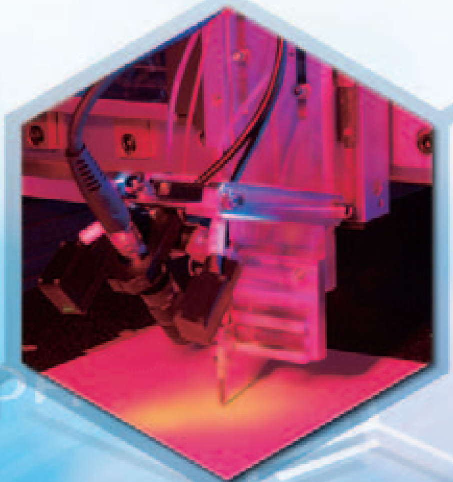
MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

銘源醫療

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

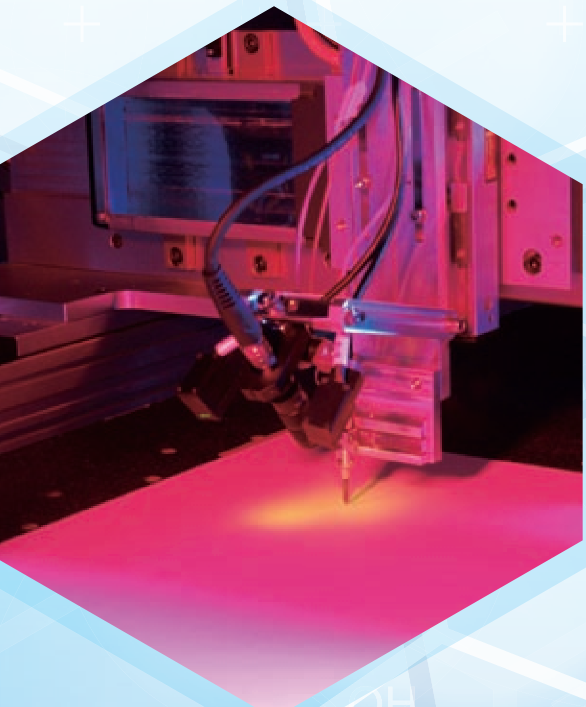
STOCK CODE : 00233

Annual Report 2011



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

BOARD OF DIRECTORS

Executive Directors
Mr. Yao Yuan
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
Mr. Tang Yan Qin

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Appleby

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
11 Bermudiana Road, Pembroke HM 08, Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Central Registration Hong Kong Limited
46th Floor, Hopewell Centre,
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Wanchai, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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PLACE OF SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODES

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

Mr. Yao Yuan,
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS MARKET REVIEW

With the economic stimulus package in effect to drive investments and domestic spending, the gross domestic product in China rose 9.2 percent in 2011 from a year ago to RMB47.16 trillion (US$7.49 trillion) and became the first few countries in the world to record a strong economic growth. Nevertheless, the National Bureau of Statistics of China 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 77 percent with an average annual growth of 10.5 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 Fifth Session of the 11th National People's Congress, the China Government has reaffirmed its commitment to a steady economic growth with emphasis on quality and efficiency of the growth and the type of growth based on domestic demand and forecast its GDP growth to 7.5 percent in 2012 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 modernised and has already become one of the fastest growing healthcare markets in the 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.

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 472 million in 2011, representing an increase of over 428.7 million participants with annual averages of 25.6 percent. Under the 12th Five Year Plan, it is estimated that at the end of 2015 the urban population in China will increase to 51.5 percent of total population, and at the end of 2011, the urban population reached 51.3 percent of the total population. The continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

The Group currently maintain three business units, namely the Product Manufacturing and Distribution ("PMD") unit, the Medical Centres Management ("MCM") unit, and the Bio Drugs unit. PMD is the traditional principal business segment of high margin sector of in vitro diagnostic products ("IVD"). This business segment consists of the Protein Chips Division and the Healthcare Division. MCM represents the business of health screening and management. MCM also provides a new and direct sales channel for the Company's IVD products. The Bio Drugs unit was established in early 2010 for the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products.

In August 2011, the Group acquired 70 percent equity interest in Shanghai Yuanqi Bio-Pharmaceutical Company Limited ("Shanghai Yuanqi"). Leveraging on its strength as a leading supplier of early screening and diagnostic bio-medical products, the acquisition enables the Group to further strengthen its cancer related testing kits from general cancer screening which is offered by the C12 protein chips, the highest profit earning product of the Group, to specific testing kits for various specific cancers, leukemia and lymphoma.

In December 2011, the Group acquired 80 percent equity interest in Shanghai Huipu Bio-Pharmaceutical Company Limited ("Shanghai Huipu"). The acquisition would enable the Group to get into the specialized monoclonal antibody drug industry without the risk of wasting lots of resources in the research and development of specialized monoclonal antibody drug without any success. The acquisition will also strengthen the research and development capability of the Group by merging the existing research and development team with expertise from Shanghai Huipu.

Major Events and Issues in 2011:

Major corporate activities undertaken in 2011 were summarised as follows:

March	The Group completed placing of existing shares of the Company. The net proceeds from the subscription to be approximately HK$259,200,000 was utilised by the Group for acquisitions and investments, and general working capital of the Group.
August	The Group acquired 70 percent equity interest in Shanghai Yuanqi at a consideration of RMB354,000,000 which is payable as to RMB225,000,000 by cash and as to RMB129,000,000 by the issue of new shares of the Company.
December	The Group acquired 80 percent equity interest in Shanghai Huipu at a consideration of RMB245,000,000.
December	The Group announced the disposal of 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd.. The Group had expanded its early screening and detection products to bio-drugs for providing biological therapies for life threatening diseases. The Group demonstrate its commitment to expand its product line into bio-drugs by acquiring Shanghai Yuanqi and Shanghai Huipu during the year. The disposal is a continuing effort of the Group to shift all the resources of non-core business to the core business which is enjoying higher margin of profitability.

Mission Statement – Innovative Medicare Solutions Partnership

The Group is a leading pioneer in commercialising new diagnostics technologies and is a leading supplier of biomedical solutions in China and has sold cumulatively more than 18 million protein chips for cancer screening.

Founded in 2000, the Group is a pioneer that dedicates itself for the provision of low cost, noninvasive, 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.

PMD

Protein Chips Division

Currently, the Group manufactures and distributes its C-12 products to hospitals, medical centres 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. As a proven and leading supplier of protein chips in China, C-12 products have been listed on the Basic Medical Insurance System ("BMIS") as a reimbursable drug in several provinces of China and on the BMIS of Shanghai Municipality in October 2009. The Group believes that more provinces and municipalities will include C-12 products on their BMIS in the future.

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 hybridisation, and DNA microarray genotyping of amplified DNA products.

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

According to the World Health Organisation, 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.

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 by mergers and acquisition of existing independent medical centres, and forming business alliances with regional medical centres in China.

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

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

Bio Drugs

This unit is principally 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 unit is further expand by the acquisition of Huipu by the Group in December 2011. The unit is still in its early stage of development and is not expected to make significant contribution to the Group in the next couple years.

FINANCIAL PERFORMANCE

The profit for the year amounted to HK$46.5 million (2010: HK$123.5 million), representing a decrease of 62.3 percent over that of last corresponding year. Earnings per share was 1.24 HK cents (2010: 3.41 HK cents), representing a decrease of approximately 63.6 percent.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$258.3 million (2010: HK$318.2 million), representing a decrease of 18.8 percent over that of last year. Segment profit of this division amounted to HK$106.7 million (2010: HK$200.5 million), representing a decrease of approximately 46.8 percent over that of last year.

The Group sold a total of 1.73 million protein chips (2010: 3.13 million), a decrease of 44.7 percent over last year. During the year, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilisation rate and diversification of chipset packaging.

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$66.2 million (2010: HK$63.9 million). The division incurred a loss of HK$12.8 million for the year (2010: loss of HK$6.2 million). The loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$20.0 million.

Cervical Cancer Care Unit

In 2011, the Group sold more than 305,000 kits (2010: 294,000 kits), slightly over last year.

Hospital Unit

The Company had disposed off its 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd. in December 2011. The disposal is a continuing effort of the Group to shift all the resources of non-core business to the core business which is enjoying higher margin of profitability.

Medical Centres Management

Turnover contributed by this division amounted to HK$38.7 million (2010: HK$50.4 million). Segment profit of this division amounted to HK$3.5 million (2010: HK$10.0 million).

PROSPECTS

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.

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 BMIS 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 China Life Insurance Company, Shanghai Branch, 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.

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.

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 2012.

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

	2011 HK$'000	2010 HK$'000
Prepaid lease payments	**44,690**	43,486
Buildings	**282,020**	285,194
	326,710	328,680

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 31st December, 2011 the Group had cash and bank balances of HK$144.8 million (2010: HK$742.8 million). The Group's gearing ratio as at 31st December, 2011 was 7.6 percent (2010: 12.5 percent), based on bank and other borrowings of HK$172.0 million (2010: HK$225.5 million) and shareholders' fund of HK$2,287.8 million (2010: HK$1,800.4 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$172.0 million were outstanding as at 31st December, 2011 (2010: HK$225.5 million). The range of effective interest rates on the bank borrowings as at 31st December, 2011 was approximately 1.55 percent to 7.59 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 31st December, 2011 and 31st December, 2010, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 19th December, 2011, the Group entered into an agreement to dispose of its 51% equity interest in上海唯依医院投资管理有限公司 (Shanghai Weiyi Hospital Investment & Management Co., Ltd.) which is engaged in the provision of woman and child health care services, to an independent third party at a consideration of approximately RMB65 million (equivalent to approximately HK$80 million). The disposal was completed on 4th January, 2012 and Shanghai Weiyi Hospital Investment & Management Co., Ltd. ceased to be a subsidiary of the Company upon the completion of the disposal and its financial result will be deconsolidated from the Group. Details of the transaction are included in the announcements of the Company dated 19th December, 2011 and 4th January, 2012.

DIVIDEND

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2009 final dividend of HK$0.01 per share	–	35,158

The Directors does not recommend the payment of a final dividend for 2010 and 2011.

EMPLOYEES

At 31st December, 2011, the Group had a total of 1,089 employees (2010: 1,097 employees) in Hong Kong and the PRC. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

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

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

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the year ended 31st December, 2011, the Company has applied the principles and complied with the requirements of the Code of Corporate Governance Practices (the "Code") listed out in appendix 14 of the rules governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for following deviation:

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

The board is reviewing the situation and will, where appropriate, take necessary steps including amendment of the Company's bye laws to ensure compliance with the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31st December, 2011.

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 31st December, 2011 in conjunction with the Group's auditor.

MR. YAO YUAN

Mr. YAO Yuan, aged 56, 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. Yao is also a committee member of Shanghai Federation of Industry and Commerce (上海工商联合会).

MR. CHIEN HOE YONG, HENRY

Mr. CHIEN Hoe Yong, Henry, aged 48, 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 70, 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 60, 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 76, 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. Mr. Yang also holds positions as Advisor of the Chinese Society of Laboratory Medicine, Advisor 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 69, 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. LAM Lee G., aged 52, has been an Independent Non-executive Director of the Company since 13th September, 2002. He 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 United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 29 years of international experience in general management, strategy consulting, corporate governance, investment banking, and direct investment. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board 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 Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organization, a member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and Hong Kong Institute of Arbitrators, a member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Board Member of the Australian Chamber of Commerce in Hong Kong, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce and a visiting professor (in corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

MR. HU JIN HUA

Mr. HU Jin Hua, aged 69, 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 44, is currently the Independent Non-Executive Director of the Company. Mr. Lee holds a Bachelor Degree of Business Administration (Honours) and a Master Degree in International Accounting from the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants and Auditors and a member of the Taxation Institute of Hong Kong. Mr. Lee is also the Director of Lam, Lee & So C.P.A. Company Limited and has over 25 years of experience in international accounting and financial planning.

MR. TANG YAN QIN

Mr. TANG Yan Qin, aged 66, is currently the Independent Non-Executive Director of the Company. Mr. Tang graduated from Tianjin University with a Bachelor Degree of Engineering in 1970. Mr. Tang has rich experience in the area of economic, finance and company listing. He had held positions as head of the office of the marketing division and the finance & commercial division of Tianjin Municipal Party Committee, director of the organization division of the Planning and Work Committee of Tianjin Municipal Party Committee, deputy secretary of the Planning and Work Committee of Tianjin Municipal Party Committee, deputy officer of Tianjin Planning Committee, deputy secretary-general of Tianjin Municipal People's Government, head of Tianjin Municipal Labour and Social Security Bureau, secretary of the Party Leadership Group, chairman of TEDA International Holding (Group) Co., Ltd. and party chief of the Communist Party of China. Mr. Tang is currently the vice president of China Association for Labour Studies, vice president of China Health Insurance Research Association, chairman of Lianhe Credit Information Service Co., Ltd. and chairman of Robeco TEDA (Tianjin) Equity Investment Management Company Limited.

MR. LU XIQIANG

Mr. LU Xiqiang, 50 years old, holds a MBA Degree from Asia International Open University. Mr. Lu is the Senior Vice President of the Company and Deputy Vice President 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 44, 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 55, 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 50, received his PhD from Baylor College of Medicine, Houston, Texas, USA. Dr. Liu was Assistant Professor at the Department of Neurology, Baylor College of Medicine. Dr. Liu's key research interests include development of medical products using biotechnology such as biochips, study of molecular mechanisms of human diseases, and development of model organisms. Dr. Liu is the Assistant to the President and General Manager of Product Center at Shanghai HealthDigit Company Limited.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31st December, 2011, 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 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 four Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors. During the year, five 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, 2011 is set out below:

	Attendance/Number of Meetings		
		Audit	Remuneration
Directors	**Board**	**Committee**	**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
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
Mr. Tang Yan Qin	1/5	1/2	N/A

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.

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, the Chief Executive Officer, is responsible for the implementation of the Company's overall strategies, and coordination of overall business operation The Chairman, Mr. Yao Yuan, will continue to provide leadership in formulating overall strategies and policies of the Company, ensures the effective performance by the Board of its functions including compliance with good corporate governance practices. The Chairman also ensures effective communication with shareholders of the Company and receipt by the Directors of adequate and complete information.

DIRECTORS

Appointment and Re-election of Directors

Provision A.4.1 of the Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The existing Independent Non-executive Directors and Non-executive Directors are not appointed for a specific term, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's Bye-laws. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed at all time 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, 2011, 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.

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, 2011, 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 is comprised of 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, 2011 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, 2011 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.

Nomination Committee

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

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

Prior to the setup of Nomination Committee, the above responsibilities were performed by the collective decision of the Board.

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.

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$2,160,000 (2010: HK$2,100,000) was charged to the 2011 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$122,600 (2010: HK$420,000).

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

COMMUNICATION WITH SHAREHOLDERS

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

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

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, an associate and a jointly controlled entity are set out in Notes 41, 21 and 20 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 24.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

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 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31st December, 2011, the Company's reserves available for distribution consisted of contributed surplus of HK$12,804,000 (2010: HK$12,804,000).

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 53% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 29% 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 (resigned on 15th February, 2011)

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
Mr. Tang Yan Qin (appointed on 4th March, 2011)

In accordance with Bye-law 109 of the Company, Mr. Chien Hoe Yong, Henry, Mr. Yang Zhen Hua and Dr. Lam Lee G 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, 2011, 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	946,169,075 (Note (i))	Long	21.58%
Mr. Iu Chung	Held by controlled corporation and beneficial owner	947,509,075 (Note (ii))	Long	21.61%

Notes:

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

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

Other than as disclosed above, 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, 2011.

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:

					Number of share options		
Employees	Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1.1.2011	Exercised during the year	Outstanding at 31.12.2011
Employees	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	18,300,000	(15,000,000)	3,300,000

The weighted average closing price of the Company's share immediately before the dates on which the share options were exercised was HK$1.12.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2011, 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	946,169,075	(i)	21.58%
Ming Yuan Holdings Limited	Held by controlled corporation	946,169,075	(i)	21.58%
Mr. Yao Yuan	Held by controlled corporation	946,169,075	(i)	21.58%
Mr. Iu Chung	Beneficial owner and held by controlled corporation	947,509,075	(i)&(ii)	21.61%

Notes:

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more in the issued share capital of the Company as at 31st December, 2011.

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, 2011.

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 40 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

29th March, 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
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 24 to 96, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011, 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
29th March, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	7	301,559	370,723
Cost of sales		(52,496)	(48,118)
Gross profit		249,063	322,605
Other income	9a	22,090	17,485
Other gains and losses	9b	(23,543)	(592)
Distribution and selling expenses		(67,368)	(55,146)
Administrative expenses		(63,893)	(63,106)
Other expenses		(43,264)	(30,010)
Share of result of a jointly controlled entity	20	2,466	(10,760)
Finance costs	10	(12,194)	(23,303)
Profit before tax		63,357	157,173
Income tax expense	11	(17,158)	(37,063)
Profit for the year from continuing operations	12	46,199	120,110
Discontinued operation			
Profit for the year from discontinued operation	28	312	3,412
Profit for the year		46,511	123,522
Other comprehensive income			
Exchange differences arising on translation		86,623	49,249
Total comprehensive income for the year		133,134	172,771
Profit for the year attributable to owners of the Company			
– from continuing operations		49,503	120,698
– from discontinued operation		159	1,740
		49,662	122,438
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		(3,304)	(588)
– from discontinued operation		153	1,672
		(3,151)	1,084
		46,511	123,522

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(CONTINUED)*

For the year ended 31st December, 2011

	NOTE	2011 HK$'000	2010 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**136,285**	171,687
Non-controlling interests		**(3,151)**	1,084
		133,134	172,771
EARNINGS PER SHARE	15		
From continuing and discontinued operations			
– basic		**1.24 HK cents**	3.41 HK cents
– diluted		**1.24 HK cents**	3.37 HK cents
From continuing operations			
– basic		**1.23 HK cents**	3.36 HK cents
– diluted		**1.23 HK cents**	3.32 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-Current Assets			
Property, plant and equipment	16	**349,192**	467,002
Prepaid lease payments	17	**43,670**	70,094
Goodwill	18	**511,334**	420,982
Other intangible assets	19	**1,149,318**	312,867
Interest in a jointly controlled entity	20	**13,650**	9,514
Interest in an associate	21	**98,554**	–
Available-for-sale investments	22	**–**	1,192
Deposits paid for acquisition of property, plant and equipment		**101,851**	1,955
Deposits paid for acquisition of intangible assets		**40,000**	–
Loan receivable	23	**118,000**	–
		2,425,569	1,283,606
Current Assets			
Inventories	24	**23,511**	16,740
Prepaid lease payments	17	**1,020**	1,617
Trade and other receivables, deposits and prepayments	25	**188,420**	207,663
Amounts due from related companies	26	**7,597**	3,279
Amounts due from subsidiaries of a jointly controlled entity	26	**36,672**	35,904
Held for trading investments	22	**17**	62
Bank balances and cash	27	**144,819**	742,837
		402,056	1,008,102
Assets classified as held for sale	28	**246,131**	–
		648,187	1,008,102
Current Liabilities			
Trade and other payables	29	**43,116**	40,986
Amount due to a related company	26	**–**	33,740
Amount due to a subsidiary of a jointly controlled entity	26	**4,129**	–
Bank borrowings – due within one year	30	**172,033**	202,086
Amount due to a shareholder	26	**61,596**	–
Taxation payable		**18,554**	24,992
		299,428	301,804
Liabilities associated with assets classified as held for sale	28	**64,250**	–
		363,678	301,804
Net Current Assets		**284,509**	706,298
Total Assets less Current Liabilities		**2,710,078**	1,989,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and Reserves			
Share capital	31	**219,211**	187,417
Reserves		**2,068,586**	1,613,009
Equity attributable to owners of the Company		**2,287,797**	1,800,426
Non-controlling interests		**206,235**	43,072
Total Equity		**2,494,032**	1,843,498
Non-Current Liabilities			
Deferred tax liabilities	32	**216,046**	122,966
Bank borrowings – due after one year	30	**–**	23,440
		216,046	146,406
		2,710,078	1,989,904

The consolidated financial statements on pages 24 to 96 were approved and authorised for issue by the Board of Directors on 29th March, 2012 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2011

	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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2010	170,525	584,498	5,721	42,419	10,354	12,804	122,763	469,976	1,419,060	41,988	1,461,048
Profit for the year	–	–	–	–	–	–	–	122,438	122,438	1,084	123,522
Other comprehensive income for the year	–	–	–	–	–	–	49,249	–	49,249	–	49,249
Total comprehensive income for the year	–	–	–	–	–	–	49,249	122,438	171,687	1,084	172,771
Conversion of convertible bonds	5,709	90,451	(6,851)	–	–	–	–	–	89,309	–	89,309
Exercise of warrants	5,117	55,019	–	–	–	–	–	–	60,136	–	60,136
Exercise of share options	6,066	124,353	–	(35,027)	–	–	–	–	95,392	–	95,392
Lapse of share options	–	–	–	(1,067)	–	–	–	1,067	–	–	–
Release of deferred tax liability upon conversion of convertible bonds	–	(1,130)	1,130	–	–	–	–	–	–	–	–
Dividends recognised as distribution (Note 14)	–	–	–	–	–	–	–	(35,158)	(35,158)	–	(35,158)
At 31st December, 2010	187,417	853,191	–	6,325	10,354	12,804	172,012	558,323	1,800,426	43,072	1,843,498
Profit for the year	–	–	–	–	–	–	–	49,662	49,662	(3,151)	46,511
Other comprehensive income for the year	–	–	–	–	–	–	86,623	–	86,623	–	86,623
Total comprehensive income for the year	–	–	–	–	–	–	86,623	49,662	136,285	(3,151)	133,134
Exercise of share options	750	16,464	–	(5,185)	–	–	–	–	12,029	–	12,029
Placement of shares	14,700	223,440	–	–	–	–	–	–	238,140	–	238,140
Transactions costs attributable to issue of shares	–	(3,683)	–	–	–	–	–	–	(3,683)	–	(3,683)
Shares issued upon acquisition of a business (Note 34(a))	16,344	88,256	–	–	–	–	–	–	104,600	–	104,600
Acquisition of a business (Note 34(a))	–	–	–	–	–	–	–	–	–	90,859	90,859
Acquisition of assets through acquisition of a subsidiary (Note 34(c))	–	–	–	–	–	–	–	–	–	75,455	75,455
At 31st December, 2011	219,211	1,177,668	–	1,140	10,354	12,804	258,635	607,985	2,287,797	206,235	2,494,032

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, 2011

	NOTES	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**66,392**	163,384
Adjustments for:			
Finance costs		**13,040**	23,303
Interest income		**(14,434)**	(6,240)
Depreciation of property, plant and equipment		**38,829**	25,683
Amortisation of prepaid lease payments		**997**	952
Amortisation of other intangible assets		**35,478**	25,186
Loss (gain) on disposal of property, plant and equipment		**74**	(434)
Loss on disposal of interest in a subsidiary		**–**	638
Impairment loss on available-for-sale investments		**1,192**	–
Impairment loss on goodwill		**22,300**	–
Share of result of a jointly controlled entity		**(2,466)**	10,760
Operating cash flows before movements in working capital		**161,402**	243,232
Increase in inventories		**(7,268)**	(2,552)
Decrease (increase) in trade and other receivables, deposits and prepayments		**56,606**	(33,916)
Decrease in held for trading investments		**45**	4,139
Increase (decrease) in trade and other payables		**16,357**	(29,156)
Cash generated from operations		**227,142**	181,747
Income taxes paid		**(21,235)**	(25,928)
Interest paid		**(13,040)**	(14,222)
NET CASH FROM OPERATING ACTIVITIES		**192,867**	141,597
INVESTING ACTIVITIES			
Acquisition of assets through acquisition of a subsidiary (net of cash and cash equivalents acquired)	34(c)	**(301,400)**	–
Acquisition of a business (net of cash and cash equivalents acquired)	34(a)	**(275,309)**	–
Increase in loan receivable		**(118,000)**	–
Additions of other intangible assets		**(100,000)**	–
Acquisition of interest in an associate		**(98,554)**	–
Deposits paid for acquisition of property, plant and equipment		**(97,901)**	(1,916)
Advance to subsidiaries of a jointly controlled entity		**(40,320)**	–
Deposits paid for acquisition of intangible assets		**(40,000)**	–
Additions of property, plant and equipment		**(32,220)**	(58,686)
Advance to related companies		**(25,183)**	(2,127)
Prepaid lease payments of land use rights		**(7,616)**	–
Repayment from subsidiaries of a jointly controlled entity		**43,681**	10,969
Repayment from related companies		**20,903**	2,044
Interest received		**14,434**	6,240
Decrease in pledged bank deposits		**–**	11,720
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	34(b)	**–**	2,298
Proceeds on disposal of property, plant and equipment		**–**	1,165
NET CASH USED IN INVESTING ACTIVITIES		**(1,057,485)**	(28,293)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Proceeds from placement of shares	**238,140**	–
New bank loans raised	**172,032**	178,018
Advance from a shareholder	**60,415**	–
Advance from a related company	**49,480**	37,058
Proceeds from issue of shares by exercise of share options	**12,029**	95,392
Repayment of bank borrowings	**(209,606)**	(177,621)
Repayment to a related company	**(84,317)**	(4,937)
Expense on issue of shares	**(3,683)**	–
Proceeds from issue of shares by exercise of warrants	**–**	60,136
Dividends paid	**–**	(35,158)
NET CASH FROM FINANCING ACTIVITIES	**234,490**	152,888
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(630,128)**	266,192
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**742,837**	457,406
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**36,128**	19,239
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**148,837**	742,837
Represented by:		
Bank balances and cash	**144,819**	742,837
Bank balances and cash classified as held for sale	**4,018**	–
	148,837	742,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2011

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, an associate and a jointly controlled entity at 31st December, 2011 are set out in Notes 41, 21 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011.
2 Effective for annual periods beginning on or after 1st January, 2013.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st January, 2012.
5 Effective for annual periods beginning on or after 1st July, 2012.
6 Effective for annual periods beginning on or after 1st January, 2014.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31st December, 2011, the directors of the Company anticipate that the adoption of HKFRS 9 in the future is not expected to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures and HK (SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards will not have significant impact on amounts reported in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting polices set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an 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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit 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 in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (CONTINUED)

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 titles have passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 buildings under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (CONTINUED)

Buildings under development for future owner-occupied purpose

Buildings under construction includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Buildings under construction is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. The amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction 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 (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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a subsidiary, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

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

Retirement benefits costs

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (CONTINUED)

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

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

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

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

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and 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. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (CONTINUED)

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 activities (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 listed above. 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 recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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 tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

***Financial assets* (CONTINUED)**

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.

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, loan receivable 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

***Financial assets* (CONTINUED)**

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 considered to be 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.

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related company/a subsidiary of a jointly controlled entity/a shareholder and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

Useful life of other intangible assets – technical know-how

Other intangible assets – technical know-how is amortised over their useful economic lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the change take places. As at 31st December, 2011, the carrying amount of technical know-how is HK$1,040,026,000 (2010: HK$255,766,000) and during the year ended 31st December, 2011, amortisation of the technical know-how amounting to HK$27,080,000 (2010: HK$18,407,000) is charged to profit or loss. Details of this other intangible assets 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, 2011, the carrying amount of goodwill is HK$511,334,000 (2010: HK$420,982,000), 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, 2011, the carrying amount of other intangible assets is HK$1,149,318,000 (2010: HK$312,867,000), 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.

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, 2011, the carrying amount of trade receivables (net of allowance for doubtful debts of HK$2,587,000) is HK$171,668,000 (2010: HK$194,777,000, net of allowance for doubtful debts of HK$2,297,000).

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 30, 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

	2011 HK$'000	2010 HK$'000
Financial assets		
Financial assets designated at fair value through profit or loss		
– Held for trading investments	**17**	62
Loans and receivables		
– Trade and other receivables	**175,952**	194,962
– Amounts due from related companies	**7,597**	3,279
– Amounts due from subsidiaries of a jointly controlled entity	**36,672**	35,904
– Loan receivable	**118,000**	–
– Bank balances and cash	**144,819**	742,837
	483,040	976,982
Available-for-sale investments	**–**	1,192
	483,057	978,236
Financial liabilities		
Amortised cost		
– Trade and other payables	**21,225**	14,793
– Amount due to a related company	**–**	33,740
– Amount due to a subsidiary of a jointly controlled entity	**4,129**	–
– Amount due to a shareholder	**61,596**	–
– Bank borrowings	**172,033**	225,526
	258,983	274,059

6. FINANCIAL INSTRUMENTS (CONTINUED)

6b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Group mainly operates in the 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 end of the reporting period are as follows:

	Assets		Liabilities	
	2011 HK$'000	**2010 HK$'000**	**2011 HK$'000**	**2010 HK$'000**
US dollar	**58**	55	**–**	–
HK dollar	**760**	323	**–**	15,000

Sensitivity analysis

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk **(CONTINUED)**

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings (see Notes 27 and 30 for details of bank balances and bank borrowings respectively). It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate loan receivable and bank borrowings (see Notes 23 and 30 for details of loan receivable and bank borrowings respectively).

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2010: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would decrease/increase by HK$205,000 (2010: decrease/increase by HK$842,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31st December, 2011, 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 has concentration of credit risk as 7% (2010: 15%) and 11% (2010: 49%) 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 addition, the Group has concentration of credit risk on loan receivable of approximately HK$118 million (2010: Nil) as at 31st December, 2011. As the loan receivable is secured by the shares held by the borrower in an associate of the Group, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC, which accounted for all the trade receivables as at 31st December, 2010 and 2011.

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

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

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

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

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

Liquidity tables

2011

	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$'000	Carrying amount at 31.12.2011 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	18,900	1,600	725	–	21,225	21,225
Bank borrowings							
– fixed rate	6.94	–	31,562	–	–	31,562	30,798
– variable rate	5.29	55,000	–	89,905	–	144,905	141,235
Amount due to a subsidiary of a jointly controlled entity	–	4,129	–	–	–	4,129	4,129
Amount due to a shareholder	–	61,596	–	–	–	61,596	61,596
		139,625	33,162	90,630	–	263,417	258,983

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk **(CONTINUED)**

Liquidity tables (CONTINUED)

2010

	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$'000	Carrying amount at 31.12.2010 HK$'000
Non-derivative financial liabilities							
Trade and other payables	–	13,082	1,711	–	–	14,793	14,793
Bank borrowings							
– fixed rate	9	–	–	624	–	624	586
– variable rate	5.07	15,000	29,927	162,797	25,905	233,629	224,940
Amount due to a related company	–	33,740	–	–	–	33,740	33,740
		61,822	31,638	163,421	25,905	282,786	274,059

Bank loans with a repayment on demand clause and breach of covenants as mentioned in Note 30 are included in the "On demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2011, the aggregate carrying amounts of these bank loans amounted to HK$55,000,000 (2010: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$55,727,000.

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

6c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The 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 to their fair values.

7. REVENUE

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

	2011 HK$'000	2010 HK$'000
Sales from protein chips division	**265,499**	319,440
Hospital operation and trading of Human Papilloma Viruses ("HPV") detection products and related equipments	**16,556**	13,792
Medical centres management operation	**17,901**	37,491
Sales from individualised target therapy division	**1,603**	–
	301,559	370,723

8. SEGMENT INFORMATION

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

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

Protein chips division	–	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
Individualised target therapy division	–	Research, development and trading of individualised molecular diagnostic products
Bio-drugs division	–	Research, development and trading of specialised monoclonal antibody drugs

In the prior year, the Group had only three operating segments (i.e. protein chips division, health care division and medical centres management). During the year ended 31st December, 2011, two more businesses (i.e. individualised target therapy division and bio-drugs division) were newly acquired by the Group and the Hospital Operation has been disposed of by the Group.

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Individualised target therapy division HK$'000	Bio-drugs division HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31st December, 2011								
REVENUE								
External sales	**247,558**	**66,221**	**35,842**	**1,603**	**–**	**351,224**	**–**	**351,224**
Inter-segment sales	**10,700**	**–**	**2,897**	**–**	**–**	**13,597**	**(13,597)**	**–**
Total	**258,258**	**66,221**	**38,739**	**1,630**	**–**	**364,821**	**(13,597)**	**351,224**
Segment profit (loss)	**106,724**	**(12,841)**	**3,523**	**(2,949)**	**–**	**94,457**	**(195)**	**94,262**
Unallocated expenses								**(9,385)**
Interest income								**14,434**
Share of result of a jointly controlled entity								**2,466**
Change in fair value of held for trading investments								**(45)**
Impairment loss on goodwill								**(22,300)**
Finance costs								**(13,040)**
Profit before tax from discontinued operation								**(3,035)**
Profit before tax from continuing operations								**63,357**
For the year ended 31st December, 2010								
REVENUE								
External sales	308,873	63,855	48,058	–	–	420,786	–	420,786
Inter-segment sales	9,354	–	2,380	–	–	11,734	(11,734)	–
Total	318,227	63,855	50,438	–	–	432,520	(11,734)	420,786
Segment profit (loss)	200,512	(6,210)	10,003	–	–	204,305	280	204,585
Unallocated expenses								(12,490)
Interest income								6,240
Share of result of a jointly controlled entity								(10,760)
Loss on disposal of interest in a subsidiary								(638)
Change in fair value of held for trading investments								(250)
Finance costs								(23,303)
Profit before tax from discontinued operation								(6,211)
Profit before tax from continuing operations								157,173

8. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (CONTINUED)

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, impairment loss on goodwill, 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.

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

Segment assets and liabilities

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

	2011 HK$'000	2010 HK$'000
ASSETS		
Segment assets		
– protein chips division	**683,459**	578,756
– health care division	**192,811**	149,047
– medical centres management	**39,546**	36,435
– Individualised target therapy division	**10,419**	–
– Bio-drugs division	**1,706**	–
	927,941	764,238
Goodwill	**568,459**	420,982
Other intangible assets	**1,151,669**	312,867
Unallocated assets	**425,687**	793,621
Consolidated total assets	**3,073,756**	2,291,708
LIABILITIES		
Segment liabilities		
– protein chips division	**23,801**	24,610
– health care division	**33,337**	9,908
– medical centres management	**6,490**	4,008
– Individualised target therapy division	**1,288**	–
– Bio-drugs division	**1,901**	–
	66,817	38,526
Unallocated liabilities	**512,907**	409,684
Consolidated total liabilities	**579,724**	448,210

8. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (CONTINUED)

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

– all assets are allocated to operating segments, other than goodwill, interest in an associate, interest in a jointly controlled entity, other intangible assets, available-for-sale investments, loan receivable, amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, bank balances and cash and other unallocated corporate assets; and

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

Other segment information

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

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Individualised target therapy division HK$'000	Bio-drugs division HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2011								
Additions to non-current assets (Note)	772	27,980	4,320	3,930	957	37,959	–	37,959
Depreciation of property, plant and equipment	33,712	2,648	2,360	102	–	38,822	7	38,829
Loss on disposal of property, plant and equipment	–	68	6	–	–	74	–	74
Amortisation of prepaid lease payments	997	–	–	–	–	997	–	997
Amortisation of other intangible assets	4,247	20,183	7,204	3,844	–	35,478	–	35,478
Impairment loss on goodwill	–	–	22,300	–	–	22,300	–	22,300
For the year ended 31st December, 2010								
Additions to non-current assets (Note)	41,100	6,696	285	–	–	48,081	–	48,081
Depreciation of property, plant and equipment	20,649	2,820	2,195	–	–	25,664	19	25,683
Gain on disposal of property, plant and equipment	423	11	–	–	–	434	–	434
Amortisation of prepaid lease payments	952	–	–	–	–	952	–	952
Amortisation of other intangible assets	–	18,588	6,598	–	–	25,186	–	25,186

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

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

8. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

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

	2011 HK$'000	2010 HK$'000
Continuing operations		
Protein chips	**265,499**	319,440
HPV detection products	**16,556**	13,792
Medical diagnostic, health check and medical appraisal services	**17,901**	37,491
Individualised molecular diagnostic products	**1,603**	–
	301,559	370,723
Discontinued operation		
Hospital Operation	**49,665**	50,063
	351,224	420,786

Geographical information

Around 99% (2010: 99%) of the Group's revenue are derived from the operation in the PRC and around 99% (2010: 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:

	2011 HK$'000	2010 HK$'000
Customer A (Note)	**N/A**	63,315
Customer B (Note)	**N/A**	45,793

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

Note: Revenue from these customers for the year ended 31st December, 2011 contributed less than 10% of the total sales of the Group.

For the year ended 31st December, 2011, no single customer contributed more than 10% of the total sales of the Group.

9a. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest income		
– on bank deposits	**10,810**	6,229
– on loan receivable	**3,608**	–
Government subsidy (Note)	**2,907**	9,225
Others	**4,765**	2,031
	22,090	17,485

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

	2011 HK$'000	2010 HK$'000
Continuing operations		
Loss (gain) on disposal of property, plant and equipment	**6**	(296)
Loss on disposal of interest in a subsidiary	**–**	638
Change in fair value of held for trading investments	**45**	250
Impairment loss on available-for-sale investments	**1,192**	–
Impairment loss on goodwill	**22,300**	–
	23,543	592

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**12,194**	11,419
Effective interest expenses on convertible bonds	**–**	12,485
Total borrowing costs	**12,194**	23,904
Less: amounts capitalised (capitalised in buildings under construction in Note 16 at a capitalisation rate of 5.58% per annum)	**–**	(601)
	12,194	23,303

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**21,331**	32,220
– Overprovision in prior years	**(1,955)**	(834)
	19,376	31,386
Deferred tax		
– Current year	**(2,218)**	5,677
	17,158	37,063

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.

11. INCOME TAX EXPENSE (CONTINUED)

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% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiary is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year is 2008 and the applicable tax rate for 2011 is 12.5% (2010: 12.5%).

The Group's another PRC subsidiary, 湖州数康生物科技有限公司 was approved as a "high-new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% for both years until 2014.

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

	2011 HK$'000	2010 HK$'000
Profit before tax (from continuing operation)	**63,357**	157,173
Tax at the domestic income tax rate at 25% (2010: 25%) (Note i)	**15,839**	39,293
Tax effect of share of result of a jointly controlled entity	**(617)**	2,690
Tax effect of income not taxable for tax purpose	**(3,812)**	(1,516)
Tax effect of expenses not deductible for tax purpose	**10,102**	2,215
Tax effect of tax losses not recognised (Note ii)	**2,613**	2,556
Income tax on concessionary rate	**(10,534)**	(19,698)
Utilisation of tax losses previously not recognised (Note ii)	**–**	(1,501)
Overprovision in prior years	**(1,955)**	(834)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries	**5,681**	13,998
Others	**(159)**	(140)
Income tax expense for the year	**17,158**	37,063

Notes:

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

(ii) As at 31st December, 2011, the Group had unused tax losses of HK$66,423,000 (2010: HK$55,971,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. The remaining tax losses can be carried forward indefinitely.

12. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	36,845	23,516
Amortisation of prepaid lease payments	997	952
Amortisation of other intangible assets (included in other expenses)	35,261	25,005
Staff costs		
– directors' emoluments (Note 13(i))	4,235	5,721
– other staff costs	24,847	23,245
– retirement benefits scheme contributions, excluding directors	452	385
Total staff costs	29,534	29,351
Auditor's remuneration	2,375	2,541
Cost of inventories recognised as expenses	52,496	48,118
Research and development expenditure (included in other expenses)	8,003	5,269

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) DIRECTORS' EMOLUMENTS

	2011 HK$'000	2010 HK$'000
Directors' fees:		
(a) Executive		
– Yao Yuan	**1,440**	1,342
– Chien Hoe Yong, Henry	**228**	120
– Hu Jun	**–**	–
– Yu Ti Jun	**120**	120
– Iu Chung*	**170**	1,140
	1,958	2,722
(b) Independent non-executive		
– Lam Lee G.	**120**	120
– Hu Jin Hua	**120**	120
– Lee Sze Ho, Henry	**120**	120
– Tang Yan Qin**	**99**	–
	459	360
(c) Non-executive		
– Yang Zhen Hua	**120**	120
– Ma Yong Wei	**–**	–
	120	120
Total directors' fees	**2,537**	3,202

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) DIRECTORS' EMOLUMENTS (CONTINUED)

	2011 HK$'000	2010 HK$'000
Other emoluments of executive directors:		
(a) Salaries and other benefits		
– Yao Yuan	**360**	458
– Chien Hoe Yong, Henry	**1,143**	1,251
– Hu Jun	**–**	–
– Yu Ti Jun	**–**	–
– Iu Chung*	**55**	660
	1,558	2,369
(b) Bonus (note)		
– Yao Yuan	**–**	–
– Chien Hoe Yong, Henry	**114**	114
– Hu Jun	**–**	–
– Yu Ti Jun	**–**	–
– Iu Chung*	**–**	–
	114	114
(c) Retirement benefits scheme contributions		
– Yao Yuan	**12**	12
– Chien Hoe Yong, Henry	**12**	12
– Hu Jun	**–**	–
– Yu Ti Jun	**–**	–
– Iu Chung*	**2**	12
	26	36
Total other emoluments of executive directors	**1,698**	2,519
Total directors' emoluments	**4,235**	5,721

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

No director had waived any emoluments during either year.

* The director was resigned on 15th February, 2011.

** The director was appointed on 4th March, 2011.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(ii) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2010: two) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**1,882**	864
Retirement benefits scheme contributions	**32**	24
Bonus (note)	**100**	100
	2,014	988

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

Their emoluments were within the following bands:

	2011 Number of employees	2010 Number of employees
Nil to HK$1,000,000	**3**	2

14. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2009 Final dividend of HK$0.01 per share	**–**	35,158

The Directors do not recommend the payment of a final dividend for 2010 and 2011.

15. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to the owners of the Company)	**49,662**	122,438

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,013,454,783**	3,590,871,850
Effect of dilutive potential ordinary shares:		
– Share options	**167,142**	14,431,545
– Warrants	**–**	26,728,648
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,013,621,925**	3,632,032,043

For the year ended 31st December, 2010, no adjustment for convertible bonds was made in calculating diluted earnings per share as the conversion of convertible bonds would result in an increase in earnings per share. The convertible bonds was fully converted in 2010.

15. EARNINGS PER SHARE (CONTINUED)

From continuing operations

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

	2011 HK$'000	2010 HK$'000
Earnings figures are calculates as follows:		
Profit for the year attributable to the owners of the Company	**49,662**	122,438
Less: Profit for the year from discontinued operation	**(159)**	(1,740)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**49,503**	120,698

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

From discontinued operation

	2011 HK$'000	2010 HK$'000
Earnings		
Profit for the year attributable to the owners of the Company from discontinued operation for the purposes of basic and diluted earnings per share	**159**	1,740
Earnings per share	**Nil**	Nil

The denominators used are the same as those detailed above for both basic and diluted 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, 2010	185,837	81,470	3,066	8,258	7,776	2,710	209,657	498,774
Exchange adjustments	8,194	3,778	91	189	156	152	3,573	16,133
Additions	2,020	32,342	153	407	–	572	12,587	48,081
Transfer	124,055	–	–	–	–	–	(124,055)	–
Disposal of a subsidiary	–	(2,472)	–	(840)	(3,481)	(386)	–	(7,179)
Disposals	–	(1,779)	(10)	(953)	–	(318)	–	(3,060)
At 31st December, 2010	320,106	113,339	3,300	7,061	4,451	2,730	101,762	552,749
Exchange adjustments	16,177	6,919	176	306	364	261	6,136	30,339
Additions	–	1,349	245	178	4,291	440	26,569	33,072
Acquisition of a business (Note 34(a))	–	3,434	113	383	–	–	–	3,930
Acquisition of assets through acquisition of a subsidiary (Note 34(c))	–	621	115	221	–	–	–	957
Disposals	–	(313)	(4)	–	–	(283)	–	(600)
Reclassified as held for sale (Note 28)	(6,293)	(16,841)	(125)	(202)	(2,721)	(2,769)	(128,389)	(157,340)
At 31st December, 2011	329,990	108,508	3,820	7,947	6,385	379	6,078	463,107
DEPRECIATION								
At 1st January, 2010	18,989	33,132	1,875	5,290	2,293	1,332	–	62,911
Exchange adjustments	815	1,562	64	164	104	111	–	2,820
Provided for the year	9,805	13,485	355	1,046	378	614	–	25,683
Eliminated on disposal of a subsidiary	–	(2,275)	–	(718)	–	(345)	–	(3,338)
Eliminated on disposals	–	(1,142)	(8)	(865)	–	(314)	–	(2,329)
At 31st December, 2010	29,609	44,762	2,286	4,917	2,775	1,398	–	85,747
Exchange adjustments	1,947	3,812	122	216	192	197	–	6,486
Provided for the year	17,410	18,947	361	1,027	509	575	–	38,829
Eliminated on disposals	–	(294)	(1)	–	–	(231)	–	(526)
Reclassified as held for sale (Note 28)	(981)	(12,485)	(111)	(192)	(1,276)	(1,576)	–	(16,621)
At 31st December, 2011	47,985	54,742	2,657	5,968	2,200	363	–	113,915
CARRYING VALUES								
At 31st December, 2011	282,005	53,766	1,163	1,979	4,185	16	6,078	349,192
At 31st December, 2010	290,497	68,577	1,014	2,144	1,676	1,332	101,762	467,002

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

17. PREPAID LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
Analysed for reporting purpose as:		
Current asset	**1,682**	1,617
Reclassified as held for sale (Note 28)	**(662)**	–
	1,020	1,617
Non-current asset	**78,872**	70,094
Reclassified as held for sale (Note 28)	**(35,202)**	–
	43,670	70,094
	44,690	71,711

The Group's prepaid lease payments represent payments for land use rights under medium-term lease located in the PRC.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2010 and 31st December, 2010	420,982
Arising on acquisition of a business (Note 34(a))	169,777
Reclassified as held for sale (Note 28)	(57,125)
At 31st December, 2011	533,634
IMPAIRMENT	
At 1st January, 2010 and 31st December, 2010	–
Impairment loss recognised in the year	22,300
At 31st December, 2011	22,300
CARRYING VALUES	
At 31st December, 2011	511,334
At 31st December, 2010	420,982

Particulars regarding impairment testing on goodwill are disclosed below:

For the purpose of impairment testing, the carrying amount of goodwill has been allocated to the following cash generating units:

	2011 HK$'000	2010 HK$'000
Segment of protein chips division	**47,115**	47,115
Segment of health care division – hospital operation	**57,125**	57,125
Segment of health care division – manufacturing and trading of HPV products	**79,910**	79,910
Segment of medical centres management	**214,532**	236,832
Segment of individualised target therapy division	**169,777**	–
	568,459	420,982
Reclassified as held for sale (Note 28)	**(57,125)**	–
	511,334	420,982

18. GOODWILL (CONTINUED)

During the year ended 31st December, 2011, except that an impairment of HK$22,300,000 has been recognised in the segment of medical centres management, management of the Group determined that there was no impairment in any of the other cash generating units containing goodwill.

During the year ended 31st December, 2010, 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 using a discount rate of 16.0% (2010: 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 – 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 financial budgets approved by management for the coming year and using a discount rate of 16.1% (2010: 15.2%), and the cash flow in 2nd to 5th year are extrapolated using a growth rate of 10% and the cash flow beyond 5 years are extrapolated using a zero growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Cash generating unit for segment of 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 financial budgets approved by management for the coming year and using a discount rate of 16.1% (2010: 14.8%) and the cash flow in 2nd to 5th year are extrapolated using a growth rate of 10% and the cash flow beyond 5 years are extrapolated using a zero growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the year ended 31st December, 2011, an impairment of HK$22,300,000 (2010: Nil) has been recognised this year.

Cash generating unit for individualised target therapy 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 financial budgets approved by management for the coming year and using a discount rate of 19.8%, and the cash flow beyond 2nd year are extrapolated at zero growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

19. OTHER INTANGIBLE ASSETS

	Distribution right HK$'000 (Note i)	Customer base HK$'000 (Note ii)	Technical know-how HK$'000 (Note iii)	Total HK$'000
COST				
At 1st January, 2010	2,674	65,976	276,114	344,764
Exchange adjustments	220	2,118	8,797	11,135
At 31st December, 2010	2,894	68,094	284,911	355,899
Additions	–	–	100,000	100,000
Acquisition of a business (Note 34(a))	–	58,626	343,989	402,615
Acquisition of assets through acquisition of a subsidiary (Note 34(c))	–	–	352,781	352,781
Exchange adjustments	365	3,949	14,570	18,884
Reclassified as held for sale (Note 28)	(3,259)	–	–	(3,259)
At 31st December, 2011	–	130,669	1,096,251	1,226,920
AMORTISATION				
At 1st January, 2010	510	6,598	10,738	17,846
Charge for the year	181	6,598	18,407	25,186
At 31st December, 2010	691	13,196	29,145	43,032
Charge for the year	217	8,181	27,080	35,478
Reclassified as held for sale (Note 28)	(908)	–	–	(908)
At 31st December, 2011	–	21,377	56,225	77,602
CARRYING VALUES				
At 31st December, 2011	–	109,292	1,040,026	1,149,318
At 31st December, 2010	2,203	54,898	255,766	312,867

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) Included in the balance as at 31st December, 2011, customer base of HK$51,643,000 was acquired through acquisition of subsidiaries during the year ended 31st December, 2009. These customer base is being amortised on a straight-line basis over 10 years.

The remaining balance of customer base of HK$57,649,000 was acquired through acquisition of a business during the year ended 31st December, 2011. Details are set out in Note 34(a). The customer base is being amortised on a straight-line basis over 5 years.

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes: (Continued)

(iii) Included in the balance of technical know-how as at 31st December, 2011 is technical know-how of HK$250,370,000 (2010: HK$255,766,000) acquired through acquisition of subsidiaries during the year ended 31st December, 2009. 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.

In addition, included in the balance of technical know-how as at 31st December, 2011 is technical know-how of HK$693,903,000 (2010: Nil) were acquired through acquisition of a business and acquisition of assets through acquisition of a subsidiary during the year ended 31st December, 2011. Details are set out in Note 34(a) and 34(c). These technical know-how represents the design, development, production, sales and distributions of individualised molecular diagnostic products and specialised monoclonal antibody drugs. In the opinion of the directors, the technical know-how has a useful life of 10 years and they are being amortised on a straight-line basis over 10 years.

Included in the balance as at 31st December, 2011 is other technical know-how of HK$95,753,000 (2010: Nil) mainly represents the design, development, production, sales and distributions of certain non-cell corynebacterium parvum product registered in the PRC. The technical know-how was acquired during the year ended 31st December, 2011 and has useful life 10 years and they are being amortised on a straight-line basis over the 10 years.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in a jointly controlled entity	26,049	26,049
Exchange adjustments	1,876	206
Share of post-acquisition results and other comprehensive income	(14,275)	(16,741)
	13,650	9,514

20. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

At the end of the reporting period, 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
			2011	2010	
天津红鬃马医院投资管理有限公司	PRC	RMB40,000,000	50%	50%	Investing holding and its subsidiaries are engaged in provision of medical diagnostic, health check and medical appraisal services

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:

	2011 HK$'000	2010 HK$'000
Current assets	5,772	15,249
Non-current assets	12,814	29,613
Current liabilities	4,936	35,348
Group's share of net assets of a jointly controlled entity	13,650	9,514
Income recognised in profit or loss	22,714	24,354
Expenses recognised in profit or loss	20,248	35,114
Group's share of results of a jointly controlled entity for the year	2,466	(10,760)

21. INTEREST IN AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Cost of investment in an associate – unlisted (Note)	98,554	–

In November 2011, the Group completed the acquisition of 30% equity interest in NewScen Coast Bio-Pharmaceutical Company Limited ("NewScen Coast") at a cash consideration of RMB80,000,000 (equivalent to approximately HK$98,554,000). NewScen Coast is a company established in the PRC and is principally engaged in the manufacturing and trading of diagnostic products and related equipment.

Included in cost of investment in an associate is goodwill of HK$20,310,000 (2010: HK$ Nil) arising on acquisition of an associate. The movement of goodwill is set out below.

	HK$'000
COST	
At 1st January, 2011	–
Arising on acquisition of an associate	20,310
At 31st December, 2011	20,310

The summarised financial information in respect of the Group's interest in an associate after taking into account the fair value adjustments upon acquisition which are accounted for using the equity method is set out below:

	2011 HK$'000
Total assets	313,840
Total liabilities	53,649
Net assets	260,191
Group's share of net assets of an associate	78,244

The Group has not shared the results of the associate for the year ended 31st December, 2011 as the results of the associate for the period from the acquisition date up to 31st December, 2011 is insignificant.

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

	2011 HK$'000	2010 HK$'000
Available-for-sale investment		
Unlisted investments – at cost	–	1,192
Held for trading investments		
Equity securities listed in Hong Kong – at fair value	17	62

As at 31st December, 2010, the unlisted investments of available-for-sales investment represented the Group's 28.85% interest in a PRC entity. Management of the Group are not able to participate in the operating and financing policy decision making of the investee according to the agreement between the shareholders of the investee. The directors are of the opinion that, no influence can be exercised by the Group significantly over the operating and financing activities of the investee and therefore, the amount is classified as available-for-sale investment at cost, subject to impairment. During the year ended 31st December, 2011, the Group recognised impairment loss of HK$1,192,000 (2010: Nil), as the directors are of the opinion that the carrying amount of the investment cannot be recovered.

23. LOAN RECEIVABLE

The loan receivable as at 31st December, 2011 was interest-bearing at 6% per annum, due from the other shareholder of the associate and receivable in 2013. The loan receivable is secured by the shares held by the borrower in an associate of the Group.

24. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	10,240	8,331
Work in progress	6,576	4,418
Finished goods	8,566	3,991
	25,382	16,740
Reclassified as held for sale (Note 28)	(1,871)	–
	23,511	16,740

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**171,668**	197,074
Bills receivable	**1,355**	–
Less: Allowance for doubtful debts	**(2,587)**	(2,297)
	170,436	194,777
VAT recoverable	**164**	541
Prepayments	**1,333**	1,616
Others	**19,522**	10,729
	191,455	207,663
Reclassified as held for sale (Note 28)	**(3,035)**	–
	188,420	207,663

The Group normally allows a credit period of 30 days to 270 days to its trade customers. The following is an aged analysis of the trade and bills receivables (including trade receivables reclassified as held for sale of HK$1,805,000), net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0-60 days	**68,079**	133,293
61-90 days	**66,393**	30,123
91-180 days	**20,075**	31,232
181-270 days	**15,889**	129
	170,436	194,777

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. The Group has provided fully for all receivables over 270 days because historical experience is such that receivables that are past due beyond 270 days are generally not recoverable. Other than these, the Group has not identified any credit risk on other trade receivables.

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
1st January	**2,297**	2,226
Exchange adjustment	**290**	71
31st December	**2,587**	2,297

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

26. AMOUNT(S) DUE FROM (TO) RELATED COMPANIES/SUBSIDIARIES OF A JOINTLY CONTROLLED ENTITY/ A SHAREHOLDER

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

		NOTES	2011 HK$'000	2010 HK$'000
(a)	Amounts due from related companies			
	– 上海铭源实业集团有限公司 ("上海铭源实业")	(i)	**856**	–
	– 上海铭源酒店管理有限公司	(i)	**220**	153
	– 上海铭源商务资讯谘询有限公司	(ii)	**2,755**	1,173
	– 上海铭源度假村有限公司	(i)	**3,766**	1,953
			7,597	3,279
(b)	Amounts due from subsidiaries of a jointly controlled entity		**36,672**	35,904
(c)	Amount due to a related company			
	– 上海铭源实业	(i)	**–**	(33,740)
(d)	Amount due to a shareholder	(iii)	**(61,596)**	–
(e)	Amount due to a subsidiary of a jointly controlled entity		**(4,129)**	–

Notes:

(i) 上海铭源实业 is a substantial shareholder of the Company with significant influence over the Company. 上海铭源酒店管理有限公司 and 上海铭源度假村有限公司 are subsidiaries of 上海铭源实业.

(ii) A non-controlling interest of a subsidiary of the Group.

(iii) A shareholder who has significant influence over 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 39.

27. BANK BALANCES AND CASH

Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits that are interest-bearing at market rate. All bank deposits are with a maturity of three months or less. As at 31st December, 2011, the bank deposits carried interest at prevailing market rates ranging from 0.50% to 2.00% (2010: 0.36% to 1.17%) per annum.

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, 2011		
Bank balances and cash	**58**	**760**
At 31st December, 2010		
Bank balances and cash	55	323

28. DISCONTINUED OPERATION/ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 19th December, 2011, a subsidiary of the Company which holds 51% equity interest in Shanghai Weiyi Hospital Investment and Management Company Limited ("Weiyi"), which is engaged in the provision of woman and child health care services, entered into an agreement with an independent third party to dispose of its 51% equity interest in Weiyi at a consideration of approximately RMB65 million (equivalent to approximately HK$80 million). As at 31st December 2011, the assets and liabilities of Weiyi were classified as held for sales and the business of hospital operation of healthcare division was presented as discontinued operation (the "Discontinued Business"). The disposal was completed on 4th January, 2012 and details are disclosed in Note 40.

The results of the discontinued operation in current year, which had been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2011 to 31.12.2011 HK$'000	1.1.2010 to 31.12.2010 HK$'000
Revenue	**49,665**	50,063
Cost of sales	**(33,595)**	(34,942)
Gross profit	**16,070**	15,121
Other income	**414**	273
Other gains and losses	**(68)**	138
Administrative expenses	**(12,318)**	(8,876)
Other expenses	**(217)**	(445)
Finance cost	**(846)**	–
Profit before tax	**3,035**	6,211
Income tax expense	**(2,723)**	(2,799)
Profit for the year	**312**	3,412

	2011 HK$'000	2010 HK$'000
Profit for the year from discontinued operation has been arrived at after charging and (crediting):		
Depreciation of property, plant and equipment	**1,984**	2,167
Amortisation of prepaid lease payments	**655**	641
Less: amount capitalised (included in buildings under construction in Note 16)	**(655)**	(641)
	–	–
Amortisation of other intangible assets (included in other expenses)	**217**	181
Staff costs		
– other staff costs	**19,122**	19,260
– retirement benefits scheme contributions, excluding directors	**2,156**	1,810
Total staff costs	**21,278**	21,070
Cost of inventories recognised as expenses	**33,595**	34,942

28. DISCONTINUED OPERATION/ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

During the year, the Discontinued Business contributed net operating inflow of HK$2,505,000 (2010: outflow of HK$5,017,000), cash outflow of HK$33,556,000 (2010: outflow of HK$4,805,000) in respect of investing activities and cash inflow of HK$33,116,000 (2010: inflow of HK$9,749,000) in respect of the financing activities to the Group's cash flow.

The major classes of assets and liabilities of Weiyi (excluding the amount due to the Group by Weiyi of HK$105,009,000 which will be settled by Weiyi after the disposal) at the end of the reporting period are as follows:

	2011 HK$'000
Property, plant and equipment	140,719
Prepaid lease payments	35,864
Goodwill	57,125
Other intangible assets	2,351
Inventories	1,871
Trade and other receivables, deposits and prepayments	3,035
Amount due from a related company	1,148
Bank balances and cash	4,018
Total assets classified as held for sale	246,131
Trade and other payables	(27,139)
Bank borrowings	(24,638)
Taxation payable	(6,755)
Deferred tax liabilities	(5,718)
Total liabilities classified as held for sale	(64,250)

29. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	**9,153**	7,059
Receipts in advance	**10,357**	8,600
Accrued expenses	**7,772**	7,392
Payable for construction in progress	**–**	1,758
Other tax payable	**10,263**	6,342
Others	**32,710**	9,835
	70,255	40,986
Reclassified as held for sale (Note 28)	**(27,139)**	–
	43,116	40,986

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

	2011 HK$'000	2010 HK$'000
0-60 days	**5,617**	5,348
61-90 days	**1,470**	370
Over 90 days	**2,066**	1,341
	9,153	7,059

30. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Secured bank borrowings	**117,033**	141,716
Unsecured bank borrowings	**55,000**	83,810
	172,033	225,526
Carrying amount repayable:		
– On demand or within one year	**172,033**	202,086
– More than two years but not more than five years	**–**	23,440
	172,033	225,526
Less: Amounts due within one year under current liabilities	**(172,033)**	(202,086)
Amounts due after one year	**–**	23,440

30. BANK BORROWINGS (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
Fixed-rate bank borrowings which due:		
– Within one year	**30,798**	–
– More than one year but not exceeding two years	**–**	586

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

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	**6.94%**	9.00%
Variable-rate borrowings	**1.55% – 7.59%**	1.73% – 6.67%

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:

	2011 HK$'000	2010 HK$'000
HK dollar denominated bank borrowings	**–**	15,000

During the year, the Group obtained new loans in the amount of HK$172,032,000 (2010: HK$178,018,000). The loans bear interest at market rates and will be repayable within one year. The proceeds were used to finance the operation of the Group.

During the year, in respect of bank loans with repayable on demand clause due within one year with a carrying amount of HK$55,000,000 as at 31st December, 2011, 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.

31. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st January, 2010	4,000,000,000	200,000
Increase in authorised share capital (note a)	2,000,000,000	100,000
At 31st December, 2010 and 31st December, 2011	6,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1st January, 2010	3,410,506,735	170,525
Conversion of convertible bonds (note b)	114,178,885	5,709
Exercise of warrants (note b)	102,345,213	5,117
Exercise of share options (note b)	121,310,000	6,066
At 31st December, 2010	3,748,340,833	187,417
Exercise of share options (note c)	15,000,000	750
Placement of shares (note c)	294,000,000	14,700
Issue of shares upon acquisition of subsidiaries (note d)	326,871,967	16,344
At 31st December, 2011	4,384,212,800	219,211

Notes:

(a) Pursuant to a resolution passed at a special general meeting on 20th August, 2010, the authorised share capital of the Company was increased from HK$200,000,000 to HK$300,000,000 by the creation of additional 2,000,000,000 ordinary shares of HK$0.05 each.

(b) During the year ended 31st December, 2010, 114,178,885, 102,345,213 and 121,310,000 ordinary shares of HK$0.05 each in the Company were issued as a result of conversion of convertible bonds and warrants and exercise of share options respectively.

(c) During the year ended 31st December, 2011, 15,000,000 and 294,000,000 ordinary shares of HK$0.05 each in the Company were issued as a result of exercise of share options and placement of shares at a subscription price of HK$0.81 per share respectively.

(d) During the year ended 31st December, 2011, the Group completed the acquisition of 70% equity interest in Shanghai Yuanqi Bio-Pharmaceutical Company Limited. As part of the consideration, 326,871,967 ordinary shares of HK$0.05 each was issued during the year. Details of the acquisition of subsidiary are set out in Note 34(a).

All the shares issued during the year ranked pari passu with the then existing shares in all respects.

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, 2010	28,365	80,997	5,998	1,130	116,490
Charge (credit) to profit or loss	13,998	(6,252)	(140)	(1,130)	6,476
At 31st December, 2010	42,363	74,745	5,858	–	122,966
Charge (credit) to profit or loss	5,681	(7,212)	(140)	–	(1,671)
Reclassified as held for sale (Note 28)	–	–	(5,718)	–	(5,718)
Acquisition of a business (Note 34(a))	–	100,469	–	–	100,469
At 31st December, 2011	48,044	168,002	–	–	216,046

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1st January, 2008 onwards. As at 31st December, 2011 and 31st December, 2010, deferred taxation has been provided for in full in respect of undistributed profits retained by the PRC entities.

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, 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,300,000 (2010: 18,300,000) representing 0.08% (2010: 0.49%) of the shares of the Company in issue at that date.

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

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

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

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

2011

					Number of share options			
	Date of grant	**Exercise price**	**Vesting period**	**Exercisable period**	**Outstanding at 1.1.2011**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2011**
Employees	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	18,300,000	(15,000,000)	–	3,300,000
Total					18,300,000	(15,000,000)	–	3,300,000
Exercisable at 31st December, 2011								3,300,000

33. SHARE OPTIONS (CONTINUED)

2010

	Date of grant	Exercise price	Vesting period	Exercisable period	Number of share options: Outstanding at 1.1.2011	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
Directors	8.4.2005	HK$0.728	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	4,900,000	(4,900,000)	–	–
			8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	7,300,000	(7,300,000)	–	–
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	7,300,000	(7,300,000)	–	–
	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)	–	–
					23,900,000	(23,900,000)	–	–
Employees	8.4.2005	HK$0.728	8.4.2005 – 7.4.2008	8.4.2008 – 7.4.2010	760,000	(160,000)	(600,000)	–
			8.4.2005 – 7.4.2009	8.4.2009 – 7.4.2010	3,700,000	(3,100,000)	(600,000)	–
	27.4.2007	HK$0.78	27.4.2007 – 26.4.2008	27.4.2008 – 7.4.2010	900,000	–	(900,000)	–
			27.4.2007 – 26.4.2009	27.4.2009 – 7.4.2010	1,550,000	(650,000)	(900,000)	–
	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	111,800,000	(93,500,000)	–	18,300,000
					118,710,000	(97,410,000)	(3,000,000)	18,300,000
Total					142,610,000	(121,310,000)	(3,000,000)	18,300,000
Exercisable at 31st December, 2010								18,300,000

In respect of the share options exercised during the year ended 31st December, 2011, the weighted average share price at the date of exercise is HK$1.12 (2010: HK$1.184).

34. ACQUISITION OF A BUSINESS/DISPOSAL OF A SUBSIDIARY/ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

(a) Acquisition of a business

On 23rd November, 2011, the Group acquired 70% equity interest in 上海源奇生物医药科技有限公司 Shanghai Yuanqi Bio-Pharmaceutical Company Limited ("Shanghai Yuanqi") for a consideration of RMB354,000,000 (equivalent to HK$365,438,000) satisfied by issue of 326,871,967 ordinary shares of the Company and cash of HK$277,182,000. Shanghai Yuanqi is principally engaged in research and development of individualised molecular diagnostic products. The acquisition will enable the Group with ready access to the growing molecular therapy market and will provide the Group with the ability to combine innovative and emerging technologies with its established sales and marketing resources. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of this acquisition was HK$169,777,000.

Consideration transferred:

	HK$'000
Cash	277,182
Equity instruments issued	104,600
	381,782

As part of the consideration for the acquisition of Shanghai Yuanqi, 326,871,967 ordinary shares of the Company with par value of HK$0.05 each were issued. The fair value of the ordinary shares of the Company, determined using the published price of HK$0.32 each available at the date of the acquisition, amounted to HK$104,600,000.

Provisional fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment (note i)	3,930
Other intangible assets (note i)	402,615
Inventories	186
Trade and other receivables	5,073
Bank balances and cash	1,873
Trade and other payables	(10,344)
Deferred tax liabilities	(100,469)
	302,864

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$5,073,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$5,073,000 at the date of acquisition.

34. ACQUISITION OF A BUSINESS/DISPOSAL OF A SUBSIDIARY/ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a business (CONTINUED)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	381,782
Plus: Non-controlling interests (note ii)	90,859
Less: Net assets acquired	(302,864)
Goodwill arising on acquisition	169,777

Goodwill arose in the acquisition of Shanghai Yuanqi because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the anticipated profitability from the continue expansion of the Group's business, future market development and the assembled workforce of Shanghai Yuanqi. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	277,182
Less: Bank balances and cash	(1,873)
	275,309

Notes:

(i) The initial accounting for the acquisition has been determined provisionally for property, plant and equipment and intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.

(ii) The non-controlling interests were initially measured at the non-controlling interests' proportionate share of the provisional fair value of identifiable net assets acquired at the date of acquisition.

Included in the Group's profit for the year is loss of HK$2,974,000 attributable to the additional business generated by Shanghai Yuanqi. Group's revenue for the year includes HK$1,603,000 generated from Shanghai Yuanqi.

Had the acquisition been completed on 1st January, 2011, total revenue of the Group for the year would had been HK$306,726,000, and the profit for the year of the Group would had been HK$709,000.

34. ACQUISITION OF A BUSINESS/DISPOSAL OF A SUBSIDIARY/ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a business (CONTINUED)

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shanghai Yuanqi been acquired at the beginning of the current year, the directors have calculated amortisation of intangible assets acquired and the release of deferred tax on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

(b) Disposal of a subsidiary

On 12th February, 2010, the Group disposed of its 71.15% equity interest in 上海文中门诊部有限公司, at a cash consideration of RMB2,000,000 (equivalent to HK$2,300,000) to an independent third party. Details are set out below:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	3,841
Inventories	49
Trade and other receivables	1,176
Bank balances	2
Trade and other payables	(938)
	4,130
Remeasurement of retained interest as available-for-sale investments	(1,192)
Loss on disposal of interest in a subsidiary	(638)
Total consideration	2,300
Satisfied by:	
Cash	2,300
Net cash inflow arising on disposal:	
Cash consideration received	2,300
Bank balances disposed of	(2)
	2,298

The subsidiary disposed of during the year ended 31st December, 2010 did not contribute significantly to the revenue and the results of the Group. The cash flows contributed or utilised by the subsidiary disposed of during the year ended 31st December, 2010 was not significant.

34. ACQUISITION OF A BUSINESS/DISPOSAL OF A SUBSIDIARY/ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

(c) Acquisition of assets through acquisition of a subsidiary

On 31st December, 2011, the Group acquired 80% equity interest in 上海慧普生物医药科技有限公司 Shanghai Huipu Bio-Pharmaceutical Company Limited ("Shanghai Huipu") for a consideration of RMB245,000,000 (equivalent to HK$301,821,000). Shanghai Huipu is principally engaged in research and development of specialised monoclonal antibody drugs. The acquisition will enable the Group to directly enter into the specialised monoclonal antibody drug industry and to mitigate the risk of spending lots of resources in the research and development of specialised monoclonal antibody drug without any success.

The net assets acquired in the transactions are as follows:

	HK$'000
Property, plant and equipment	957
Other intangible assets	352,781
Trade and other receivables	25,018
Bank balances and cash	421
Trade and other payables	(1,901)
	377,276
Non-controlling interests	(75,455)
	301,821
Satisfied by:	
Cash consideration paid	301,821
Net cash outflow arising on disposal:	
Cash consideration paid	301,821
Bank balances and cash acquired	(421)
	301,400

35. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– property, plant and equipment	**155,266**	57,639
– other intangible assets	**27,000**	–
	182,266	57,639

36. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$6,340,000 (2010: HK$9,083,000) 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:

	2011 HK$'000	2010 HK$'000
Within one year	**8,499**	7,539
In the second to fifth year inclusive	**12,808**	14,912
	21,307	22,451

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

37. RETIREMENT BENEFIT PLANS

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

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

The total cost charged to profit or loss of HK$2,634,000 (2010: HK$2,231,000) represents contributions payable to these schemes by the Group for the year ended 31st December, 2011. As at 31st December, 2011 and 31st December, 2010, no contribution was due and unpaid.

38. 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:

	2011 HK$'000	2010 HK$'000
Prepaid lease payments	**44,690**	43,486
Buildings	**282,020**	285,194
	326,710	328,680

39. RELATED PARTY DISCLOSURES

During the year ended 31st December, 2011, the Group received rental income of HK$2,409,000 (2010: HK$1,953,000) from 上海铭源度假村有限公司 and paid rental expense of HK$652,000 (2010: HK$568,000) to 上海铭源房地产开发经营有限公司, which are subsidiaries of 上海铭源实业, a substantial shareholder who has significant influence over the Company.

During the year ended 31st December, 2011, two directors of the Company gave personal guarantees in an aggregate amounts of RMB20,000,000 (equivalent to HK$24,368,000) (2010: RMB150,000,000 (equivalent to HK$175,800,000)) to two banks to secure the banking facilities granted to the Group, of which HK$24,368,000 (2010: HK$23,440,000) has been utilised.

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

	2011 HK$'000	2010 HK$'000
Short-term benefits	**5,904**	7,044
Post-employment benefits	**62**	72
	5,966	7,116

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

Details of the Group's balances with related parties are set out in Note 26.

40. EVENT AFTER THE REPORTING PERIOD

On 19th December, 2011, the Group entered into an agreement to dispose of its 51% equity interest in Weiyi which is engaged in the provision of woman and child health care services, to an independent third party at a consideration of approximately RMB65 million (equivalent to approximately HK$80 million). The disposal was completed on 4th January, 2012 and Weiyi ceased to be a subsidiary of the Company upon the completion of the disposal and its financial result will be deconsolidated from the Group which will be resulted in a gain on disposal of approximately HK$9,054,000. Details of the transaction are included in the announcements of the Company dated 19th December, 2011 and 4th January, 2012.

41. 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 Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
MY Technology Limited	British Virgin Islands	US$1	–	–	**100%**	100%	Inactive
HD Global Limited	British Virgin Islands	US$2,000,000	–	–	**100%**	100%	Investment holding
上海数康生物科技有限公司 (note i)	PRC	RMB40,000,000	–	–	**100%**	100%	Research and development activities
湖州数康生物科技有限公司 (note i)	PRC	RMB10,000,000	–	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
上海铭源数康生物芯片有限公司 (note i)	PRC	US$29,800,000	–	–	**100%**	100%	Manufacturing and trading of protein chips and related equipments
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 Bio-medical Company Limited (note iii)	PRC	RMB10,000,000	–	–	**75%**	75%	Provision of medical diagnostic, health check and medical appraisal services
Genetel Pharmaceuticals (Shenzhen) Company Limited (note i)	PRC	RMB8,027,700	–	–	**100%**	100%	Manufacturing and trading of HPV chips and related equipments
上海源奇生物医药科技有限公司 (note iii)	PRC	RMB2,000,000	–	–	**70%**	–	Research, development and trading of individualised molecular diagnostic products
上海慧普生物医药科技有限公司 (note iii)	PRC	RMB2,000,000	–	–	**80%**	–	Research, development and trading of specialised monoclonal antibody drugs

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

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

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

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

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,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Revenue	220,666	292,721	357,298	370,273	**301,559**
Profit before tax	146,758	174,762	95,085	157,173	**63,357**
Income tax expense	(23,650)	(25,105)	(18,605)	(37,063)	**(17,158)**
Profit for the year from continuing operation	123,108	149,657	76,480	120,110	**46,199**
Profit (loss) for the year from discontinued operation	3,774	1,157	(837)	3,412	**312**
Profit for the year	126,882	150,814	75,643	123,522	**46,511**
Dividends recognised as distribution during the year	56,214	29,346	–	35,158	**–**
Attributable to:					
Owners of the Company	125,282	150,102	76,758	122,438	**49,662**
Non-controlling interests	1,600	743	(1,115)	1,084	**(3,151)**
	126,882	150,845	75,643	123,522	**46,511**

(B) ASSETS AND LIABILITIES/EQUITY

	At 31st December,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	1,101,692	1,381,344	1,976,533	2,291,708	**3,073,756**
Total liabilities	(269,890)	(361,314)	(515,485)	(448,210)	**(579,724)**
	831,802	1,020,030	1,461,048	1,843,498	**2,494,032**
Equity attributable to owners of the Company	827,439	1,014,924	1,419,060	1,800,426	**2,287,797**
Non-controlling interests	4,363	5,106	41,988	43,072	**206,235**
	831,802	1,020,030	1,461,048	1,843,498	**2,494,032**