is currently also exploring ways whereby overseas IVD products and healthcare services could be introduced in China and is working closely with international healthcare providers to further strengthen the Group's corporate branding and capability.

(6) New Line of Biomedical Testing Kits and Chips for the Early Detection of Diseases

The Group intends to strengthen its leadership position in the biomedical industry by further diversifying its biomedical product series that contain the characteristics of both screening and diagnostic value and the Group plans to increase its efforts and resources for the promotion and distribution of the following biomedical products:

- C-6 Protein Chip – Product for the rural population and the health screening packages

  The C-6 product is developed using the proprietary protein chip technology of the Group. C-6 quantitatively measures six different kinds of tumor markers including CA19-9, AFP, CEA, CA125, SCC and CK19 simultaneously and is suitable for clinical screening of major cancer types including liver cancer, gastric cancer, lung cancer, colorectal cancer.

  The C-6 product has lower production cost and is suitable for the vast market in the rural regions in China. In recent years, the China government is striving to build a harmonious society and is investing heavily in healthcare including the treatment and prevention of cancers in those rural regions. For example, the China Primary Health Care Foundation had set up a special fund for the prevention and treatment of cancer in 2006, and the plan was to provide free tumor screening for one million people. This project is currently under way in China. The C-6 product has a low product cost, is effective for the screening of most devastating cancer types in China, and thus is in line with the trend of cancer prevention and management in China. The Company is confident about the market potential of the C-6 product.

  The C-6 product has been successfully approved during the year by the SFDA.

- Tuberculosis Screening Chip (referred to as "TBS Chip") – Rapid Detection of Tuberculosis

  TB is the number one infectious disease both in incidence and in death rate, causing about 2 million deaths globally and over 200,000 deaths in China each year. The disease is also making a comeback in recent years because of the emergence of AIDS, the abuse uses of antibiotics that result in TB drug resistance, and the lack of progress in recent years on new diagnostic and therapeutic technology to overcome the disease. That is why institutions such as the WHO and the Bill & Melinda Gates Foundation have put up major efforts into fighting TB. The China government has also put high emphasis on the importance of the prevention of TB in its 11th Five Year Plan. According to WHO, the world market potential for TB diagnosis is over US$1.0 billion and the Chinese market potential for TB diagnosis is estimated to be over RMB1.0 billion.

  The Group has completed the development of a TBS Chip for the rapid detection of TB which is intended to be sold domestically and internationally. The TBS Chip is able to detect multiple TB specific antibodies in the bold serum of the patient without special laboratory settings rapidly and efficiently, and is capable of conducting TB screening for the mass population.

  The TBS Chip will contribute very effectively towards a better national management of tuberculosis leading to better control of the disease from spreading. Besides the TB Screening Chip, the Group will continue to develop the TB series including diagnostic chip, vaccine and drug. The TBS Chip is currently under review by the SFDA for certification as a medical device for in vitro diagnosis.

- Second Generation of C12 Protein Chip (referred to as "C12A")

  The C-12A quantitatively measures twelve different kinds of tumor markers and is an improved version of the flagship C-12 product of the Group. Four of the 12 markers in C-12 are replaced in C12A and, as a result, the C12A shows significant improvement in its sensitivity and specificity over C-12. The twelve markers will include AFP, CEA, CA19-9, CA125, CA242, CA15-3, HCG, NSE, SCC, CK19, CA72-4 and c-PSA. C-12A is useful for assisting cancer diagnosis and for clinical screening for cancers for people who are cancer suspects or at high risk for cancer.

  The C-12A is currently under review by the SFDA for certification.

- Protein Chip for Rheumatoid Autoimmune Diseases (referred to as "RAD")

  Autoimmune diseases affect an estimated 3 to 5 percent of the total population with the highest prevalence in the elderly. Being a major category of the autoimmune diseases, rheumatoid disorders are difficult to recognize in the early stage, but in late stages, multiple organs can be affected and damages can be irreversible.

  The word "auto" is the Greek word for self. The immune system is a complicated network of cells and cell components (called molecules) that normally defends the body and eliminates infections caused by bacteria, viruses, and other invading microbes. If a person has an autoimmune disease, the immune system mistakenly attacks itself, targeting the cells, tissues, and organs of the person's own body. A collection of immune system cells and molecules at a target site is broadly referred as inflammation.

Rheumatoid disorders include systemic lupus erythematosus, rheumatoid arthritis, Sjogren's syndrome, scleroderma, polymyositis/dermatomyositis and mixed connective tissue disease.

Clinical tests for RAD protein chip have been successfully completed and it is estimated that over 50 million people in China suffered from rheumatoid autoimmune diseases.

- Protein Chip for Infertility and Sterility Diseases (referred to as "ISD")

  The protein chip is used to diagnose certain autoimmune disorders that cause infertility and sterility. Such disorders include endometriosis, recurrent spontaneous miscarriage, and dysfunction of the ovary and sperms.

  Clinical tests for ISD have already been successfully completed and it is estimated that over 20 million people in China suffered from infertility and sterility diseases.

Medical Centres Management ("MCM")

Over the years, the Group has successfully established valuable contacts at hospitals, medical centres and distributors in the healthcare industry and the Group intends to further leverage on its strength as a leading supplier of bio-medical products and its experience by establishing a national network of medical centres (the "MCM") by mergers and acquisition of existing independent medical centres, and forming business alliances with regional medical centres in China.

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

The establishment of the MCM will also provide greater flexibility for the Group to expand its existing operations in China, to introduce new screening and diagnostic kits more effectively and to provide a more comprehensive servicing coverage for customer loyalty orientation.

Bio Drugs ("BDS")

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

On 5 January 2010, the Group announced that SHMY HealthDigit Biochips Company Limited ("HealthDigit Biochips"), a wholly-owned subsidiary of the Company, had entered into a milestone Technology Transfer Agreement (the "TT Agreement") with the National Institute for the Control of Pharmaceutical and Biological Products (the "NICPBP") for the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products (the "NCPP Drugs").

While vastly increasing the immunological ability of the corynebacterium pavum products (the "CPP") at clinical environment, the innovative NCPP drugs will enhance the immunotherapeutic efficacy of the CPP to its fullest potential and to treat patients with life threatening diseases including influenza A (H1N1), tuberculosis, human immunodeficiency virus (HIV) and certain types of cancer more safely and effectively.

Under the TT Agreement, the NICPBP transferred all intellectual property rights together with the production know how of the NCPP Drugs to HealthDigit Biochips. HealthDigit Biochips will be responsible for (i) the registration of the NCPP Drugs with the SFDA; and (ii) the production and commercialization of the NCPP Drugs. NICPBP will remain as a technical advisor to the development and production of the NCPP Drugs, and work jointly with HealthDigit Biochips to further develop the clinical applications of NCPP Drugs for various other diseases.

Established in the 1950s as an affiliated agency of the SFDA, NICPBP is the highest level institute for the safety and quality control of pharmaceutical and biological products in China. NICPBP is also the Center for Drug Quality Assurance for World Health Organization, the National Center for Medical Culture Collections and the National Research Center for the Standardization of Pharmaceutical and Biological Drugs in China.

Both the Company and the NICPBP believes the new generation of nonspecific nanotechnology immunomodulatory drugs will contribute greatly to the treatment of life threatening diseases to all mankind.

Conclusion

With an ultimate objective of providing healthcare insurance to all its citizens by 2020 and backed a steady and fast growth of its economy, China is already emerging as one of the fastest-growing healthcare markets in the world.

Unlike the developed countries where healthcare spending is more than ten percent of GDP, China's healthcare spending accounts for only approximately 4.6 percent of GDP, considered low when compares to international standards. While still expecting to register positive GDP growth rate, China is clearly committed to invest more of its GDP on its healthcare for its citizens and more recently has announced a huge cavalry budget of RMB850 billion to be spent on its healthcare reform in the next three years.

In the past five year, the high growth rate in the economy in China has placed the Group in the most exciting part of the world to implement its business plans and operations and the Directors is pleased with the results on the implementation of the business objectives. As part of the China Government's new effort to build a harmonious society and to reform the healthcare sector, the Directors believes that a well funded and fair medical system is a vital contributor to building a lasting harmonious society and that the Company's early detection and prevention of diseases will save lives and promote the awareness of good healthcare.

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

The Group is working closely with an increasing number of healthcare institutions including hospitals, medical centres, clinical laboratory testing centres, etc. to understand better testing needs of the patients in order to introduce innovative and effective screening and diagnostics methods. The Group also understands the constant evolution of biomedical science and its applications, and will continue to expedite its business growth by actively pursuing new medical related opportunities through alliances, licensing and acquisitions. The Group is optimistic about its future and is in a state of readiness to face the many new challenges in 2010.

The Group is optimistic about its future and is in a state of readiness to face the many new challenges in 2010. The Group owes its success to its shareholders who have been truly supportive and patience during this challenging period and, having carefully considered its capital expenditure plans in the coming years, will establish a steady and progressive dividend policy to share its operational success with the shareholders based on past and existing dividend payout record. Besides engaging in a more direct way of rewarding the shareholders for their trust and loyalty, the Group also plans to cultivate a stronger base of shareholders who share the Group's corporate mission to be a leader in the biomedical industry in China.

PLEDGE OF ASSETS

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

	2009	2008
	HK$'000	*HK$'000*
Prepaid lease payments	**43,083**	43,728
Buildings	**161,539**	172,464
Buildings under construction	**209,405**	81,160
Held for trading investments	**4,011**	2,385
Pledged bank deposits	**11,358**	16,923
	429,396	316,660

At 31 December 2009, the Group's equity interests in certain subsidiaries have been pledged to secure the 2011 Bonds (on 8 April 2009, the Company issued HK$77,524,000 9% series A convertible bonds ("2011 Series A Bond") and HK$155,048,000 9% series B convertible bonds ("2011 Series B Bond") due 2011 both at par value of HK$232,572,000 in aggregate and issued in conjunction with warrants of face value amounting to HK$60,136,000 (the "Warrants", 2011 Series A Bond, 2011 Series B Bond and the Warrants are collectively known as "2011 Bonds").

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCING

The Group adopts a prudent approach in managing its liquidity and treasury function and sets out guidelines to achieve these objectives. These guidelines cover the Group's debt profile, financing horizon and interest rate risks management.

At 31 December 2009 the Group had cash and bank balances of HK$468.8 million (2008: HK$619.8 million). The Group's gearing ratio as at 31 December 2009 was 21.1 percent (2008: 23.4 percent), based on bank and other borrowings of HK$299.1 million (2008: HK$237.2 million) and shareholders' fund of HK$1,419.1 million (2008: HK$1,014.9 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$219.5 million were outstanding as at 31 December 2009 (2008: HK$199.9 million). The range of effective interest rates on the bank borrowings as at 31 December 2009 was approximately 1.6 percent to 9.0 percent per annum.

Revenue generated from operation, payment for purchases of materials, components, equipment and salaries are mainly made in Renminbi. Use of financial instruments for hedging purposes is considered unnecessary and the exposure to exchange rate fluctuation is minimal.

CONTINGENT LIABILITIES

As at 31 December 2009 and 31 December 2008, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2010, Shanghai Kang Pei Bio-Medical Company Limited ("Shanghai Kang Pei"), a subsidiary of the Company, entered into a conditional agreement with 上海爱康国宾健康体检管理集团有限公司 ("上海爱康"), an independent third party, to dispose of its 71.15% equity interest in 上海文中门诊部有限公司 ("上海文中"), a wholly owned subsidiary of Shanghai Kang Pei, at a consideration of RMB2,000,000 (equivalent to HK$2,272,000). 上海文中 is under segment of medical centres management. The disposal was completed on 12 February 2010. After completion of the disposal, 上海文中 became an associate with 28.85% equity interest owned by Shanghai Kang Pei. According to the conditional agreement, 上海爱康 will further inject capital of RMB6,000,000 (equivalent to HK$6,815,000) to 上海文中. After the capital injection, the interest in 上海文中 owned by Shanghai Kang Pei will be reduced to 15%. Up to the report date, RMB400,000 (equivalent to HK$454,000) out of the consideration of RMB2,000,000 was received.

FINAL DIVIDEND

The Directors have recommend the payment of a final dividend of 1 HK cent (2008: Nil per share) per share for 2009 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 15 June 2010. The proposed final dividend will be paid on 23 July 2010 following the approval at the annual general meeting of the Company to be held on 22 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 16 June 2010 to Friday, 18 June 2010, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrar, Computershares Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 15 June 2010.

EMPLOYEES

At 31 December 2009, the Group had a total of 951 employees (2008: 502 employees) in Hong Kong and China. The increase in the number of employees of the Group was due to the fact that the Group acquired two groups of companies, Shanghai Kang Pei and Genetel BVI, at the beginning of the year 2009. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

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

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

CORPORATE GOVERNANCE

The Stock Exchange of Hong Kong Limited ("Stock Exchange") introduced the Code on Corporate Governance Practices (the "GCP Code") as set out in Appendix 14 of the Listing Rules effective from 1 January 2005. The Board took appropriate action to adopt the GC Code as part of an ongoing exercise to strengthen corporate governance so as to ensure better transparency and protection of shareholder's interest in general.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the CGP Code, except the followings:

Provision A.4.1 of the CGP Code requires that every director should be appointed for a specific term, and subject to retirement by rotation at least every three years. During the year, the directors have not been appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

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

Based on the number of directors as at 31 December 2009, director will serve on the board for a term of about three years until he/she becomes due to retire from the board by rotation. In the opinion of the directors, this arrangement meets the same objective as the CGP Code.

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as the code of conduct for Directors and Senior Management in their dealings in the Company's listed securities.

The Company made specific enquiries of each Director and member of the Senior Management, and each confirmed that he/she had fully complied with the Model Code during the year ended 31 December 2009.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009 in conjunction with the Group's auditors.

INVESTOR RELATIONS AND COMMUNICATION

The Group adopts a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional investors and analysts. In order to further effective communication, the Company maintains a website (www.mymedicare.com.hk) to disseminate shareholder information electronically on a timely basis.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2009 have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROFILES OF DIRECTORS

MR. YAO YUAN

Mr. YAO Yuan, aged 54, is currently the Chairman of the Company. Mr. Yao has been admitted as a practicing solicitor in the PRC since 1985. Currently being the Chairman of Shanghai Mingyuan Enterprise Group Company Limited, Mr. Yao has been leading the group for over 10 years and contributing to its success as one of the top 100 corporations in Shanghai.

MR. IU CHUNG

Mr. IU Chung, aged 52, is currently the Executive Director of the Company and he has been a Director of the Company's wholly owned subsidiary, HD Global Limited ("HD Global") since 2003. HD Global together with its subsidiaries is engaged in the business of providing innovative medical solutions for early screening and detection of diseases. During the years, Mr. Iu has been successful in expanding direct sales channels for the Company's protein chip products and services from the traditional hospital market to life insurance industry and corporations in China. Mr. Iu is also the Vice Chairman and Executive President of Shanghai Mingyuan Enterprise Group Company Limited, which is one of the most successful corporations in Shanghai for many years.

MR. CHIEN HOE YONG, HENRY

Mr. CHIEN Hoe Yong, Henry, aged 46, is currently the Chief Executive Officer of the Company. Mr. Chien holds a bachelor of laws degree with honors from United Kingdom and has been admitted as a Barrister-at-Law in England and Wales since 1988. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales, and he is also a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chien has over 20 years of professional experience in international investment banking, corporate advisory, financial accounting and auditing with internationally reputable companies and banks. Mr. Chien had held senior managerial positions in several major investment banking firms in Hong Kong.

MR. HU JUN

Mr. HU Jun, aged 68, is currently the Executive Director of the Company. Mr. Hu has over 40 years of administration and management experience, and had held senior positions in several state owned enterprises in China. With his extensive networking experience in both the public and private sector, Mr. Hu plays a pivotal role in the formulation and execution of corporate structure and internal control policies for the Group's business operations within China. He is also responsible for corporate relations in China.

MR. YU TI JUN

Mr. YU Ti Jun, aged 58, is currently the Executive Director of the Company. Mr. Yu is also the Director and Vice President of Shanghai Mingyuan Enterprise Group Company Limited. He was Director of Shanghai Municipal Government Planning and Developing Research Institute, Visiting Professor of the Shanghai Fudan University, Chiao Tung University, East China Normal University, Distinguished Professor of Seminar Center of the Shanghai Library and the Shanghai Cadre Training Center. Mr. Yu is also the "National Health Education Specialist" of Ministry of Health, the Executive Director of China Association of Health Education, the Vice President of the Corporate Division of China Association of Health Education, the Vice Chairman of Eastern China Health Education Research Society, and the Vice President of Shanghai Corporate Health Management Promotion Committee. Mr. Yu was the author of various publications on enterprise management and strategic development. He also served as consultant to many Chinese and international enterprises on corporate planning and development. Mr. Yu has in-depth knowledge and rich experience in macroeconomic and corporate development in China.

MR. YANG ZHEN HUA

Mr. Yang Zhen Hua, aged 74, is currently a Non-Executive Director of the Company. Mr. Yang graduated from the Chinese Medical University in Shenyang in 1956 and has devoted his career to the field of laboratory medicine and clinical chemistry in China. He is currently Vice-President of the Chinese National Joint Committee of Traceability on Laboratory Medicine and Professorship at the National Centre for Clinical Laboratories under the Ministry of Health in China. Mr. Yang also holds positions as Honorary President of the Chinese Society of Laboratory Medicine, Honorary Chief Editor for the Chinese Journal of Laboratory Medicine and Advisor of Chinese Committee of Clinical Laboratory Standards. Mr. Yang has published more than 100 articles and books related to laboratory medicine and clinical chemistry. Mr. Yang has been a pioneer for representing China's interests in international laboratory medicine and clinical chemistry and more notably as a national representative for China to the International Federation of Clinical Chemistry. In 2007, Mr. Yang was the Chairman for the Organization Committee of the 11th Asia Pacific Conference of Clinical Biochemistry.

MR. MA YONG WEI

Mr. Ma Yong Wei, aged 67, is currently a Non-Executive Director of the Company. Mr. Ma graduated from Liaoning Finance and Economics College (now Dongbei University of Finance & Economics) and has over 35 years of extensive experience in the banking and insurance industries in China. Mr. Ma started his banking career with the People's Bank of China since 1968. Mr. Ma was the Vice President of Agricultural Bank of China in 1984 and was the President of the Bank between 1985 and 1994. From 1994 to 1996, Mr. Ma was the Chairman and General Manager of the People's Insurance Company (Group) of China. Between 1996 and 1998, Mr. Ma was the Chairman and General Manager of China Insurance Group. Mr. Ma also had served Chairmanship for the China Insurance Regulatory Commission from 1998 to 2002. Mr. Ma was a member of the National Committee of the Chinese People's Political Consultative Conference from 2002 to March 2008. Mr. Ma is also an Independent Non-Executive Director of China Life Insurance Company Limited.

DR. LAM LEE G.

Dr. Lee G. LAM, aged 50, is currently an Independent Non-Executive Director of the Company since 13th September 2002. Dr. Lam holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the UK, a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 27 years of multinational operation and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology (TMT), retail, property and financial services sectors. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

MR. HU JIN HUA

Mr. HU Jin Hua, aged 67, is currently an Independent Non-Executive Director of the Company. Mr. Hu is also the Counselor of Shanghai Municipal People's Government and the Honorary Director of World Health Organization Shanghai Health Education Collaborating Centre. Mr. Hu has devoted his career to health education and public health development in China. He holds various positions related to public health education including the Vice Chairman of China Association of Health Education. He is also an Associate Chief Physician and the former Director of Shanghai Health Education Centre. Mr. Hu has over 40 years of experience in health education in China.

MR. LEE SZE HO

Mr. LEE Sze Ho, Henry, aged 41, is currently the Independent Non-Executive Director of the Company. Mr. Lee holds a Bachelor Degree of Business Administration (Honours) and a Master Degree in International Accounting from the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is also the Director of Lam, Lee & So C.P.A. Company Limited and has over 21 years of experience in international accounting and financial planning.

PROFILES OF SENIOR MANAGEMENT

MR. LAU YUEN SUN, ADRIAN

Mr. LAU Yuen Sun, Adrian, aged 55, studied Economics and Finance in Canada in the 70s. Mr. Lau holds a Bachelor Degree in Commerce from the University of Windsor, Canada. Mr. Lau has over 28 years of experience in banking and investment. Mr. Lau had worked for the National Bank of Canada as the Vice President of Asia Region and the Hong Kong Branch Manager. Mr. Lau had also served directorships in various listed companies in Hong Kong. Mr. Lau is the Vice President of the Company.

MR. LU XIQIANG

Mr. LU Xiqiang, 48 years old, holds a MBA Degree from Asia International Open University. Mr. Lu is the Senior Vice President of the Company and CEO of the Shanghai HealthDigit Company Limited. Formerly Deputy General Manager of Shanghai Oriental Pearl Radio & TV Towers Co. Ltd. and General Manager of Shanghai Chantilly Foodstuff Industry Co. Ltd. Mr. Lu has accumulated extensive experience in corporate management and marketing.

MR. WANG BIN

Mr. Wang Bin, aged 42, is a graduate of the Tsinghua University in Beijing. Mr. Wang started his career as a lecturer at Tsinghua University from 1990 to 1995. Mr. Wang began his commercial career in 1995 and he was the General Manager of Business Development Department and Shanghai Office at Tsinghua Unisplendour Group until 1999. Mr. Wang was the Managing Director of Shanghai MYTEC digital Company Limited since 1999. Mr. Wang has held senior position in corporate management for a long period and has extensive experience business managerial experience with speciality in business development and sales operation. Mr. Wang is the Vice President of the Company and Chairman of the Kang Pei Medical Biotechnology Co., Ltd.

MR. POON KWONG WAI

Mr. POON Kwong Wai, aged 53, is a graduate of the Hong Kong Polytechnic University in accounting. Mr. Poon had held senior positions at various branch offices of Deloitte Touche Tohmatsu in Canada, Hong Kong and China and was head of finance department of Cheung Kong (Holdings) Limited. Mr. Poon has rich experience in international financial conference, asset management and financial market and is a matured financial planning expert. Mr. Poon is a fellow of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Poon is the Company Secretary and the Financial Controller of the Company.

DR. LIU FEI ZHOU

Dr. LIU Fei Zhou, aged 48, received his PhD from Baylor College of Medicine, Houston, Texas, USA. Dr. Liu was Assistant Professor at the Department of Neurology, Baylor College of Medicine. Dr. Liu's key research interests include development of medical products using biotechnology such as biochips, study of molecular mechanisms of human diseases, and development of model organisms. Dr. Liu is the Assistant to the President and Director for Business Development at Shanghai HealthDigit Company Limited.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") firmly believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders.

Throughout the year ended 31st December, 2009, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") listed out in Appendix 14 of the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule"), except for deviation regarding the terms of service of the Non-Executive Directors and the Chairman which is set out in the section under Appointment and Re-election of Directors. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business operation and enhancing shareholders' value.

THE BOARD

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

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

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

Board Meetings

The Board is currently composed of five Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. During the year, six full board meetings were held and attendance (either in person or through other electronic means of communication) record of each Director at the meetings of the Board together with the meetings of the audit and remuneration committee during the year ended 31st December, 2009 is set out below:

	Attendance/Number of Meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. Yao Yuan *(Chairman)*	5/5	N/A	N/A
Mr. Chien Hoe Yong, Henry *(Chief Executive Officer)*	5/5	N/A	1/1
Mr. Hu Jun	4/5	N/A	N/A
Mr. Yu Tin Jun	5/5	N/A	N/A
Mr. Iu Chung	5/5	N/A	N/A
Non-Executive Directors			
Mr. Yang Zhen Hua	3/5	N/A	N/A
Mr. Ma Yong Wei	3/5	N/A	N/A
Independent Non-Executive Directors			
Dr. Lam Lee G.	3/5	2/2	1/1
Mr. Hu Jin Hua	3/5	2/2	N/A
Mr. Lee Sze Ho, Henry	3/5	2/2	1/1

Regular board meetings are scheduled in advance to facilitate fullest possible attendance. At least 14 days notice of all board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. For Committee Meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference. Minutes of all Board Meetings and Committee Meetings are kept by the Company Secretary. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is opened for Directors' inspection.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

According to the Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer of the Company are segregated and assumed by separate individuals who have no relationship with each other, in order to maintain a balance of power and authority so that major job responsibilities are not concentrated on any one individual, Mr. Chien Hoe Yong, Henry, with his appointment as the Chief Executive Officer in October, 2006, is responsible for the implementation of the Company's overall strategies, and coordination of overall business operation The Chairman, Mr. Yao Yuan, will continue to provide leadership in formulating overall strategies and policies of the Company, ensures the effective performance by the Board of its functions including compliance with good corporate governance practices. The Chairman also ensures effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information.

DIRECTORS

Appointment and Re-election of Directors

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

Bye-law 109 of the Bye-laws of the Company provides that at each general meeting of the Company, with the exception of the Executive Chairman, one-third of the Directors of the Company (or if their number is not three or a multiple of three, the then number nearest to but not exceeding one-third) who have been longest in office since their last election shall retire from office and the retiring Directors shall be eligible for re-election. Exemption on the Chairman from retirement by rotation constitutes a deviation with the provision A.4.2 of the Code.

Independence

During the year ended 31st December, 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Each Director, upon reasonable request, is given access to independent professional advice in circumstances he may deem appropriate and necessary for the discharge of his duties to the Company, at the expense of the Company.

Nomination of Directors

The Board has not set up a nomination committee. The nomination of new directors has been delegated to the Chairman and other Executive Directors. They review regularly the need for appointment of new directors with appropriate professional knowledge and industry experience. The Board will then consider and nominate the candidates as directors of the Company for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year, no new members have been appointed to the Board.

Training for Directors

The Company provides every newly appointed Director with comprehensive induction program on the first occasion of his appointment, where such Directors are provided with information on the Company's organization and business; the membership, duties and responsibilities of the Board, Board Committee and Senior Management; corporate governance practices and procedures; and latest financial information on the operation of the Company and with visits to the Company's key plant sites.

There are also arrangements in place for providing continuing briefing of the latest development of the Listing Rules, other applicable legal and regulatory requirements, and professional development to Directors on a regular basis.

Accountability and Audit

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31st December, 2009, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operation and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

THE BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises the three Independent Non-Executive Directors (including two Independent Non-Executive Directors who possess the appropriate professional qualifications or accounting or related financial management expertise) and Dr. Lam Lee G. is the Chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

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

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

The Audit Committee had two meetings with the Financial Controller during the year ended 31st December, 2009 to review the financial results and reports; financial controls, internal controls and risk management systems; and the re-appointment of the external auditors. The Company's annual results for the year ended 31st December, 2009 has been reviewed by the Audit Committee.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, and appointment of the external auditors.

Remuneration Committee

The Remuneration Committee is duly formed on 27th March, 2006 and is comprised of two Independent Non-Executive Directors, namely: Dr. Lam Lee G (Chairman) and Mr. Lee Sze Ho and the Chief Executive Officer, Mr. Chien Hoe Yong, Henry.

The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for setting policy on the remuneration of Directors and Senior Management. The Remuneration Committee is also responsible for ensuring the remuneration packages are sufficient to attract and retain top caliber executives and Directors; to fairly and responsibly reward executives based on their performance and the performance of the Company, and the general pay environment.

The Remuneration Committee normally meets once a year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Directors and Senior Management. The Remuneration Committee has the right to seek any information it considers necessary to fulfill its duties, which includes the right to obtain appropriate external advice at the Company's expense.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL

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

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

CODE OF CONDUCT ON SECURITIES TRANSACTION

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

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

AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has been appointed as the External Auditor of the Company for the year under review. An amount of HK$2,100,000 (2008: HK$1,800,000) was charged to the 2009 financial statements of the Group for Deloitte's audit services. The amount paid by the Company for other non-audit services provided by Deloitte for the Company and its subsidiaries during the year under review was HK$450,000 (2008: HK$690,000).

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights and procedures are included in all circulars to shareholders and will be explained during the proceeding of the meetings.

At the Company's 2009 Annual General Meeting held on 30th June, 2009, all the resolutions were dealt with on a show of hands.

The Company adopts a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. The Company provides information relating to its operating and financial performance in its interim and annual report, and also disseminates such information electronically through its website at www.mymedicare.com.hk on a timely basis.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries and jointly controlled entity are set out in notes 42 and 20 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 41.

The directors now recommend the payment of a final dividend of HK$0.01 per share to the shareholders on the register of members on 20th April, 2010, amounting to HK$34,960,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in Note 30 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DISTRIBUTABLE RESERVE OF THE COMPANY

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

DIRECTORS' REPORT (CONTINUED)

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 48% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 16% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 45% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 24% of the Group's total purchases.

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

DIRECTORS

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

Executive directors:

Mr. Yao Yuan – Executive Chairman
Mr. Chien Hoe Yong, Henry – Chief Executive Officer
Mr. Hu Jun
Mr. Yu Ti Jun
Mr. Iu Chung

Non-executive directors:

Mr. Yang Zhen Hua
Mr. Ma Yong Wei

Independent non-executive directors:

Dr. Lam Lee G.
Mr. Hu Jin Hua
Mr. Lee Sze Ho, Henry

In accordance with Bye-law 109 of the Company, Mr. Iu Chung, Mr. Yu Ti Jun and Mr. Lee Sze Ho, Henry will retire from the office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2009, the interests of the directors of the Company and their associates in the shares and share option of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Position	Percentage of the issued share capital of the Company
Mr. Yao Yuan	Held by controlled corporation	922,079,075 *(Note (i))*	Long	27.04%
Mr. Iu Chung	Held by controlled corporation and beneficial owner	955,419,075 *(Note (ii))*	Long	28.01%

Notes:

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

(ii) Being the aggregate personal interest of 33,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 922,079,075 shares.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chien Hoe Yong, Henry	Beneficial owner	13,500,000	13,500,000
Mr. Yu Ti Jun	Beneficial owner	10,400,000	10,400,000

Details of the share options held by the directors are set out in the section headed "Share Options".

Other than as disclosed above, none of the Company's directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 31st December, 2009.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 33 to the consolidated financial statements.

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

	Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options: Outstanding at 1.1.2009	Granted during the year	Exercised during the year	Outstanding at 31.12.2009
Directors								
Mr. Chien Hoe Yong, Henry	8.4.2005	HK$0.728	Not Applicable ("N/A")	8.4.2005 – 7.4.2010	5,300,000	–	(5,300,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	5,300,000	–	(5,300,000)	–
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	5,300,000	–	(2,400,000)	2,900,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	5,300,000	–	–	5,300,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	5,300,000	–	–	5,300,000
					26,500,000	–	(13,000,000)	13,500,000
Mr. Hu Jun	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	2,000,000	–	(2,000,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	2,000,000	–	(2,000,000)	–
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	2,000,000	–	(2,000,000)	–
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	2,000,000	–	(2,000,000)	–
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	2,000,000	–	(2,000,000)	–
					10,000,000	–	(10,000,000)	–
Mr. Yu Ti Jun	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	2,000,000	–	(2,000,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	2,000,000	–	–	2,000,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	2,000,000	–	–	2,000,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	2,000,000	–	–	2,000,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	2,000,000	–	–	2,000,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	800,000	–	–	800,000
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	800,000	–	–	800,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	800,000	–	–	800,000
					12,400,000	–	(2,000,000)	10,400,000
Mr. Lam Lee G.	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	800,000	–	(800,000)	–
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	800,000	–	(800,000)	–
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	800,000	–	(800,000)	–
					2,400,000	–	(2,400,000)	–
Total for directors					51,300,000	–	(27,400,000)	23,900,000
Employees								
Employees	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	600,000	–	(600,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	2,600,000	–	(2,600,000)	–
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	6,800,000	–	(6,800,000)	–
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	14,400,000	–	(13,640,000)	760,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	16,900,000	–	(13,200,000)	3,700,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	2,900,000	–	(2,900,000)	–
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	7,060,000	–	(6,160,000)	900,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	7,060,000	–	(5,510,000)	1,550,000
	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	–	111,800,000	–	111,800,000
Total for employees					58,320,000	111,800,000	(51,410,000)	118,710,000
Total for directors and employees					109,620,000	111,800,000	(78,810,000)	142,610,000

The closing price of the Company's share immediately before 9th October, 2009, the date of grant of the 2009 option, was HK$0.84.

The weighted average closing price of the Company's share immediately before the dates on which the share options were exercised was HK$1.072.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Name	**Capacity**	**Number of shares**	*Notes*	**Shareholding percentage**
Ming Yuan Investments Group Limited	Beneficial owner	922,079,075	*(i)*	27.04%
Ming Yuan Holdings Limited	Held by controlled corporation	922,079,075	*(i)*	27.04%
Mr. Yao Yuan	Held by controlled corporation	922,079,075	*(i)*	27.04%
Mr. Iu Chung	Beneficial owner and held by controlled corporation	955,419,075	*(i)&(ii)*	28.01%
Provident Pacific Holdings Limited	Beneficial owner	628,309,075	*(iii)*	18.42%
NaZareth Group Limited	Held by controlled corporation	628,309,075	*(iii)*	18.42%
CCB International Asset Management Limited	Beneficial owner	322,031,780	*(iv)*	9.44%
CCB International Asset Management (Cayman) Limited	Held by controlled corporation	322,031,780	*(iv)*	9.44%
CCB International (Holdings) Limited	Held by controlled corporation	322,031,780	*(iv)*	9.44%
CCB Financial Holdings Limited	Held by controlled corporation	322,031,780	*(iv)*	9.44%
CCB International Group Holdings Limited	Held by controlled corporation	322,031,780	*(iv)*	9.44%
China Construction Bank Corporation	Held by controlled corporation	322,031,780	*(iv)*	9.44%
Central Huijin Investment Limited (formerly known as Central SAFE Investments Limited)	Held by controlled corporation	322,031,780	*(iv)*	9.44%
Fidelity Management & Research Company	Beneficial owner	183,910,000	*(v)*	5.39%
FMR Co.	Held by controlled corporation	183,910,000	*(v)*	5.39%
FMR LLC	Beneficial owner and held by controlled corporation	199,970,000	*(v)*	5.86%

Notes:

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

(ii) Being the aggregate of personal interest held by Mr. Iu Chung of 33,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 922,079,075 shares.

(iii) The 628,309,075 shares were held by Provider Pacific Holdings Limited, a wholly owned subsidiary of NaZareth Group Limited. Accordingly, NaZareth Group Limited was deemed to be interested in 628,309,075 ordinary shares in the Company.

(vi) The 322,031,780 shares were held by CCB International Asset Management Limited, a wholly owned subsidiary of CCB International Asset Management (Cayman) Limited which in turn a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 59.31% of its interest is owned by Central Huijin Investment Limited (formerly known as Central SAFE Investments Limited). Accordingly, CCB International Asset Management (Cayman) Limited, China International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, CCB Construction Bank Corporation and Central Huijin Investment Limited (formerly known as Central SAFE Investments Limited) were deemed to be interested in 322,031,780 ordinary shares in the Company.

(v) Being aggregate corporate interest of 183,910,000 shares held by Fidelity Management & Research Company and corporate interest of 16,060,000 shares held by Fidelity Management Trust Company, Pyramis Global Advisors LLC.

Fidelity Management & Research Company is a wholly owned subsidiary of FMR Co which in turn is wholly owned by FMR LLC.

Fidelity Management Trust Company, Pyramids Global Advisors LLC is wholly owned subsidiary of FMC & Pyramis which in turn is wholly owned by FMR LLC.

Other than as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued share capital of the Company as at 31st December, 2009.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

PRE-EMPTIVE RIGHTS

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

EVENT AFTER THE REPORTING PERIOD

Details of a significant event occurring after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Mr. Yao Yuan
Executive Chairman

20th April, 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS
MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mingyuan Medicare Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 102, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th April, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**394,288**	326,066
Cost of sales		**(74,959)**	(62,070)
Gross profit		**319,329**	263,996
Other income	9a	**12,343**	14,137
Other gains and losses	9b	**5,168**	(7,757)
Distribution and selling expenses		**(42,162)**	(23,250)
Administrative expenses		**(118,715)**	(53,735)
Other expenses		**(23,929)**	(4,212)
Share of result of a jointly controlled entity	20	**(5,981)**	–
Finance costs	10	**(48,990)**	(12,894)
Profit before tax		**97,063**	176,285
Income tax expense	11	**(21,420)**	(25,440)
Profit for the year	12	**75,643**	150,845
Other comprehensive income for the year			
Exchange differences arising on translation		**5,085**	38,607
Revaluation surplus arising from business combination achieved in stages		**10,354**	–
Total comprehensive income for the year		**91,082**	189,452
Profit for the year attributable to:			
Owners of the Company		**76,758**	150,102
Minority interests		**(1,115)**	743
		75,643	150,845
Total comprehensive income attributable to:			
Owners of the Company		**92,198**	188,709
Minority interests		**(1,116)**	743
		91,082	189,452
EARNINGS PER SHARE			
Basic	15	**2.49 HK cents**	5.13 HK cents
Diluted		**2.48 HK cents**	5.06 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-Current Assets			
Property, plant and equipment	*16*	**435,863**	358,175
Prepaid lease payments	*17*	**69,950**	71,150
Goodwill	*18*	**420,982**	104,240
Other intangible assets	*19*	**326,918**	2,274
Interest in a jointly controlled entity	*20*	**20,140**	–
Available-for-sale investments	*21*	**–**	528
Deposit paid for acquisition of subsidiaries	*22*	**–**	56,410
Deposits paid for acquisition of property, plant and equipment	*23*	**203**	21,670
		1,274,056	614,447
Current Assets			
Inventories	*24*	**13,751**	18,585
Prepaid lease payments	*17*	**1,577**	1,569
Trade and other receivables, deposits and prepayments	*25*	**165,955**	124,436
Amounts due from related companies	*28*	**3,096**	–
Amounts due from subsidiaries of a jointly controlled entity	*28*	**45,133**	–
Held for trading investments	*21*	**4,201**	2,467
Pledged bank deposits	*26*	**11,358**	16,923
Bank balances and cash	*26*	**457,406**	602,917
		702,477	766,897
Current Liabilities			
Trade and other payables	*27*	**81,338**	58,104
Amount due to a related company	*28*	**978**	29,217
Bank borrowings – due within one year	*29*	**139,444**	87,077
Convertible bonds	*31*	**79,627**	–
Taxation payable		**17,534**	10,135
		318,921	184,533
Net Current Assets		**383,556**	582,364
Total Assets less Current Liabilities		**1,657,612**	1,196,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December, 2009

	NOTES	**2009 HK$'000**	2008 HK$'000
Capital and Reserves			
Share capital	*30*	**170,525**	146,731
Reserves		**1,248,535**	868,193
Equity attributable to owners of the Company		**1,419,060**	1,014,924
Minority interests		**41,988**	5,106
Total Equity		**1,461,048**	1,020,030
Non-Current Liabilities			
Deferred tax liabilities	*32*	**116,490**	26,693
Bank borrowings – due after one year	*29*	**80,074**	112,820
Convertible bonds	*31*	**–**	37,268
		196,564	176,781
		1,657,612	1,196,811

The consolidated financial statements on pages 41 to 102 were approved and authorised for issue by the Board of Directors on 20th April, 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2009

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible options and warrants reserve HK$'000	Share option reserve HK$'000	Assets revaluation reserve HK$'000	Contributed surplus HK$'000 *(Note)*	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2008	144,904	300,073	5,594	12,532	–	12,804	79,070	272,462	827,439	4,363	831,802
Profit for the year	–	–	–	–	–	–	–	150,102	150,102	743	150,845
Exchange realignment	–	–	–	–	–	–	38,607	–	38,607	–	38,607
Total comprehensive income for the year	–	–	–	–	–	–	38,607	150,102	188,709	743	189,452
Recognition of equity settled share based payments	–	–	–	1,815	–	–	–	–	1,815	–	1,815
Conversion of convertible bonds	1,352	20,026	(2,034)	–	–	–	–	–	19,344	–	19,344
Exercise of share options	475	7,719	–	(1,231)	–	–	–	–	6,963	–	6,963
Dividends recognised as distribution *(Note 14)*	–	–	–	–	–	–	–	(29,346)	(29,346)	–	(29,346)
At 31st December, 2008	146,731	327,818	3,560	13,116	–	12,804	117,677	393,218	1,014,924	5,106	1,020,030
Profit for the year	–	–	–	–	–	–	–	76,758	76,758	(1,115)	75,643
Exchange realignment	–	–	–	–	–	–	5,086	–	5,086	(1)	5,085
Revaluation surplus arising from business combination achieved in stages	–	–	–	–	10,354	–	–	–	10,354	–	10,354
Total comprehensive income for the year	–	–	–	–	10,354	–	5,086	76,758	92,198	(1,116)	91,082
Recognition of equity components of convertible bonds and warrants	–	–	25,578	–	–	–	–	–	25,578	–	25,578
Deferred tax liability on recognition of equity components of convertible bonds	–	–	(4,220)	–	–	–	–	–	(4,220)	–	(4,220)
Recognition of equity settled share based payments	–	–	–	38,897	–	–	–	–	38,897	–	38,897
Conversion of convertible bonds	20,101	201,237	(22,287)	–	–	–	–	–	199,051	–	199,051
Exercise of share options	3,940	63,910	–	(9,594)	–	–	–	–	58,256	–	58,256
Release of deferred tax liability upon conversion of convertible bonds	–	(3,090)	3,090	–	–	–	–	–	–	–	–
Shares repurchased	(247)	(5,377)	–	–	–	–	–	–	(5,624)	–	(5,624)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	37,998	37,998
At 31st December, 2009	170,525	584,498	5,721	42,419	10,354	12,804	122,763	469,976	1,419,060	41,988	1,461,048

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	NOTE	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**97,063**	176,285
Adjustments for:			
Finance costs		**48,990**	12,894
Interest income		**(5,025)**	(6,538)
Depreciation of property, plant and equipment		**23,730**	18,716
Amortisation of prepaid lease payments		**939**	1,564
Amortisation of other intangible assets		**17,493**	146
Share-based payment expenses		**38,897**	1,815
Gain on disposal of property, plant and equipment		**(3,425)**	(6,565)
Share of result of a jointly controlled entity		**5,981**	–
Operating cash flows before movements in working capital		**224,643**	198,317
Decrease (increase) in inventories		**5,673**	(4,363)
Increase in trade and other receivables, deposits and prepayments		**(14,832)**	(31,194)
(Increase) decrease in held for trading investments		**(1,734)**	22,722
Increase in trade and other payables		**17,228**	8,411
Cash generated from operations		**230,978**	193,893
Income taxes paid (net of refund)		**(17,537)**	(11,673)
Interest paid		**(14,865)**	(11,043)
NET CASH FROM OPERATING ACTIVITIES		**198,576**	171,177
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	34	**(571,210)**	(56,410)
Additions of property, plant and equipment		**(63,483)**	(35,114)
Capital injection to a jointly controlled entity		**(14,198)**	–
Advance to related companies		**(2,658)**	–
Deposits paid for acquisition of property, plant and equipment		**(203)**	(234)
Proceeds on disposal of property, plant and equipment		**6,922**	223
Repayment from subsidiaries of a jointly controlled entity		**6,536**	–
Decrease (increase) in pledged bank deposits		**5,565**	(16,923)
Interest received		**5,025**	6,538
NET CASH USED IN INVESTING ACTIVITIES		**(627,704)**	(101,920)
FINANCING ACTIVITIES			
Proceeds on issue of convertible bonds		**232,572**	–
Exercise of share options		**58,256**	6,963
New bank loans raised		**45,817**	96,205
(Repayment to) advance from a related company		**(28,239)**	23,008
Repayments of bank borrowings		**(27,447)**	(38,548)
Dividends paid		**–**	(29,346)
NET CASH FROM FINANCING ACTIVITIES		**280,959**	58,282
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(148,169)**	127,539
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**602,917**	453,514
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,658**	21,864
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**457,406**	602,917

1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollars as in the opinion of the directors, it will be more useful for the users as the Company is listed in Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries and jointly controlled entity at 31st December, 2009 are set out in Notes 42 and 20 respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 8).

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

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1st July, 2009.
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st January, 2010.
[4] Effective for annual periods beginning on or after 1st February, 2010.
[5] Effective for annual periods beginning on or after 1st July, 2010.
[6] Effective for annual periods beginning on or after 1st January, 2011.
[7] Effective for annual periods beginning on or after 1st January, 2013.

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting polices set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

When a business combination involves more than one exchange transaction, each exchange transaction is treated separately, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to the fair values of the acquiree's identifiable assets relating to previously held interests is credited to the revaluation reserve.

Goodwill

Goodwill arising on acquisition prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition. For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint venture

Jointly controlled entity

Joint venture arrangement that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as a jointly controlled entity.

The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in a jointly controlled entity is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative expenses (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (CONTINUED)

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Prepaid lease payments

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (CONTINUED)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Research and development expenditures

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

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

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

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

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. If the contractual or other legal rights of an intangible asset are conveyed for a limited term that can be renewed, the useful life of the intangible asset will include the renewal periods only if there is evidence to support renewal without significant cost. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on assets other than goodwill below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL includes financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

***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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 270 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Financial assets **(CONTINUED)**

Impairment of financial assets **(CONTINUED)**

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

***Financial liabilities and equity* (CONTINUED)**

Convertible bonds

Convertible bonds issued by the Company contain liability, conversion option and early redemption option. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is classified as an equity instrument. Early redemption option embedded in non-derivative host liability component with risks and characteristics that are closely related to the liability component is not separated from the liability component.

On initial recognition, the fair value of the liability component (including early redemption option which is closely related) is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible options and warrants reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible options and warrants reserve until the embedded option is exercised (in which case the balance stated in convertible options and warrants reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible options and warrants reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed number of the Company's own equity instruments are classified as an equity instrument. For warrants issued to subscribers of the Company's convertible bond, the fair value of warrants on the date of issue is recognised in equity (convertible options and warrants reserve). The convertible options and warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in convertible options and warrants reserve will be transferred to the retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful life of other intangible assets – technical know-how

Other intangible assets – technical know-how, have a legal life of 2 years. The directors are of the opinion that the Group would be able to renew the technical know-how continuously at minimal costs. The directors of the Company are of the opinion that the technical know-how has useful life of 15 years from the date of acquisition, as described in Note 19. The 15 years period is the period which the technical know-how is expected to be available for use by the Group.

Other intangible assets – technical know-how is amortised over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value. At 31st December, 2009 carrying amount of the technical know-how is HK$265,376,000 (2008: Nil) and during the year ended 31st December, 2009, amortisation of the technical know-how amounting to HK$10,738,000 (2008: Nil) is charged to profit or loss. Details of this other intangible asset are set out in Note 19.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, goodwill were amounted to HK$420,982,000 (2008: HK$104,240,000), and management of the Group determined that there was no impairment on goodwill. Details of the calculation of recoverable amount are disclosed in Note 18.

Estimated impairment of other intangible assets

Determining whether other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which other intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, other intangible assets were amounted to HK$326,918,000 (2008: HK$2,274,000), and management of the Group determined that there was no impairment on other intangible assets. Details of the calculation of recoverable amount are disclosed in Note 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (CONTINUED)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, the carrying amount of trade receivables is HK$151,350,000 (2008: HK$101,348,000), net of allowance for doubtful debts of HK$2,226,000 (2008: HK$2,211,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in Note 29 and convertible bonds disclosed in Note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Financial assets designated at fair value through profit or loss		
– Held for trading investments	**4,201**	2,467
Loans and receivables		
– Trade and other receivables	**158,199**	114,024
– Amounts due from related companies	**3,096**	–
– Amounts due from subsidiaries of a jointly controlled entity	**45,133**	–
– Pledged bank deposits	**11,358**	16,923
– Bank balances and cash	**457,406**	602,917
	675,192	733,864
Available-for-sale investments	**–**	528
	679,393	736,859
Financial liabilities		
Amortised cost		
– Trade and other payables	**40,123**	28,534
– Amount due to a related company	**978**	29,217
– Bank borrowings	**219,518**	199,897
– Convertible bonds	**79,627**	37,268
	340,246	294,916

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, held for trading investments, bank balances and cash, trade and other payables, amount due to a related company, bank borrowings and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS

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

Market risk

(i) *Currency risk*

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollar	**250**	220	**–**	–
HK dollar	**6,818**	6,087	**27,000**	38,000

Sensitivity analysis

The Group is mainly exposed to US dollar and HK dollar. No sensitivity analysis was prepared since the directors of the Company are of the opinion that the impact is not significant.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings (see Notes 26 and 29 for details of bank balances and bank borrowings respectively). It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate bank borrowings and convertible bonds (see Notes 29 and 31 for details of bank borrowings and convertible bonds respectively).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

6. FINANCIAL INSTRUMENTS

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

Market risk **(CONTINUED)**

(ii) Interest rate risk **(CONTINUED)**

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances and bank borrowings since the impact to the Group's result for 2009 and 2008 is not significant.

Credit risk

As at 31st December, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group exposed to the concentration of credit risk as 18% (2008: 13%) and 54% (2008: 47%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the protein chips segment in PRC. By reviewing the regular subsequent settlements of trade receivables from the five largest customers, the directors are of opinion that the default risk of these trade receivables are manageable. Other than that, the Group does not have any other significant concentration of credit risk.

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

6. FINANCIAL INSTRUMENTS

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

2009

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	35,428	4,695	–	–	40,123	40,123
Convertible bonds	35.4	85,234	–	–	–	85,234	79,627
Bank borrowings							
– fixed rate	9	–	–	–	660	660	568
– variable rate	5.7	15,000	33,299	94,837	91,392	234,528	218,950
Amount due to a related company	–	978	–	–	–	978	978
		136,640	37,994	94,837	92,052	361,523	340,246

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk **(CONTINUED)**

2008

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	3,391	4,225	20,918	–	28,534	28,534
Convertible bonds	6.8	–	–	350	39,694	40,044	37,268
Bank borrowings							
– variable rate	5.1	–	38,421	50,663	133,440	222,524	199,897
Amount due to a related company	–	29,217	–	–	–	29,217	29,217
		32,608	42,646	71,931	173,134	320,319	294,916

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

6c. Fair value

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

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

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

The Group's held for trading investments are measured at fair value subsequent to initial recognition, and grouped into Level 1 fair value measurement, which the fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets. There were no transfer between any level of fair value measurement during the year.

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

7. REVENUE

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

	2009 HK$'000	2008 HK$'000
Sales from protein chips division	**319,241**	290,512
Hospital operation and trading of Human Papilloma Viruses ("HPV") detection products and related equipments	**44,835**	35,554
Medical centres management operation	**30,212**	–
	394,288	326,066

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format under HKAS 14 was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 are therefore as follows:

Protein chips division	–	Manufacture and trading of protein chips and related equipments
Health care division	–	Operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, the PRC (上海市虹口区妇幼保健院) ("Hospital Operation")
	–	Manufacture and trading of HPV detection products and related equipments
Medical centres management	–	Provision of medical diagnostic, health check and medical appraisal services (newly acquired in the current year)

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009				
REVENUE				
External sales	**319,241**	**44,835**	**30,212**	**394,288**
Segment profit (loss)	**217,555**	**(4,452)**	**3,623**	**216,726**
Unallocated expenses				**(71,460)**
Interest income				**5,025**
Share of result of a jointly controlled entity				**(5,981)**
Change in fair value of held for trading investments				**1,743**
Finance costs				**(48,990)**
Profit before tax				**97,063**
For the year ended 31st December, 2008				
REVENUE				
External sales	290,512	35,554	–	326,066
Segment profit	207,478	2,722	–	210,200
Unallocated expenses				(13,237)
Interest income				6,538
Change in fair value of held for trading investments				(14,322)
Finance costs				(12,894)
Profit before tax				176,285

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of result of a jointly controlled entity, change in fair value of held for trading investments, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	2009 HK$'000	2008 HK$'000
ASSETS		
Segment assets		
– protein chips division	**519,294**	479,663
– health care division	**140,748**	108,336
– medical centres management	**24,643**	–
	684,685	587,999
Goodwill	**420,982**	104,240
Other intangible assets	**326,918**	2,274
Unallocated assets	**543,948**	686,831
Consolidated total assets	**1,976,533**	1,381,344
LIABILITIES		
Segment liabilities		
– protein chips division	**41,320**	36,360
– health care division	**22,319**	18,127
– medical centres management	**5,323**	–
	68,962	54,487
Unallocated liabilities	**446,523**	306,827
Consolidated total liabilities	**515,485**	361,314

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

– all assets are allocated to operating segments, other than goodwill, interest in a jointly controlled entity, other intangible assets, held for trading investments, amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

– segment liabilities included trade and other payables attributed to segments.

8. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009						
Additions to non-current assets *(Note)*	**38,724**	**49,339**	**13,755**	**101,818**	**32**	**101,850**
Depreciation of property, plant and equipment	**19,081**	**1,735**	**2,887**	**23,703**	**27**	**23,730**
Gain (loss) on disposal of property, plant and equipment	**3,439**	**2**	**(16)**	**3,425**	**–**	**3,425**
Amortisation of prepaid lease payments	**939**	**–**	**–**	**939**	**–**	**939**
Amortisation of other intangible assets	**–**	**10,895**	**6,598**	**17,493**	**–**	**17,493**
For the year ended 31st December, 2008						
Additions to non-current assets *(Note)*	34,991	3,014	–	38,005	8	38,013
Depreciation of property, plant and equipment	17,544	1,117	–	18,661	55	18,716
Gain on disposal of property, plant and equipment	6,565	–	–	6,565	–	6,565
Amortisation of prepaid lease payments	930	634	–	1,564	–	1,564
Amortisation of other intangible assets	–	146	–	146	–	146

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

Amounts not included in the measure of segment profit or loss or segment assets but regularly reviewed by the chief operating decision maker:

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009						
Additions to other intangible assets	**–**	**276,114**	**65,976**	**342,090**	**–**	**342,090**
Additions to goodwill	**–**	**79,910**	**236,832**	**316,742**	**–**	**316,742**
Share-based payments	**–**	**–**	**–**	**–**	**38,897**	**38,897**
For the year ended 31st December, 2008						
Share-based payments	–	–	–	–	1,815	1,815

8. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

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

	2009 HK$'000	2008 HK$'000
Protein chips	**319,241**	290,512
HPV detection products	**7,845**	2,209
Hospital Operation	**36,990**	33,345
Medical diagnostic, health check and medical appraisal services	**30,212**	–
	394,288	326,066

Geographical information

Around 99% (2008: 99%) of the Group's revenue are derived from the operation in the PRC and around 99% (2008: 99%) of the Group's non-current assets excluded financial instruments are located in the PRC, therefore, no geographical information is presented.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 HK$'000	2008 HK$'000
Customer A	**65,461**	59,357
Customer B *(Note)*	**56,689**	–
Customer C	**40,018**	42,309

Revenue from the above customers are all from the protein chips division.

Note: Revenue from this customer for the year ended 31st December, 2008 contributed less than 10% of the total sales of the Group.

9a. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income	**5,025**	6,538
Government subsidy *(Note)*	**6,202**	4,970
Others	**1,116**	2,629
	12,343	14,137

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

9b. OTHER GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Gain on disposal of property, plant and equipment	**3,425**	6,565
Change in fair value of held for trading investments	**1,743**	(14,322)
	5,168	(7,757)

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	**11,712**	10,494
Effective interest expenses on convertible bonds	**37,569**	2,400
Total borrowing costs	**49,281**	12,894
Less: amounts capitalised (capitalised in buildings under construction in Note 16 at a capitalisation rate of 5.58% per annum)	**(291)**	–
	48,990	12,894

11. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
PRC Enterprise Income Tax		
– Current year	**19,759**	13,312
– Under(over)provision in prior year	**1,606**	(8,287)
	21,365	5,025
Deferred tax (Note 32)		
– Current year	**7,894**	20,415
– Overprovision in prior year	**(7,839)**	–
	55	20,415
	21,420	25,440

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

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% form 1st January, 2008 onwards. Pursuant to the relevant laws and regulations in the PRC, the Group's two PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holidays"). The Tax Holidays continue to be applicable for the two PRC subsidiaries after the EIT Law was implemented. The tax holiday of one of the PRC subsidiaries expired in 2009 (with tax rate of 15% and 9% for 2009 and 2008 respectively) and that of the other subsidiary will expire in 2012 (with zero tax rate for both 2009 and 2008).

For the year ended 31st December, 2008, a PRC subsidiary, 湖州数康生物科技有限公司 ("湖州数康") was approved as a "Technology-and-knowledge intensive" enterprise and as a result, became eligible to enjoy a preferential enterprise income tax rate of 18%. During the year ended 31st December, 2009, 湖州数康 was further approved as "high-new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15%.

11. INCOME TAX EXPENSE (CONTINUED)

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

	2009 HK$'000	2008 HK$'000
Profit before tax	**97,063**	176,285
Tax at the domestic income tax rate at 25% (2008: 25%) *(Note i)*	**24,266**	44,071
Tax effect of income not taxable for tax purpose	**(1,440)**	(3,154)
Tax effect of expenses not deductible for tax purpose	**23,064**	6,772
Effect of tax exemptions granted to PRC subsidiaries	**(21,596)**	(21,703)
Income tax on concessionary rate	**(11,440)**	(12,674)
Utilisation of tax losses previously not recognised (Note ii)	**(710)**	–
Under(over)provision in prior year	**1,606**	(8,287)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries earned since 1st January, 2008	**7,810**	20,555
Others	**(140)**	(140)
Income tax expense for the year	**21,420**	25,440

Notes:

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

(ii) As at 31st December, 2009, the Group had unused tax losses of HK$51,749,000 (2008: HK$54,589,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. Tax losses of HK$6,000,000 (2008: Nil) can be carried forward for the next year where the remaining tax losses can be carried forward indefinitely.

12. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**23,730**	18,716
Amortisation of prepaid lease payments	**1,575**	1,564
Less: amount capitalised (included in buildings under construction in Note 16)	**(636)**	–
	939	1,564
Amortisation of other intangible assets (included in other expenses)	**17,493**	146
Staff costs		
– directors' emoluments (Note 13(i))	**5,173**	5,650
– other staff costs	**33,892**	28,204
– share-based payments, excluding directors	**38,805**	1,308
– retirement benefits scheme contributions, excluding directors	**298**	270
Total staff costs	**78,168**	35,432
Auditor's remuneration	**2,463**	1,800
Cost of inventories recognised as expenses	**74,959**	62,070
Research and development expenditure (included in other expenses)	**6,436**	4,066

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	HK$'000
Directors' fees:		
(a) Executive		
– Yao Yuan	**1,266**	1,274
– Chien Hoe Yong, Henry	**845**	905
– Hu Jun	**–**	–
– Yu Ti Jun	**120**	120
– Iu Chung	**1,129**	1,010
	3,360	3,309
(b) Independent non-executive		
– Lam Lee G.	**120**	120
– Lee Sze Ho, Henry	**120**	120
– Hu Jin Hua	**120**	120
	360	360
(c) Non-executive		
– Yang Zhen Hua	**120**	61
– Ma Yong Wei	**–**	61
	120	122
Total directors' fees	**3,840**	3,791

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) DIRECTORS' EMOLUMENTS (CONTINUED)

	2009 HK$'000	2008 HK$'000
Other emoluments of executive directors:		
(a) Salaries and other benefits		
– Yao Yuan	**534**	526
– Chien Hoe Yong, Henry	**–**	–
– Hu Jun	**–**	–
– Yu Ti Jun	**–**	–
– Iu Chung	**671**	790
	1,205	1,316
(b) Retirement benefits scheme contributions		
– Yao Yuan	**12**	12
– Chien Hoe Yong, Henry	**12**	12
– Hu Jun	**–**	–
– Yu Ti Jun	**–**	–
– Iu Chung	**12**	12
	36	36
(c) Share-based payments		
– Yao Yuan	**–**	–
– Chien Hoe Yong, Henry	**22**	127
– Hu Jun	**8**	48
– Yu Ti Jun	**36**	190
– Iu Chung	**–**	–
	66	365
Total other emoluments of executive directors	**1,307**	1,717
Other emoluments of non-executive directors:		
(a) Share-based payments		
– Lam Lee G.	**26**	142
Total directors' emoluments	**5,173**	5,650

No director had waived any emoluments during either year.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(ii) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and benefits in kind	**964**	964
Retirement benefits scheme contributions	**24**	24
Share-based payments	**9**	84
	997	1,072

Their emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000	**2**	2

14. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution during the year:		
2007 Final dividend of HK$0.01 per share	**–**	29,346

The final dividend of HK$0.01 (2008: Nil) per share amounting to an aggregate amount of HK$34,960,000 has been proposed by the directors on 20th April, 2010 and is subject to approval by the shareholders in general meeting.

15. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**76,758**	150,102
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**–**	2,400
Earnings for the purpose of diluted earnings per share	**76,758**	152,502

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,082,579,777**	2,928,747,984
Effect of dilutive potential ordinary shares:		
– Share options	**12,570,843**	35,081,213
– Convertible bonds	**–**	51,406,886
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,095,150,620**	3,015,236,083

No adjustment for convertible bonds and warrants was made in calculating diluted earnings per share for the year ended 31st December, 2009 as the conversion of convertible bonds and exercise of warrants would result in increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and equipment HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Buildings under construction HK$'000	Total HK$'000
COST								
At 1st January, 2008	177,276	53,375	2,024	7,158	3,318	1,560	102,108	346,819
Exchange adjustments	9,221	3,775	245	727	113	183	5,669	19,933
Additions	–	18,495	134	893	23	765	17,703	38,013
Transfer	(2,289)	2,515	–	–	–	–	(226)	–
Disposals	–	(4,224)	(1)	(425)	–	(97)	–	(4,747)
At 31st December, 2008	184,208	73,936	2,402	8,353	3,454	2,411	125,254	400,018
Exchange adjustments	1,216	370	14	43	24	30	1,949	3,646
Acquisition of subsidiaries	–	9,765	744	650	4,221	187	–	15,567
Additions	413	2,732	123	124	77	157	82,454	86,080
Disposals	–	(5,333)	(217)	(912)	–	(75)	–	(6,537)
At 31st December, 2009	185,837	81,470	3,066	8,258	7,776	2,710	209,657	498,774
DEPRECIATION								
At 1st January, 2008	2,232	11,210	1,309	3,439	1,775	503	–	20,468
Exchange adjustments	585	1,561	232	537	38	129	–	3,082
Provided for the year	7,801	9,219	235	1,036	109	316	–	18,716
Transfer	(8)	8	–	–	–	–	–	–
Eliminated on disposals	–	–	–	(333)	–	(90)	–	(423)
At 31st December, 2008	10,610	21,998	1,776	4,679	1,922	858	–	41,843
Exchange adjustments	96	247	(11)	19	7	20	–	378
Provided for the year	8,283	13,073	324	1,184	364	502	–	23,730
Eliminated on disposals	–	(2,186)	(214)	(592)	–	(48)	–	(3,040)
At 31st December, 2009	18,989	33,132	1,875	5,290	2,293	1,332	–	62,911
CARRYING VALUES								
At 31st December, 2009	166,848	48,338	1,191	2,968	5,483	1,378	209,657	435,863
At 31st December, 2008	173,598	51,938	626	3,674	1,532	1,553	125,254	358,175

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	Over 5% or the term of the lease or land use rights, if shorter
Plant and equipment	10% – 30%
Office equipment	15% – 50%
Motor vehicles	15% – 33%
Leasehold improvements	10% – 33% or the term of the lease, if shorter
Furniture and fixtures	20% – 33%

The buildings held by the Group were held under medium-term lease located in the PRC.

17. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
Analysed for reporting purpose as:		
Current assets	**1,577**	1,569
Non-current asset	**69,950**	71,150
	71,527	72,719

The Group's prepaid lease payments represent payments for land use rights under medium-term lease located in the PRC. The Group has acquired rights to the use of land (the "land use rights") in the PRC. While the Group has paid substantially the full consideration of the purchase consideration, the relevant government authorities have not yet granted formal title to certain of these land use rights to the Group. The net book value of the land use rights for which the Group had not yet been granted formal title as at 31st December, 2009 was HK$28,444,000 (2008: HK$28,990,000).

The directors of the Company believe that the relevant official land use right certificates will be granted to the Group in due course and the absence of which does not impair the value of the relevant properties to the Group.

18. GOODWILL

	2009 **HK$'000**	2008 HK$'000
COST		
At 1st January	**104,240**	104,240
Arising on acquisition of subsidiaries	**316,742**	–
At 31st December	**420,982**	104,240

18. GOODWILL (CONTINUED)

Particulars regarding impairment testing on goodwill are disclosed below:

For the purpose of impairment testing, the carrying amount of goodwill has been allocated to four cash generating units, including one subsidiary for protein chips division, one subsidiary for health care division – hospital operation, one subsidiary for health care division – manufacturing and trading of HPV products and one subsidiary for medical centres management.

	2009	2008
	HK$'000	HK$'000
Cash generating unit of protein chips division	**47,115**	47,115
Cash generating unit of health care division – hospital operation	**57,125**	57,125
Cash generating unit of health care division – manufacturing and trading of HPV products	**79,910**	–
Cash generating unit of medical centres management	**236,832**	–
	420,982	104,240

During each of the two years ended 31st December, 2009 and 2008, management of the Group determined that there was no impairment in any of these cash generating units containing goodwill.

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

Cash generating unit for segment of protein chips division

The recoverable amount of this unit has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming year and extrapolates the cash flows projection for the following nine years with zero growth rate (2008: nine years with zero growth rate), and a discount rate of 15% (2008: 15%). Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sale and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Cash generating unit for segment of health care division – hospital operation

The recoverable amount of this unit has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the most recent financial budgets approved by management for the coming year and extrapolates the cash flows projection for the following sixteen years with zero growth rate (2008: seventeen years with zero growth rate) and a discount rate of 9.5% (2008: 9.5%). Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Cash generating unit for segment of health care division – manufacturing and trading of HPV products

The recoverable amount of this unit has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the most recent financial budgets approved by management covering a seven-year period, and a discount rate of 14.4%. The cash flows of the cash generating unit beyond the seven-year period are extrapolated using a steady 4% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

18. GOODWILL (CONTINUED)

Cash generating unit for segment of medical centres management

The recoverable amount of this unit has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections based on the most recent financial budgets approved by management covering a seven-year period, and a discount rate of 13.7%. The cash flows of the cash generating unit beyond the seven-year period are extrapolated using a steady 4% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

19. OTHER INTANGIBLE ASSETS

	Distribution right HK$'000 *(Note i)*	Customer base HK$'000 *(Note ii)*	Technical know-how HK$'000 *(Note ii)*	Total HK$'000
COST				
At 1st January, 2008	2,295	–	–	2,295
Exchange adjustments	332	–	–	332
At 31st December, 2008	2,627	–	–	2,627
Exchange adjustments	47	–	–	47
Arising on acquisition of subsidiaries	–	65,976	276,114	342,090
At 31st December, 2009	2,674	65,976	276,114	344,764
AMORTISATION				
At 1st January, 2008	207	–	–	207
Charge for the year	146	–	–	146
At 31st December, 2008	353	–	–	353
Charge for the year	157	6,598	10,738	17,493
At 31st December, 2009	510	6,598	10,738	17,846
CARRYING VALUES				
At 31st December, 2009	2,164	59,378	265,376	326,918
At 31st December, 2008	2,274	–	–	2,274

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) The distribution right was purchased as part of a business combination during the year ended 31st December, 2006. The distribution right entitles the Group to distribute HPV detection products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 years.

(ii) The customer base and technical know-how were acquired through acquisition of subsidiaries during the year ended 31st December, 2009. Details of these are set out in Note 34. The customer base is being amortised on a straight-line basis over 10 years. The technical know-how represents design, development, production, sale and distributions of certain HPV detection products registered for use in various countries. The technical know-how has a legal life of 2 years. The directors are of the opinion that the Group would be able to renew the technical know-how continuously at minimal costs. In the opinion of the directors, the technical know-how has a useful life of 15 years and they are being amortised on a straight-line basis over 15 years.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009	2008
	HK$'000	HK$'000
Cost of unlisted investment in a jointly controlled entity	**26,049**	–
Exchange adjustments	**72**	–
Share of post-acquisition results and other comprehensive income	**(5,981)**	–
	20,140	–

During the year ended 31st December, 2009, interest in a jointly controlled entity was acquired as part of the acquisition of subsidiaries as set out in Note 34.

As at 31st December, 2009, the Group had interest in the following jointly controlled entity:

Name of entity	**Place of establishment and operation**	**Paid up registered capital**	**Proportion of nominal value of registered capital held by the Group directly**	**Principal activities**
上海红鬃马医院投资公司	PRC	RMB40,000,000	50%	Investment holding and its subsidiaries are engaged in provision of medical diagnostic, health check and medical appraisal services

20. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

The summarised financial information in respect of the Group's interest in the jointly controlled entity which are accounted for using the equity method is set out below:

	2009 HK$'000
Current assets	31,303
Non-current assets	45,322
Current liabilities	56,485
Group's share of net assets of a jointly controlled entity	20,140
Revenue recognised in profit or loss	23,332
Expenses recognised in profit or loss	29,313
Group's share of loss of a jointly controlled entity for the year	(5,981)

21. AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS

	2009 **HK$'000**	2008 HK$'000
Available-for-sale investment		
Unlisted investments	–	528
Held for trading investments		
Equity securities listed in Hong Kong – at fair value	**4,201**	2,467

As at 31st December, 2008, the unlisted investment represented a 5% interest in unlisted equity securities issued by a private entity incorporated in the PRC. During the year ended 31st December 2009, the Group acquired a further 95% interest in the same private entity of this unlisted investment (see Note 34 for details). The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

22. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

On 28th October, 2008, 湖州数康 entered into a conditional agreement with 上海铭康商务信息谘询有限公司, an independent third party, to acquire a 75% equity interest in Shanghai Kang Pei Bio-Medical Company Limited ("Shanghai Kang Pei") for a consideration of RMB310,000,000. Up to 31st December, 2008, a deposit of RMB50,000,000 (equivalent to HK$56,410,000) was paid upon entering into the conditional agreement.

Shanghai Kang Pei is a domestic limited liability company established in the PRC on 11th January, 2000. Shanghai Kang Pei and its subsidiaries and jointly controlled entity are principally engaged in the business of providing medical diagnostic, health check and medical appraisal services to clients in the PRC.

The acquisition was completed on 12th January, 2009 and the consideration was fully paid (see Note 34 for details).

23. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amounts represent deposits paid for the acquisition of property, plant and equipment in relation to the Group's expansion of its protein chips and health care operations.

24. INVENTORIES

	2009 **HK$'000**	2008 HK$'000
Raw materials	**7,796**	14,554
Work in progress	**2,464**	1,684
Finished goods	**3,491**	2,347
	13,751	18,585

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 **HK$'000**	2008 HK$'000
Trade receivables	**153,576**	103,559
Less: Allowance for doubtful debts	**(2,226)**	(2,211)
	151,350	101,348
Consideration receivable for disposal of property, plant and equipment	**2,590**	12,433
VAT recoverable	**–**	243
Prepayments	**2,427**	8,534
Others	**9,588**	1,878
	165,955	124,436

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

The Group normally allows a credit period of 30 to 270 days to its trade customers. The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting date:

	2009 HK$'000	2008 HK$'000
0-60 days	**110,964**	77,044
61-90 days	**31,151**	16,987
91-180 days	**6,477**	6,049
181-270 days	**2,758**	1,268
	151,350	101,348

At 31st December, 2009 and 31st December, 2008, all trade receivables were neither past due nor impaired. The Group has assessed the credit quality of the trade receivables by using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade customers and has not identified any credit risk on these trade receivables.

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
1st January	**2,211**	3,261
Exchange adjustment	**15**	72
Amounts written off as uncollectible	**–**	(159)
Amounts recovered during the year	**–**	(963)
31st December	**2,226**	2,211

Before accepting any new customers, the Group assesses and understands the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to each customer are reviewed regularly. The impairment losses recognised (if any) and the amounts written off as uncollectible were related to customers that were in financial difficulties.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits represent deposits pledged to a bank to secure the bank borrowings due within one year granted to the Group and therefore were classified as current assets. During 2009, the pledged deposits carried variable interest at 4.78% (2008: 4.14%) per annum.

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market rate. All bank deposits are with a maturity of three months or less. During 2009, the bank deposits carried interest at prevailing market rate of 0.36% (2008: 0.50% to 0.72%) per annum.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (CONTINUED)

The amount of the Group's bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	US dollar HK$'000	**HK dollar** HK$'000
At 31st December, 2009		
Bank balances and cash	250	6,818
At 31st December, 2008		
Bank balances and cash	220	6,087

27. TRADE AND OTHER PAYABLES

	2009 **HK$'000**	2008 HK$'000
Trade payables	**8,936**	7,616
Receipts in advance	**7,444**	7,407
Accrued expenses	**25,442**	21,302
Payable for construction in progress	**13,603**	13,511
Other tax payable	**7,922**	4,263
Others	**17,991**	4,005
	81,338	58,104

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

	2009 **HK$'000**	2008 HK$'000
0-60 days	**8,054**	6,831
61-90 days	**20**	295
Over 90 days	**862**	490
	8,936	7,616

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES/SUBSIDIARIES OF A JOINTLY CONTROLLED ENTITY

Details of the amounts due from (to) related companies and subsidiaries of a jointly controlled entity are set out below:

		Notes	**2009 HK$'000**	2008 HK$'000
(a)	Amounts due from related companies			
	– 上海铭源酒店管理有限公司	*(i)*	**230**	–
	– 上海铭康商务资讯谘询有限公司	*(ii)*	**2,866**	–
			3,096	–
(b)	Amounts due from subsidiaries of a jointly controlled entity		**45,133**	–
(c)	Amount due to a related company			
	– 上海铭源实业集团有限公司 (“上海铭源实业”)	*(i)*	**978**	29,217

Notes:

(i) The companies in which a shareholder with significant influence has beneficial interests.

(ii) A minority shareholder of a subsidiary of the Company.

The above amounts are unsecured, non-interest bearing and are repayable on demand.

Details of the Group's transactions with related parties are set out in Note 40.

29. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Secured bank borrowings	**191,950**	161,897
Unsecured bank borrowings	**27,568**	38,000
	219,518	199,897
Carrying amount repayable:		
– On demand or within one year	**139,444**	87,077
– More than one year but not exceeding two years	**57,358**	33,846
– More than two years but not more than five years	**22,716**	78,974
	219,518	199,897
Less: Amounts due within one year under current liabilities	**(139,444)**	(87,077)
Amounts due after one year	**80,074**	112,820

29. BANK BORROWINGS (CONTINUED)

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

	2009 **HK$'000**	2008 HK$'000
Fixed-rate bank borrowings which due in more than one year but not exceeding two years	**568**	–

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

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	**9.00%**	–
Variable-rate borrowings	**1.55% – 7.31%**	1.80% – 8.51%

At the end of the reporting period, the Group's bank borrowings that were denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2009 **HK$'000**	2008 HK$'000
HK dollar denominated bank borrowings	**27,000**	38,000

During the year, the Group obtained new loans in the amount of HK$45,817,000 (2008: HK$96,205,000). The loans bear interest at market rates and will be repayable in 1 to 3 years. The proceeds were used to finance the acquisition of property, plant and equipment and also the payment for the acquisition of subsidiaries.

During the year, in respect of a bank loan due within one year with a carrying amount of HK$15,000,000 as at 31st December, 2009, the Group breached certain terms of the bank covenants. On discovery of the breach, the directors of the Company informed the bank and commenced a renegotiation of the terms of the loan with the relevant banker. The negotiations had been concluded subsequent to the end of the reporting period and therefore the bank agreed to waive its right to demand immediate payment. The directors of the Company are of the opinion that such breach of covenants have no material impact on the continuing operations of the Group.

30. SHARE CAPITAL

	Number of shares	Value
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	4,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1st January, 2008	2,898,089,525	144,904
Conversion of convertible bonds	27,027,026	1,352
Exercise of share options	9,500,000	475
At 31st December, 2008	2,934,616,551	146,731
Conversion of convertible bonds	402,010,184	20,101
Exercise of share options	78,810,000	3,940
Shares repurchased	(4,930,000)	(247)
At 31st December, 2009	3,410,506,735	170,525

During the year ended 31st December, 2009, 402,010,184 and 78,810,000 ordinary shares of HK$0.05 each in the Company were issued as a result of conversion of the convertible bonds (see Note 31) and exercise of share options respectively. All shares issued during the year ranked pari passu with the then existing shares in all respects.

During the year ended 31st December, 2009, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Ordinary shares of HK$0.05 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
April 2009	4,930,000	1.19	1.05	5,624

The above shares were cancelled upon repurchase.

31. CONVERTIBLE BONDS

	2009 HK$'000	2008 HK$'000
Convertible bonds 2010	–	37,268
Convertible bonds 2011	79,627	–
	79,627	37,268

(i) Convertible bonds 2010

The Company issued HK$200,000,000 1% convertible bonds due 2010 ("2010 Bonds") at a par value of HK$200,000,000 on 6th January, 2005. The convertible bonds are denominated in Hong Kong dollars.

The 2010 Bonds bear interest at the rate of 1% per annum on the principal amount. Interest is payable in arrear on 6th January in each year commencing on 6th January, 2005. The initial conversion price is HK$0.74 per share, subject to anti-dilutive adjustments.

The 2010 Bonds entitle the holders to convert their 2010 Bonds into ordinary shares of HK$0.05 each in the Company at any time for the period up to the close of 15 business days prior to the maturity date on 6th January, 2010.

Unless previously cancelled or converted, the Company will redeem each of 2010 Bonds at 113.41% of its principal amount on the maturity date, 6th January, 2010.

During the year ended 31st December, 2009, a principal amount of HK$35,000,000 (2008: HK$20,000,000) of the 2010 Bonds were converted into ordinary shares of HK$0.05 each in the Company.

The 2010 Bonds contain two components – the equity and liability components. The equity component is presented in equity heading "Convertible options and warrants reserve". The effective interest rate of the liability component is 6.77% per annum.

The movement of the liability component of the 2010 Bonds for the year is set out below:

	2009 HK$'000	2008 HK$'000
Carrying amount at the beginning of the year	37,268	54,761
Conversion of convertible bonds	(38,213)	(19,344)
Interest charged (Note 10)	1,295	2,400
Interest paid	(350)	(549)
Carrying amount at the end of the year	–	37,268

31. CONVERTIBLE BONDS (CONTINUED)

(ii) Convertible bonds 2011

On 8th April, 2009, the Company issued HK$77,524,000 9% series A convertible bonds ("2011 Series A Bond") and HK$155,048,000 9% series B convertible bonds ("2011 Series B Bond") due 2011 both at par value of HK$232,572,000 in aggregate and issued in conjunction with detachable warrants of face value amounting to HK$60,136,000 (the "Warrants", 2011 Series A Bond, 2011 Series B Bond and the Warrants are collectively known as "2011 Bonds"). On the same date, a supplementary agreement was entered into between the Company and the holder that the exchange rate of Renminbi to Hong Kong dollar applied to the whole agreements are fixed at the date of issue of the 2011 Bonds.

2011 Series A Bond and 2011 Series B Bond

Both 2011 Series A Bond and 2011 Series B Bond bear interest at the rate of 9% per annum on the principal amount. Interest is payable semi-annually in arrear on 8th April and 8th October in each year commencing on 8th April, 2009. The initial conversion prices of the 2011 Series A Bond and 2011 Series B Bond are HK$0.42 per share (equivalent to RMB0.37) and HK$0.55 per share (equivalent to RMB0.48), respectively, subject to anti-dilutive adjustments.

The 2011 Series A Bond and 2011 Series B Bond entitles the holder to convert their bonds into ordinary shares of HK$0.05 (equivalent to RMB0.04) each in the Company at any time for the period up to the close of 15 business days prior to the maturity date on 7th April, 2011.

At any time after 15 months from the issue of the 2011 Series A Bond, but not less than seven business days prior to the maturity date of the 2011 Series A Bond, the Company may, having given 90 days' prior notice, redeem the 2011 Series A Bond in whole or in part at a redemption price equal to their early redemption amount (an amount which represents a gross yield to maturity of 25% per annum) on the redemption date, together with accrued but unpaid interest, if the closing price of the Company's shares, for a period of 20 consecutive trading days, where (i) the first day of such 20-trading day period shall commence at any time after 15 months from the 2011 Series A Bond and (ii) the last day of such 20-trading day period falls on the trading day immediately prior to the date upon which notice of such redemption is given, was at least 155% of the applicable 2011 Series A Bond's conversion price.

The Company may redeem 2011 Series B Bond at its option, having given 180 days' prior notice, redeem the 2011 Series B Bond in whole or in part at a redemption price equal to their early redemption amount (an amount which represents a gross yield to maturity of 25% per annum) on the redemption date, together with accrued but unpaid interest if the closing price of the Company's share, for a period of 20 consecutive trading days, where (i) the first day of such 20-trading day period shall commence at any time after 15 months from the issue of 2011 Series B Bond and (ii) the last day of such 20-trading day period falls on the trading day immediately prior to the date upon which notice of such redemption is given, was at least 145% of the applicable conversion price of the 2011 Series B Bond.

Unless previously cancelled or converted, the Company will redeem each of 2011 Series A Bond and 2011 Series B Bond at 138.52% of its principal amount on the maturity date, 7th April, 2011.

During the year ended 31st December, 2009, principal amounts of HK$77,524,000 (equivalent to approximately RMB68,636,000) and HK$92,752,000 (equivalent to approximately RMB82,118,000) of the 2011 Series A Bond and 2011 Series B Bond, respectively, were converted into ordinary shares of HK$0.05 (equivalent to RMB0.04) each in the Company.

Both 2011 Series A Bond and 2011 Series B Bond contain two components – the equity and liability components. The early redemption option of the Company is closely related to the host contracts. The equity component is presented in equity heading "Convertible options and warrants reserve". The effective interest rate of the liability component is 35.42% per annum.

Warrants

Warrants entitles the holder to subscribe for ordinary shares of HK$0.05 (equivalent to RMB0.04) each in the Company at any time for period up to the close of 15 business days prior to the maturity date on 7th April, 2011. The initial subscription price of the Warrants is HK$0.59 per share (equivalent to RMB0.52), subject to anti-dilutive adjustments. The Warrants are equity instruments and presented in equity heading "Convertible options and warrants reserve". The fair value of Warrants at initial recognition was amounted to approximately HK$16,000,000. No warrants are exercised as at 31st December, 2009.

31. CONVERTIBLE BONDS (CONTINUED)

(ii) Convertible bonds 2011 (continued)

The movement of the liability component of the 2011 Bonds for the year is set out below:

	2009 HK$'000
Carrying amount at the beginning of the year	–
Issue of 2011 Bonds	206,994
Conversion of convertible bonds	(160,838)
Interest charged (Note 10)	36,274
Interest paid	(2,803)
Carrying amount at the end of the year	79,627

At 31st December, 2009, the Group's equity interests in certain subsidiaries have been pledged to secure the 2011 Bonds.

One of the financial covenants for 2011 Bonds was related to the compliance of financial covenants of other borrowings granted by other borrowers. As a result in the breach of financial covenants of a bank loan as described in Note 29, the Group breached the financial covenants for 2011 Bonds and on discovery of the breach, the directors of the Company informed the holder of 2011 Bonds and commenced a renegotiation of the terms of the 2011 Bonds with the holder. The negotiations had been concluded subsequent to the end of the reporting period and therefore the holder of the 2011 Bonds agreed to waive its right to demand immediate payment. The whole amount of 2011 Bonds was accordingly classified as a current liability as at 31st December, 2009.

32. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed profits of PRC subsidiaries HK$'000	Fair value adjustment on other intangible assets from business combination HK$'000	Fair value adjustment on property, plant and equipment and prepaid lease payments from business combination HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1st January, 2008	–	–	6,278	–	6,278
Charge (credit) to profit or loss	20,555	–	(140)	–	20,415
At 31st December, 2008	20,555	–	6,138	–	26,693
Arising on acquisition of subsidiaries	–	85,522	–	–	85,522
Charge to equity for the year	–	–	–	4,220	4,220
Charge (credit) to profit or loss	7,810	(4,525)	(140)	(3,090)	55
At 31st December, 2009	28,365	80,997	5,998	1,130	116,490

32. DEFERRED TAX LIABILITIES (CONTINUED)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. For the year ended 31st December, 2008, the tax rate applicable for the withholding tax on the undistributed profits of the PRC subsidiaries was 10%. During the year, one of the PRC subsidiaries of the Group successfully claimed relief under the "Arrangement between the Mainland of China ("Mainland") and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" in respect of its income derived from the Mainland on or after 1st January, 2008. Accordingly, the tax rate applicable for the withholding tax on the undistributed profits of this subsidiary become 5% after the successful application and applied 5% rate on the profit earned since 1st January, 2008. Included in the charge of HK$7,810,000 for the year, there is HK$7,839,000 overprovision related to this change in withholding tax rate. As at 31st December, 2009 and 31st December, 2008, deferred taxation has been provided in full in respect of temporary differences attributable to such accumulated profits.

33. SHARE OPTIONS

Equity-settled share option scheme

On 31st May, 2004 (the "Adoption Date"), the Company adopted a share option scheme ("the Scheme") for the primary purpose of providing incentives to any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries (the "Group") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group ("Participants") who the board of directors considers, in its sole discretion, have contributed or shall contribute to the Group. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Under the Scheme, the board of directors of the Company may grant options to the Participants to subscribe for shares in the Company.

As at 31st December, 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 142,610,000 (2008: 109,620,000) representing 4.18% (2008: 3.74%) of the shares of the Company in issue at that date.

The maximum number of shares which may be issued upon exercise of all outstanding options under the Scheme shall not exceed 10% of the shares in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders.

The maximum number of shares issued and to be issued upon exercise of all options granted and to be granted to a specifically identified single grantee under the Scheme shall not (when aggregated with any shares which are subject of options under any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares in issue.

33. SHARE OPTIONS (CONTINUED)

Equity-settled share option scheme (continued)

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per grant. In each grant of options, the board of directors may at its discretion determines the specific vesting period and exercisable period. Options may be exercised at any time from the date of grant of the share option (or after the expiry of the vesting period, if any) to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The directors of the Company has final discretion on the exercise price.

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

2009

					Number of share options			
	Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1.1.2009	Granted during the year	Exercised during the year	Outstanding at 31.12.2009
Directors	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	9,300,000	–	(9,300,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	9,300,000	–	(7,300,000)	2,000,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	9,300,000	–	(4,400,000)	4,900,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	9,300,000	–	(2,000,000)	7,300,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	9,300,000	–	(2,000,000)	7,300,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	1,600,000	–	(800,000)	800,000
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	1,600,000	–	(800,000)	800,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	1,600,000	–	(800,000)	800,000
					51,300,000	–	(27,400,000)	23,900,000
Employees	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	600,000	–	(600,000)	–
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	2,600,000	–	(2,600,000)	–
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	6,800,000	–	(6,800,000)	–
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	14,400,000	–	(13,640,000)	760,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	16,900,000	–	(13,200,000)	3,700,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	2,900,000	–	(2,900,000)	–
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	7,060,000	–	(6,160,000)	900,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	7,060,000	–	(5,510,000)	1,550,000
	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	–	111,800,000	–	111,800,000
					58,320,000	111,800,000	(51,410,000)	118,710,000
Total					109,620,000	111,800,000	(78,810,000)	142,610,000
Exercisable at 31st December, 2009								142,610,000
Weighted average exercise price					HK$0.738	HK$0.802	HK$0.738	HK$0.961

33. SHARE OPTIONS (CONTINUED)

Equity-settled share option scheme (continued)

2008

	Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options: Outstanding at 1.1.2008	Granted during the year	Exercised during the year	Outstanding at 31.12.2008
Directors	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	9,300,000	–	–	9,300,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	9,300,000	–	–	9,300,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	9,300,000	–	–	9,300,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	9,300,000	–	–	9,300,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	9,300,000	–	–	9,300,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	1,600,000	–	–	1,600,000
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	1,600,000	–	–	1,600,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	1,600,000	–	–	1,600,000
					51,300,000	–	–	51,300,000
Employees	8.4.2005	HK$0.728	N/A	8.4.2005 – 7.4.2010	1,200,000	–	(600,000)	600,000
			8.4.2005 – 7.4.2006	8.4.2006 – 7.4.2010	3,400,000	–	(800,000)	2,600,000
			8.4.2005 – 7.4.2007	8.4.2007 – 7.4.2010	11,500,000	–	(4,700,000)	6,800,000
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	16,900,000	–	(2,500,000)	14,400,000
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	16,900,000	–	–	16,900,000
	27.4.2007	HK$0.78	N/A	27.4.2007 – 7.4.2010	3,800,000	–	(900,000)	2,900,000
			27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	7,060,000	–	–	7,060,000
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	7,060,000	–	–	7,060,000
					67,820,000	–	(9,500,000)	58,320,000
Total					119,120,000	–	(9,500,000)	109,620,000
Exercisable at 31st December, 2008								74,760,000
Weighted average exercise price					HK$0.738	–	HK$0.733	HK$0.738

33. SHARE OPTIONS (CONTINUED)

During the year ended 31st December, 2009, options were granted on 9th October, 2009 (the "Grant Date"). The estimated fair value of the options granted on that date was HK$0.3143 per share. These fair values were calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

Closing price per share at the Grant Date	HK$0.84
Exercise price	HK$0.802
Expected share volatility	60.43%
Expected life	2.3 years
Weighted average risk-free rate	0.604%
Expected dividend yield	Nil

The Black-Scholes Option Pricing Model was used to estimate the fair value of the options. The model provided a closed-form solution to option value based on such parameters as risk-free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices and term to maturity.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of HK$38,897,000 (2008: HK$1,815,000) was charged as an equity-settled expense for the year ended 31st December, 2009.

In respect of the share options exercised during the year ended 31st December, 2009, the weighted average share price at the date of exercise is HK$1.072 (2008: HK$1.24).

34. ACQUISITION OF SUBSIDIARIES

(i) On 12th January, 2009, the Group acquired 75% equity interest in Shanghai Kang Pei for a consideration of RMB310,000,000 (equivalent to HK$349,742,000) from an independent third party. This acquisition has been accounted for using the purchase method. Shanghai Kang Pei and its subsidiaries and jointly controlled entity are principally engaged in the business of providing medical diagnostic, health check and medical appraisal services to clients in the PRC. The amount of goodwill arising as a result of this acquisition was HK$236,832,000.

(ii) On 16th May, 2009, the Group acquired 95% equity interest in Genetel Biotech (BVI) Limited ("Genetel BVI") for a consideration of HK$280,000,000, from an independent third party. Previously, the Group held 5% equity interest in Genetel BVI and accounted for it as available-for-sale investment. Genetel BVI and its subsidiaries are engaged in manufacturing and trading of HPV detection kits and related equipments in the PRC. The transaction for acquiring other intangible assets has been accounted for using the purchase method. The amount of goodwill arising as a result of this acquisition was HK$79,910,000, which has been determined provisionally, awaiting for the receipt of professional valuation in relation to other intangible assets of Genetel BVI.

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Shanghai Kang Pei			Genetel BVI			
	Carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000	**Carrying amount before combination** HK$'000	**Provisional fair value adjustments** HK$'000 *(Note)*	**Provisional fair value** HK$'000	**Total** HK$'000
Net assets acquired:							
Property, plant and equipment	13,620	–	13,620	1,947	–	1,947	15,567
Other intangible assets	–	65,976	65,976	–	276,114	276,114	342,090
Interest in a jointly controlled entity	11,851	–	11,851	–	–	–	11,851
Inventories	224	–	224	615	–	615	839
Trade and other receivables	31,314	–	31,314	997	–	997	32,311
Amounts due from subsidiaries of a jointly controlled entity	51,669	–	51,669	–	–	–	51,669
Amount due from an immediate holding company	438	–	438	–	–	–	438
Bank balances and cash	814	–	814	1,308	–	1,308	2,122
Trade and other payables	(4,933)	–	(4,933)	(981)	–	(981)	(5,914)
Taxation payable	(3,571)	–	(3,571)	–	–	–	(3,571)
Deferred tax liabilities	–	(16,494)	(16,494)	–	(69,028)	(69,028)	(85,522)
	101,426	49,482	150,908	3,886	207,086	210,972	361,880
Minority interests			(37,998)			–	(37,998)
			112,910			210,972	323,882
Less: Available-for-sale investment			–			(10,882)	(10,882)
Goodwill			236,832			79,910	316,742
Total consideration			349,742			280,000	629,742
Satisfied by:							
Cash							573,332
Deposits paid in previous year							56,410
							629,742
Net cash outflow arising on acquisition:							
Cash consideration paid							(573,332)
Bank balances and cash acquired							2,122
							(571,210)

Note: The initial accounting for the acquisition of Genetel BVI has been determined provisionally, awaiting for the receipt of professional valuation in relation to other intangible assets of Genetel BVI. Hence, the goodwill on acquisition may be subject to further changes upon finalisation of initial accounting.

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Shanghai Kang Pei and Genetel BVI contributed HK$5,789,000 and HK$2,840,000 respectively to the Group's profit for the period between the date of acquisition and the end of the reporting period.

Shanghai Kang Pei did not make any significant revenue, results or cash flows to the Group from 1st January, 2009 to date of acquisition. For Genetel BVI, the directors are of the view that it is impracticable to disclose the revenue and the results of Genetel BVI for the period from 1st January, 2009 to 31st December, 2009 as if the acquisition had been effected at 1st January, 2009 since such financial information was not provided by the vendor.

35. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**56,269**	89,568
Capital expenditure in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**–**	293,332
	56,269	382,900

36. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$4,535,000 (2008: HK$1,678,000) in respect of its office properties and staff quarter.

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**11,188**	2,104
In the second to fifth year inclusive	**8,552**	523
	19,740	2,627

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarter. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

37. CONTINGENT LIABILITIES

As at 31st December, 2009 and 2008, the Group did not have any significant contingent liabilities.

38. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to income of HK$334,000 (2008: HK$306,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2009 and 31st December, 2008, no contribution was due and unpaid.

39. PLEDGE OF ASSETS

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

	2009 **HK$'000**	2008 HK$'000
Prepaid lease payments	**43,083**	43,728
Buildings	**161,539**	172,464
Buildings under construction	**209,405**	81,160
Held for trading investments	**4,011**	2,385
Pledged bank deposits	**11,358**	16,923
	429,396	316,660

At 31st December, 2009, the Group's equity interests in certain subsidiaries have been pledged to secure the 2011 Bonds.

40. RELATED PARTY DISCLOSURES

During the year, the Group paid rental expense and service management expense of HK$529,000 (2008: HK$462,000) and HK$346,000 (2008: Nil) to 上海铭源房地产开发经营有限公司 ("上海铭源房地产") and 上海铭源酒店管理有限公司, respectively, which are subsidiaries of 上海铭源实业, a shareholder with significant influence of the Company.

During the year, 上海铭源实业 and 上海铭源房地产 gave corporate guarantee to the aggregate amounts of RMB20,000,000 (equivalent to HK$22,716,000) (2008: Nil) and RMB9,600,000 (equivalent to HK$10,904,000) (2008: Nil) to a bank to secure the banking facilities granted to the Group, of which HK$22,716,000 (2008: Nil) has been utilised.

During the year, two directors of the Company gave personal guarantees to the total aggregate amounts of RMB170,000,000 (equivalent to HK$193,086,000) (2008: RMB150,000,000 (equivalent to HK$169,230,000)) to two banks to secure the banking facilities granted to the Group, of which HK$79,506,000 (2008: HK$67,692,000) has been utilised.

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

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**5,199**	5,151
Post-employment benefits	**72**	72
Share-based payments	**122**	832
	5,393	6,055

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the Group's balances with related parties are set out in Note 28.

41. EVENTS AFTER THE REPORTING PERIOD

On 12th February, 2010, Shanghai Kang Pei entered into a conditional agreement with 上海爱康国宾健康体检管理集团有限公司 ("上海爱康"), an independent third party, to dispose of its 71.15% equity interest in 上海文中门诊部有限公司 ("上海文中"), a wholly owned subsidiary of Shanghai Kang Pei, at a consideration of RMB2,000,000 (equivalent to HK$2,272,000). 上海文中 is under segment of medical centres management. The disposal was completed on 12th February, 2010. After completion of the disposal, 上海文中 became an associate with 28.85% equity interest owned by Shanghai Kang Pei. According to the conditional agreement, 上海爱康 will further inject capital of RMB6,000,000 (equivalent to HK$6,815,000) to 上海文中. After the capital injection, the interest in 上海文中 owned by Shanghai Kang Rei will be reduced to 15%. Up to the report date, RMB400,000 (equivalent to HK$454,000) out of the consideration of RMB2,000,000 was received.

The directors are of the view that it is impracticable to disclose the financial impact of the disposal as at the date of this report since the assessment of the financial information is still in progress.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2009	2008	**2009**	2008	
MY Technology Limited	British Virgin Islands	US$1	**–**	–	**100%**	100%	Inactive
HD Global Limited	British Virgin Islands	US$2,000,000	**–**	–	**100%**	100%	Investment holding
上海数康生物科技有限公司 *(Note i)*	PRC	RMB40,000,000	**–**	–	**100%**	100%	Research and development activities
湖洲数康 *(Note i)*	PRC	RMB10,000,000	**–**	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
上海铭源数康生物芯片有限公司*(Note i)*	PRC	US$29,800,000	**–**	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
上海唯依医院投资管理有限公司 *(Note iii)*	PRC	RMB15,000,000	**–**	–	**51%**	51%	Investment holding
上海市虹口区妇幼保健院 *(Note ii)*	PRC	N/A	**–**	–	**51%**	51%	Provision of woman and child health care services
Shanghai Kang Pei *(Note iii)*	PRC	RMB10,000,000	**–**	–	**75%**	–	Provision of medical diagnostic, health check and medical appraisal services
Genetel Pharmaceuticals (Shenzhen) Company Limited *(Note i)*	PRC	RMB8,027,700	**–**	–	**100%**	–	Manufacturing and trading of HPV chips and related equipments

Notes:

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

(ii) This company is registered in the form of 事业法人.

(iii) This company is registered in the form of sino-foreign joint venture.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at the end of the reporting period or at any time during the year.

FINANCIAL SUMMARY

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

(A) RESULTS

	For the year ended 31st December,				
	2005 HK$'000	2006 HK$'000 (Note) (restated)	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Continuing operations					
Revenue	126,985	160,835	256,474	326,066	**394,288**
Profit before tax	72,124	95,051	150,293	176,285	**97,063**
Income tax expense	–	(18,933)	(23,411)	(25,440)	**(21,420)**
Profit for the year from continuing operations	72,124	76,118	126,882	150,845	**75,643**
Discontinued operations					
Loss for the year from discontinued operations	(2,089)	(3,156)	–	–	**–**
Profit for the year	70,035	72,962	126,882	150,845	**75,643**
Dividends recognised as distribution during the year	–	26,881	56,214	29,346	**–**
Attributable to:					
Owners of the Company	70,096	73,559	125,282	150,102	**76,758**
Minority interests	(61)	(597)	1,600	743	**(1,115)**
	70,035	72,962	126,882	150,845	**75,643**

FINANCIAL SUMMARY (CONTINUED)

(B) ASSETS AND LIABILITIES/EQUITY

	At 31st December,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	781,181	925,202	1,101,692	1,381,344	**1,976,533**
Total liabilities	(280,011)	(354,345)	(269,890)	(361,314)	**(515,485)**
	501,170	570,857	831,802	1,020,030	**1,461,048**
Equity attributable to owners of the Company	492,249	568,094	827,439	1,014,924	**1,419,060**
Minority interests	8,921	2,763	4,363	5,106	**41,988**
	501,170	570,857	831,802	1,020,030	**1,461,048**

Note: Certain amounts were re-presented under the "loss for the year from discontinued operations" in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" issued by the HKICPA.