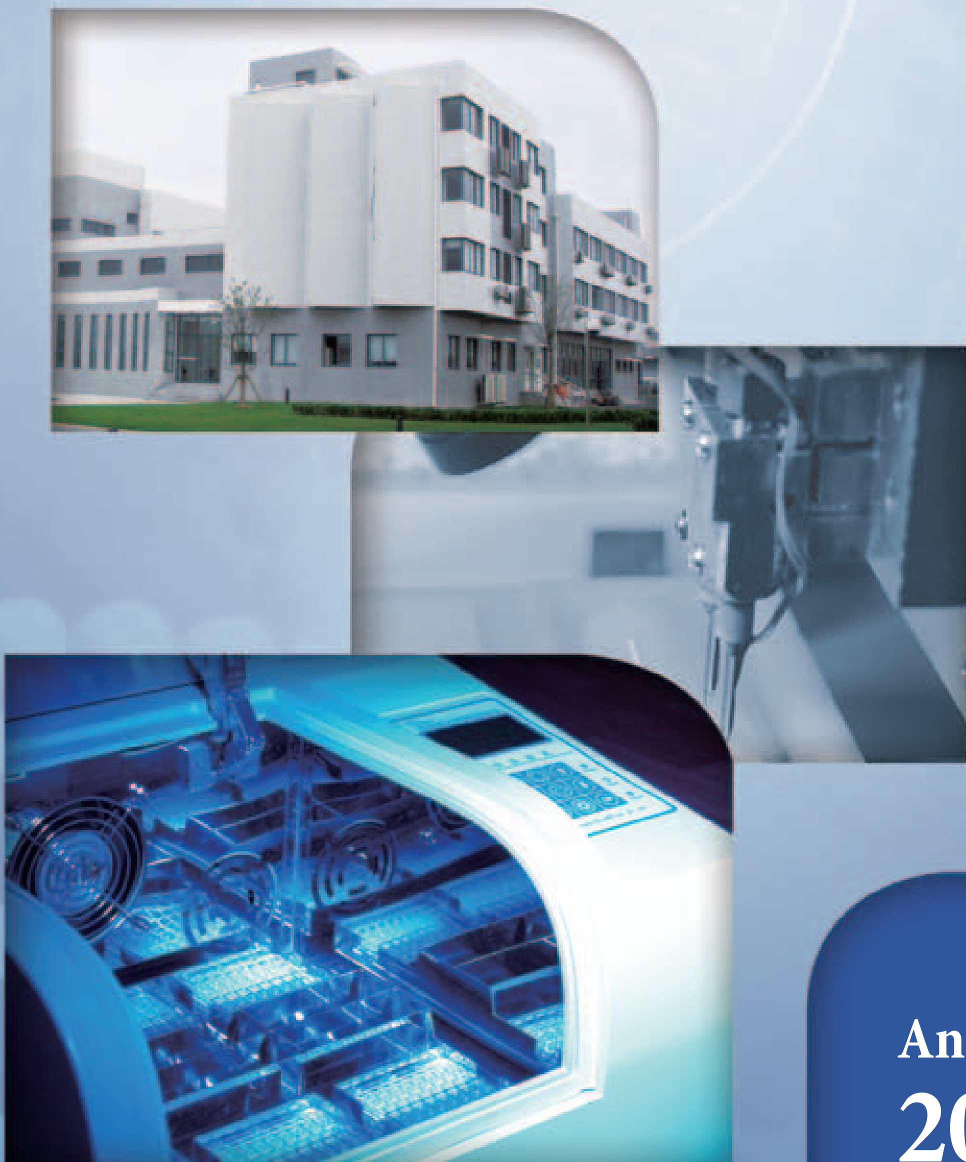
銘源醫療

MINGYUAN MEDICARE

DEVELOPMENT COMPANY LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE : 00233



Annual Report 2012

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.

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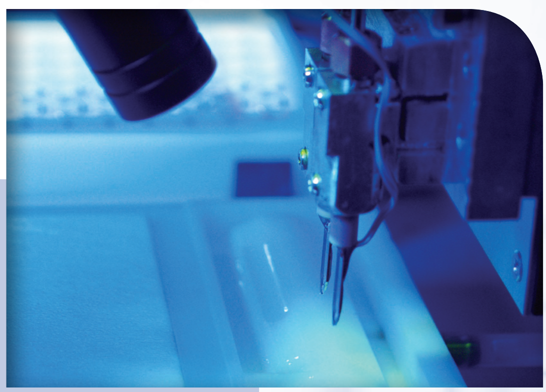

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Mr. Hu Jin Hua
Mr. Lee Sze Ho, Henry
Mr. Tang Yan Qin

AUDIT COMMITTEE

Mr. Lee Sze Ho, Henry *(Chairman)*
Mr. Hu Jin Hua
Mr. Tang Yan Qin

REMUNERATION COMMITTEE

Mr. Lee Sze Ho, Henry *(Chairman)*
Mr. Chien Hoe Yong, Henry
Mr. Tang Yan Qin

NOMINATION COMMITTEE

Mr. Yao Yuan *(Chairman)*
Mr. Lee Sze Ho, Henry
Mr. Tang Yan Qin

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

The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Computershare Hong Kong Investors Services Limited
Shop 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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200 Connaught Road Central, Hong Kong
Tel: (852) 3102 3201
Fax: (852) 3102 0905
Email: mingyuan@mingyuan-hk.com
Website: www.mymedicare.com.hk

PLACE OF SHARE LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODES

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

CHAIRMAN'S STATEMENT

2012 was a very challenging year for the Group. China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. According to the National Bureau of Statistics, China's GDP growth slowed to only 7.8% in 2012, the slowest year-on-year growth in the past 13 years. It is likely that the China economy has bid farewell to the era of high growth. We are likely entering a prolonged phase of structural rebalancing and moderate growth.

Despite such adversity, we remain confident in China's economic growth over the longer run, which we believe will continue to underpin demand for enhanced healthcare supports. 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.

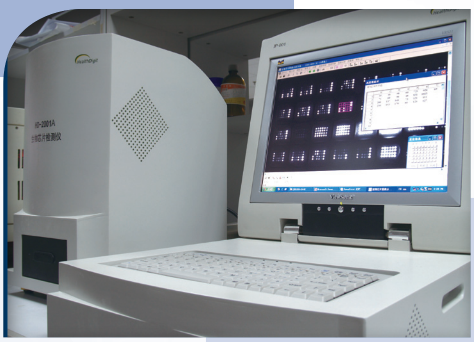
Globally, countries are increasingly switching medical resources from reactive care to preventative care and are placing strong emphasis on disease prevention. While committing to an objective of providing healthcare insurance and quality healthcare services to all Chinese citizens by 2020, China recognizes 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.

A difficult year 2012 is behind us. Year 2013 is still full of challenges. In the face of various short term challenges and a prospect of relatively slower growth, we are fully prepared. We are prepared to make necessary adjustments to our business tactics to adapt to changes in the market environment. At the same time the Group still remains optimistic on the medium and long term potential of future development. 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 sustainable revenue generating capability and growth.

Mr. Yao Yuan,
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW

The Group is one of China's leading bio-medical companies in the area of early screening and detection of major diseases. C-12 protein chips, the Group's most profitable product, HPV DNA testing kits, and the new specialized molecular diagnostic kits for leukemia, lymphoma and individualized target cancer therapy provide a very wide range of products for early screening and detection of major diseases.

2012 was a very challenging year for the Group. China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. According to the National Bureau of Statistics, China's GDP growth slowed to only 7.8% in 2012, the slowest year-on-year growth in the past 13 years.

Under this subdued environment, the Group still managed to record a very steady turnover. Total turnover of the Group in 2012 was HK$322.8 million, representing an increase of 7.0% as compared to the total revenue of HK$301.6 million in 2011. Gross profit decreased from HK$221.9 million to HK$220.6 million, representing a decrease of 0.6%. Meanwhile, the Gross profit margin decreased from 73.5% in 2011 to 68.3% in 2012. Earnings before interest, tax, depreciation, amortization, impairment loss on goodwill and share of result of an associate decreased by 41.1% to approximately HK$100.7 million (2011: earnings of HK$171.0 million). The Group recorded a loss of HK$139.2 million as compared to a profit of HK$46.2 million in 2011 from continuing operations. The loss in 2012 was primarily due substantial increase of HK$48.5 million in amortization of intangible assets, increase in impairment loss on goodwill of HK$57.6 million, share of loss of an associate of HK$10.1 million and increase in total operating expenses.

Despite such adversity, we remain confident in China's economic growth over the longer run, which we believe will continue to underpin demand for enhanced healthcare supports. As the leading brand and provider of medical solutions in the area of early screening and detection of major diseases products in China, we will continue to maintain and strengthen our long-term competitive advantages, such as national distribution and sales network as well as innovative research and development. We will stick to our well-established business strategy and business objectives of satisfying consumers' demand for better life, better health.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET REVIEW

In the last five years, the China economy have grown 65 percent with an average annual growth of 9.2 percent and the China economy is currently the third largest economy in the world. Confronting economic complexity both at home and abroad, the China Government had 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.

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.

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 one of the fastest growing healthcare markets in the world. Underpinning such phenomenal growth are enhanced living standard, increase in per capital 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.

According to the National Bureau of Statistics of China, the eligible participants in State Basic Medical Insurance program have grown from 43.3 million in 2000 to 535 million in 2012, representing an increase of over 491.7 million participants with annual averages of 24.6 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 2012, the urban population reached 52.6 percent of the total population. The continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

The Group currently operates five business segments, namely the protein chips division, healthcare division, medical centres management division, individualized target therapy division, and bio-drugs division.

Protein Chips Division

The Group manufactures and distributes its C-12 products to hospitals, medical centres and life insurance companies in China. The C-12 product is capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the year, the Group continued to experience steady demand for C-12 products. 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. Despite a weak and unstable global economy and limited export sales, the Group expects the overall growth for the protein chips sales based on domestic demand to be promising and sustainable in the future.

Turnover contributed by the sale of the C-12 products amounted to HK$267.4 million (2011: HK$258.3 million), representing an increase of approximately 3.5 percent over that of last year. The year 2011 was the first year that most of the distributors shift to sell the up-graded C-12 products instead of the old C-12 products. There will definitely be a learning period to get acquainted with this new up-graded C-12 products before the hospitals and medical centres could get back their momentum to increase sales on the C-12 products. At the same time, the tightened funding policies that the banks in China is adopting also put some pressure on the distributors and the distributors would be more careful in placing their orders on the C-12 products. Despite the difficulties, the board is confident that sales of C-12 products would maintain a steady growth rate in the next few years.

Healthcare Division

Under this division, 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 female patients at hospitals nationwide.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The HPV DNA testing kits offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear test (50-60%). Besides, it does not require a large upfront capital investment on specialized equipment. According to the World Health Organization, cervical cancer is fully preventable and curable if pre-cancerous lesions are detected and treated early. Cervical cancer is caused by a common virus called human papillomavirus ("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.

The division recorded total sales of HK$16.4 million (2011: HK$16.6 million), representing a decrease of 1.2 percent over last year.

Medical Centres Management Division

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.

Turnover contributed by this division amounted to HK$38.1 million (2011: HK$38.7 million), representing an decrease of approximately 1.6 percent.

Individualized Target Therapy Division

This new division was established following the acquisition of Shanghai Yuanqi Bio- Pharmaceutical Company Limited in August 2011. The division now has developed specialized molecular diagnostic kits for leukemia, lymphoma and individualized target cancer therapy. In recent years, targeted cancer therapies have become focus for treating cancer due to their efficacy. Targeted cancer therapies are agents that selectively destroy cancer cells, and leave normal cells alone, while producing less toxicity than traditional chemotherapy agents. Traditional chemotherapy agents do kill cancer cells but they also typically kill other normal cells. There are various hallmarks that drive the growth of cancer. Targeted cancer therapies are agents that involve monoclonal antibodies or small molecule drugs that block the growth and proliferation of cancer cells by altering their signaling pathway involved in growth and proliferation of cancer cells.

This new division contributed sales of HK$15.3 million for the year 2012 (2011: HK$1.6 million), representing an increase of approximately 856 percent over that of last year.

The division successful obtained four new drug licenses from the SDFA of China in the later part of 2012. Sales under these four newly granted drug licenses had already picked up in the last two months of 2012. The Board is confident that the division would be one of the major profit contributors to the Group in the next few years.

Bio-Drugs Division

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 expanded by the acquisition of Shanghai Huipu Bio-Pharmaceutical Company Limited 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 loss for the year amounted to HK$127.7 million (2011: profit of HK$46.5 million). Loss per share was 2.55 HK cents (2011: earnings of 1.24 HK cents). The loss in 2012 was primarily due substantial increase of HK$48.5 million in amortization of intangible assets, increase in impairment loss on goodwill of HK$57.6 million, share of loss of an associate of HK$10.1 million and increase in total operating expenses.

Increase in Amortization of Other Intangible Assets

Total amortization of other intangible assets included under other expenses for the year amounted to HK$56.6 million (2011: HK$8.1 million), representing an increase of HK$48.5 million. The Group expanded its operation through acquisition of various businesses over the last few years. Various other intangible assets, either a technical know-how or a useful customer base, would be identified during the course of acquisition. These other intangible assets so identified would be recognised at their fair value (which is regarded as their cost) at the acquisition date. Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other 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

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

significant cost. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The Group made two major acquisitions in the year 2011 to further expand its operation into individualised molecular diagnostic products and bio-drugs. Other intangible assets amounted to HK$755 million was created as a result of these two acquisitions. Amortization of this additional portion of other intangible assets started in the year 2012. As such, the amortization costs for the year 2012 increased substantially.

Increase in Impairment Loss on Goodwill

Total impairment loss on goodwill for the year amounted to HK$79.9 million (2011: 22.3 million), representing an increase of HK$57.6 million. The impairment loss of goodwill in the year 2012 related to goodwill originally generated in the year 2009 on acquisition of the HPV operation, the Health Care Division, of the Group. In the year 2009, we acquired 95% equity of the HPV operation at a cost of HK$280 million. On completion of the acquisition, following assets were generated:

	HK$'000
Goodwill	79,910
Other intangible assets – technical know-how	276,114
Total	356,024

In assessing the carrying amounts of the assets, future cash flows expected to arise from the HPV operation covering a period of 5-year period and using a discount rate of 14.4% (2011: 16.1%), and the cash flow beyond 5 years are extrapolated using a zero growth rate was used. Another key assumption used in the calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the past performance of the Health care Division and management's expectations for the market development. Based on the recoverable amount of this division, the management of the Group determined that there is an impairment of HK$79,910,000 to the Health Care Division containing goodwill and other intangible assets (2011: Nil).

The potential market for HPV products in the PRC is huge. The market, however, is floated with cheap pap-smear tests. Although HPV products offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear tests (50-60%), HPV products are rarely used. This is because (i) HPV products are much more expensive and (ii) that only a few people know that there is a HPV test that provides more accurate testing for cervical cancer other than the conventional pap-smear test. Should HPV products be able to share 10% of the existing pap-smear market in the PRC, the Health Care Division could make huge profit. However, in light of current situation, HPV business could only grow very slowly in the PRC.

Increase in Total Operating Expenses

Total operating expenses, excluding depreciation and amortization, amounted to HK$176.0 million, representing an increase of HK$62.4 million, or approximately 54.9%, as compared to HK$113.6 million for 2011. The increase in total operating expenses was due to (i) increase in staff costs due to increase in head counts as a result of expansion in sales and promotion activities, (ii) increase in sales commission/rebate to sales agents, and (iii) increase in provision for doubtful debts.

2012 was a very challenging year for the Company. China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. According to the National Bureau of Statistics, China's GDP growth slowed to only 7.8% in 2012, the slowest year-on-year growth in the past 13 years. In order to maintain steady sales, the Group had to provide more resources in the sales and promotion activities. This include (i) hiring more sales personnel to cover more customers, (ii) attending more sales exhibitions to promote the brand name, and (iii) increasing sales commission/rebate to sales agents. Total sales commission/rebate incurred in the year 2012 amounted to HK$76.6 million, representing an increase of HK$40.6 million, or approximately 135%, as compared to HK$30 million for the year 2011.

Increase in Doubtful Debts Provision

Doubtful debts provision increased from HK$2.6 million to HK$14.6 million, representing an increase of HK$12 million. The increase in the doubtful debts provision of HK$12 million for the year related to one single receivable of RMB9.8 million (HK$12 million). The receivable has been outstanding for over a year without any repayment in the year 2012. This long overdue receivable was originated in the year 2009 when the Company started making sales to this particular customer. Total sales made to this customer amounted to RMB17.5 million for the years 2009 and 2010. The Company received progress payments amounted to RMB7.7 million from this customer up to the end of the year 2011. In the year 2012, this customer had not made any payment to the Company. Despite various efforts employed by the Group to recover this long overdue amount, including signing a repayment agreement with the customer allowing the latter to repay the RMB9.8 million overdue amount over a period of 2 years with the first instalment of RMB1 million to be repaid on or before 1 April 2013, the customer failed to make any repayment.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$267.4 million (2011: HK$258.3 million), representing an increase of 3.5 percent over that of last year. Segment profit of this division amounted to HK$49.6 million (2011: HK$106.7 million), representing a decrease of approximately 53.5 percent over that of last year.

The Group sold a total of 1.88 million protein chips (2011: 1.73 million), an increase of 8.7 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

Turnover contributed by this division amounted to HK$16.4 million (2011: HK$16.6 million). The division incurred a loss of HK$17.8 million for the year (2011: loss of HK$15.9 million). The loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$20.2 million (2011: HK$20.0 million).

In 2012, the Group sold more than 250,000 kits (2011: 305,000 kits), a decrease of 18% over last year.

Medical Centres Management

Turnover contributed by this division amounted to HK$38.1 million (2011: HK$38.7 million). Segment loss of this division amounted to HK$11.0 million (2011: profit of HK$3.5 million).

Individualized Target Therapy Division

Turnover contributed by this division amounted to HK$15.3 million (2011: HK$1.6 million). The division incurred a loss of HK$46.9 million for the year (2011: loss of HK$2.9 million). The loss was due to the amortisation of technical know-how arising on acquisition of Shanghai Yuanqi Bio- Pharmaceutical Company Limited in the amount of HK$46.6 million (2011: HK$3.8 million).

PROSPECTS

The Group prides itself as one of China's leading bio-medical companies in the area of early screening and detection of diseases. The Group understands there are many challenges and risks associated with the industry, and is constantly reviewing and responding accordingly when implementing its business plans. While China represents one of the largest and rapidly growing markets for 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 believes that immunotherapy offers an innovative and attractive approach for treating life threatening diseases as the therapy often have fewer side effects, including less potential for creating resistance in microbial diseases and the new generation of non-specific nanotechnology immunomodulatory drugs provides a more effective and dynamic immunotherapeutic solution, than existing drugs.

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 this 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 products. 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 to come.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

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:

	2012 HK$'000	2011 HK$'000
Prepaid lease payments	**44,094**	44,690
Buildings	**278,310**	282,020
Pledged bank deposits	**24,878**	–
	347,282	326,710

LIQUIDITY AND FINANCING

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

At 31 December 2012 the Group had cash and bank balances of HK$311.1 million (2011: HK$144.9 million). The Group's gearing ratio as at 31 December 2012 was 8.6 percent (2011: 7.6 percent), based on bank and other borrowings of HK$189.7 million (2011: HK$172.0 million) and shareholders' fund of HK$2,201.9 million (2011: HK$2,287.8 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$189.7 million were outstanding as at 31 December 2012 (2011: HK$172.0 million). The range of effective interest rates on the fixed-rate bank borrowings as at 31 December 2012 was approximately 7.22 percent to 7.80 percent per annum and the range of effective interest rates on the variable-rate bank borrowings as at 31st December, 2012 was approximately 5.40% percent to 9.18% percent per annum.

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

CONTINGENT LIABILITIES

As at 31 December 2012 and 31 December 2011, the Group did not have any significant contingent liabilities.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2012 (2011: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2012, the Group had a total of 1,132 employees (2011: 1,089 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. The emolument of the directors of the Company is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances.

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

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 31 December 2012, 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, except for following deviation:

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

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 31 December 2012.

AUDIT COMMITTEE

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

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

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 in conjunction with the Group's auditors.

PROFILES OF DIRECTORS

MR. YAO YUAN

Mr. YAO Yuan, aged 57, 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 49, 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 71, 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 61, 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. HU JIN HUA

Mr. HU Jin Hua, aged 70, 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.

PROFILES OF DIRECTORS *(CONTINUED)*

MR. LEE SZE HO

Mr. LEE Sze Ho, Henry, aged 45, 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 26 years of experience in international accounting and financial planning.

MR. TANG YAN QIN

Mr. TANG Yan Qin, aged 67, 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.

PROFILES OF SENIOR MANAGEMENT

MR. LU XIQIANG

Mr. LU Xiqiang, 51 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 45, 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 56, 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 51, 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 REPORT

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.

The Company has applied the principles as contained in the former Code on Corporate Governance Practices (the "Former CG Code"), for the period from 1 January to 31 March 2012, and the Corporate Governance Code (the "CG Code"), for the period from 1 April to 31 December 2012, contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the following deviations:

Deviations

Appointment and Re-election of Directors

Provision A.4.1 of the CG 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.

Chairman Attending Annual General Meeting

Mr. Yao Yuan, Chairman of the Board and Chairman of Nomination Committee, and Dr. Lam Lee G., former Chairman of Audit Committee and Remuneration Committee, were unable to attend the annual general meeting of the Company held on 30 May 2012 (the "2012 AGM") as both had business engagement. Mr. Poon Kwong Wai, Kenny, the Company Secretary, was elected as the chairman of the 2012 AGM to ensure effective communication with shareholders of the Company at the meeting.

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 Composition and Attendance Records of Directors

The Board currently composes of four Executive Directors and three 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, remuneration and nomination committee during the year ended 31 December 2012 is set out below:

	Attendance/Number of Meetings				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	2012 AGM
Executive Directors					
Mr. Yao Yuan (*Chairman*)	5/5	N/A	N/A	1/1	Absent
Mr. Chien Hoe Yong, Henry (*CEO*)	5/5	N/A	2/2	N/A	Absent
Mr. Hu Jun	4/5	N/A	N/A	N/A	Absent
Mr. Yu Tin Jun	5/5	N/A	N/A	N/A	Absent
Non-Executive Directors					
Mr. Yang Zhen Hua *	2/5	N/A	N/A	N/A	Absent
Mr. Ma Yong Wei **	2/5	N/A	N/A	N/A	Absent
Independent Non-Executive Directors					
Dr. Lam Lee G. *	2/5	1/2	1/2	N/A	Absent
Mr. Hu Jin Hua	3/5	2/2	N/A	N/A	Absent
Mr. Lee Sze Ho, Henry	3/5	2/2	2/2	1/1	Absent
Mr. Tang Yan Qin	4/5	1/2	1/2	1/1	Absent

* resigned on 30 May 2012
** resigned on 28 August 2012

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The list of Directors and Their Role and Function has been maintained at the websites of the Company and the Stock Exchange. The Directors' biographies and the relationship among the board members, if any, are disclosed under the "Profiles of Directors" of this annual report and available on the Company's website. Saved as disclosed in such profiles, if any, there is no financial, business, family or other material/relevant relationship among the Directors.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

Responsibilities of Directors

The Non-Executive Directors and Independent Non-Executive Directors, with diversified expertise, skills and experience, play an important role on formulating strategy and ensuring that the Board maintains high standards of corporate governance. 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. The Board had received from each Independent Non-Executive Director a written annual confirmation of his independence and satisfied that the independence of Independent Non-Executive Directors up to the date of this report is in accordance with the Listing Rules.

On a regular basis, senior management provides the Directors with operational and financial reports of the Group's performance, position and prospect. All Directors are kept informed of and duly briefed of major changes and information that may affect the Group's business in a timely manner.

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.

Training and Continuous Development for Directors

Each newly appointed director is provided with comprehensive induction to ensure that he has a proper understanding of the operations and businesses of the Group as well as his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. For Directors to keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company, the Company had organised an internal workshop which covered topics of the CG Code and the have participated in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken. Also, the completed records are received from each of the Directors as confirmation.

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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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.

Board Meetings

The Board met regularly throughout the year to discuss the overall strategy, the operational and financial performance of the Group. 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. All accompanying papers relating to issues to be discussed at the board meeting were sent to the Directors in a timely manner. Adequate explanation and information were given to the Directors by the management to facilitate the Directors in decision making. Each Director has to declare his interest and abstain from voting on any board resolution in which he or any of his associates has a material interest. Minutes of all board 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.

THE BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company is comprised of three Independent Non-Executive Directors. Dr. Lam Lee G., the former Chairman of the committee, retired on 30 May 2012. Mr. Lee Sze Ho, Henry, was appointed Chairman of the Audit Committee on 28 August 2012. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee met twice a year in 2012 and the main duties of the Audit Committee during the year include:

(a) Reviewing the Group's annual and interim financial statements and reports and consider any significant or unusual items before submission to the Board.

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

(d) Advising on material event or drawing the attention of the management on related risks.

The external auditors were invited to attend the said meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Nomination Committee

The Nomination Committee is duly formed on 30 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.

The Nomination Committee held one meeting during the year 2012.

Remuneration Committee

The Company established the Remuneration Committee on 27 March 2006 with written terms of reference. The Remuneration Committee has three members comprising two Independent Non-Executive Directors, namely: Dr. Lam Lee G and Mr. Lee Sze Ho and the Chief Executive Officer, Mr. Chien Hoe Yong, Henry. Dr. Lam Lee G was the former Chairman of the Remuneration Committee and he retired on 30 May 2012. Mr. Lee Sze Ho, Henry, was appointed as Chairman of the Remuneration Committee and Mr. tang Yan Qin, the Independent Non-executive Director, was appointed member of the Remuneration Committee on 28 August 2012.

The primary responsibilities of the Remuneration Committee include (but without limitation):

- making recommendations to the Board on the Group's remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

- determining the terms of specific remuneration package of the Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and

The Remuneration Committee held two meeting during the year of 2012. The members of the Remuneration Committee reviewed the Group's remuneration policy for the year 2012 at the meeting. 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.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that period. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 24.

COMPANY SECRETARY

Mr. Poon Kwong Wai, Kenny, is the Company Secretary of the Company. He is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters.

In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

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.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rule. The Model Code 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 Model Code 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$1,500,000 (2011: HK$2,160,000) 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$79,000 (2011: HK$122,600).

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company's Bye-laws, the shareholders of the Company enjoy, among others, the following rights:

1. Convening Extraordinary General Meetings

Any one or more shareholders of the Company holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary. The Board shall then convene a special general meeting by serving sufficient notice in accordance with the Company's Bye-laws or statutory requirements to all shareholders of the Company.

2. Participation at General Meetings

The Company encourages shareholders to participate in general meetings, either in person or via proxies, to exercise their rights. The general meetings provide important opportunities for shareholders to express their views to the Board and management. The Company provides details of the general meetings to the shareholders in a notice prior to the meeting in compliance with the Byelaws of the Company and the Listing Rules. Shareholders are encouraged to ask questions about or comment on the results, operations, strategy and/or management of the Group at general meetings. The chairman of the Board committees, appropriate management executives and auditors of the Company will be available at general meetings to answer questions from shareholders. Time is set aside in each general meeting for such question and answer session.

3. Enquiries and Proposals to the Board

Shareholders of the Company may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's investor relation staff for an initial review. The investor relation staff will maintain a log of the correspondences and forward either a summary or a copy of the correspondences to the Board for consideration at its next meeting. Apart from the above, the shareholders of the Company also have the right to nominate candidates to be Directors of the Company. Following the relevant procedures which are made available to the shareholders, the shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

CONCLUSION

The Company believes that corporate governance principles and practices are essential to the business communities. Effort will be employed to review the Company's corporate governance practices from time to time to accommodate any changes in circumstances. The Company will strive to maintain and strengthen the standard and quality of its corporate governance.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on pages 25 and 26.

The directors do not recommend the payment of any dividend in respect of the year.

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 the movements during the year in the share capital of the Company are set out in Note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2012, the Company's reserves available for distribution consisted of contributed surplus of HK$12,804,000 (2011: HK$12,804,000) and accumulated profits of HK$488,839,000 (2011: HK$607,985,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

DIRECTORS' REPORT *(CONTINUED)*

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 18% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 45% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 28% 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 – CEO
Mr. Hu Jun
Mr. Yu Ti Jun

Non-executive directors:

Mr. Yang Zhen Hua	(resigned on 30th May, 2012)
Mr. Ma Yong Wei	(resigned on 28th August, 2012)

Independent non-executive directors:

Dr. Lam Lee G.	(resigned on 30th May, 2012)
Mr. Hu Jin Hua	
Mr. Lee Sze Ho, Henry	
Mr. Tang Yan Qin	

In accordance with Bye-law 109 of the Company, Mr. Yu Ti Jun and Mr. Hu Jun will retire from office by rotation. Mr. Hu has informed the Company that he will not offer himself for re-election as Director at the forthcoming annual general meeting of the Company as Mr. Hu's retirement is part of his general retirement plan. Mr. Yu will be re-designated as a Non-Executive Director of the Company as Mr. Yu can spend more time to manage his own business. Mr. Yu will offer himself 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' REPORT *(CONTINUED)*

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2012, the interests of the directors and their associates in the shares 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%

Note:

(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.

Other than as disclosed above, none of the Company's directors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2012.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 34 to the consolidated financial statements.

Details of movements of the Company's share options during the year were as follows:

					Number of share options		
Category	Date of grant	Exercise price	Vesting period	Exercisable period	Outstanding at 1.1.2012	Exercised during the year	Outstanding at 31.12.2012
Employees	9.10.2009	HK$0.802	N/A	9.10.2009 – 30.5.2014	3,300,000	–	3,300,000

No share option was granted, exercised, cancelled and lapsed in accordance with the terms of the Company's share option scheme during the year.

DIRECTORS' REPORT *(CONTINUED)*

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings as 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, 2012, 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 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, 2012.

DIRECTORS' REPORT *(CONTINUED)*

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 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

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.

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
CHAIRMAN

28th March, 2013

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 25 to 95, which comprise the consolidated statement of financial position as at 31st December, 2012, 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, 2012, and of the Group's loss 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
28th March, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	7	322,797	301,559
Cost of sales		(102,186)	(79,666)
Gross profit		220,611	221,893
Other income	9a	12,246	22,090
Other gains and losses	9b	(84,174)	(23,543)
Distribution and selling expenses		(104,385)	(67,368)
Administrative expenses		(84,019)	(63,893)
Other expenses		(62,748)	(16,094)
Share of result of a jointly controlled entity	20	702	2,466
Share of result of an associate	21	(10,160)	–
Finance costs	10	(20,114)	(12,194)
(Loss) profit before tax		(132,041)	63,357
Income tax expense	11	(7,146)	(17,158)
(Loss) profit for the year from continuing operations	12	(139,187)	46,199
Discontinued operation			
Profit for the year from discontinued operation	29	11,445	312
(Loss) profit for the year		(127,742)	46,511
Other comprehensive income			
Exchange differences arising on translation		25,756	86,623
Total comprehensive (expense) income for the year		(101,986)	133,134
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(123,091)	49,503
– from discontinued operation		11,445	159
		(111,646)	49,662
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		(16,096)	(3,304)
– from discontinued operation		–	153
		(16,096)	(3,151)
		(127,742)	46,511

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(CONTINUED)*

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(85,890)**	136,285
Non-controlling interests		**(16,096)**	(3,151)
		(101,986)	133,134
(LOSS) EARNINGS PER SHARE	15		
From continuing and discontinued operations			
– Basic		**(2.55) HK cents**	1.24 HK cents
– Diluted		**(2.55) HK cents**	1.24 HK cents
From continuing operations			
– Basic		**(2.81) HK cents**	1.23 HK cents
– Diluted		**(2.81) HK cents**	1.23 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-Current Assets			
Property, plant and equipment	16	**338,124**	349,192
Prepaid lease payments	17	**43,065**	43,670
Goodwill	18	**437,160**	511,334
Other intangible assets	19	**1,076,259**	1,149,318
Interest in a jointly controlled entity	20	**14,168**	13,650
Interest in an associate	21	**88,399**	98,554
Deposits paid for acquisition of property, plant and equipment		**6,117**	101,851
Deposits paid for acquisition of intangible assets		**40,000**	40,000
Loan receivable	22	**–**	118,000
Amounts due from subsidiaries of a jointly controlled entity	26	**28,363**	–
		2,071,655	2,425,569
Current Assets			
Inventories	24	**31,155**	23,511
Prepaid lease payments	17	**1,029**	1,020
Loan receivable	22	**118,000**	–
Trade and other receivables, deposits and prepayments	25	**317,753**	188,420
Amount due from a director	23	**622**	–
Amounts due from related companies	26	**8,179**	7,597
Amounts due from subsidiaries of a jointly controlled entity	26	**5,667**	36,672
Held for trading investments	27	**–**	17
Pledged bank deposits	28	**24,878**	–
Bank balances and cash	28	**286,256**	144,819
		793,539	402,056
Assets classified as held for sale	29	**–**	246,131
		793,539	648,187
Current Liabilities			
Trade and other payables	30	**57,532**	43,116
Amounts due to related companies	26	**5,584**	–
Amount due to a subsidiary of a jointly controlled entity	26	**6,671**	4,129
Bank borrowings	31	**189,733**	172,033
Amount due to a shareholder	26	**–**	61,596
Taxation payable		**19,007**	18,554
		278,527	299,428
Liabilities associated with assets classified as held for sale	29	**–**	64,250
		278,527	363,678
Net Current Assets		**515,012**	284,509
Total Assets less Current Liabilities		**2,586,667**	2,710,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Capital and Reserves			
Share capital	32	**219,211**	219,211
Reserves		**1,982,696**	2,068,586
Equity attributable to owners of the Company		**2,201,907**	2,287,797
Non-controlling interests		**181,897**	206,235
Total Equity		**2,383,804**	2,494,032
Non-Current Liabilities			
Deferred tax liabilities	33	**202,863**	216,046
		2,586,667	2,710,078

The consolidated financial statements on pages 25 to 95 were approved and authorised for issue by the Board of Directors on 28th March, 2013 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'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, 2011	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
Exchange differences arising on translation	–	–	–	–	–	86,623	–	86,623	–	86,623
Total comprehensive income (expense) 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 35(a))	16,344	88,256	–	–	–	–	–	104,600	–	104,600
Acquisition of a business (Note 35(a))	–	–	–	–	–	–	–	–	90,859	90,859
Acquisition of assets through acquisition of a subsidiary (Note 35(b))	–	–	–	–	–	–	–	–	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
Loss for the year	–	–	–	–	–	–	(111,646)	(111,646)	(16,096)	(127,742)
Exchange differences arising on translation	–	–	–	–	–	25,756	–	25,756	–	25,756
Total comprehensive income (expense) for the year	–	–	–	–	–	25,756	(111,646)	(85,890)	(16,096)	(101,986)
Release on disposal of a subsidiary (Note 35(c))	–	–	–	–	–	7,500	(7,500)	–	(8,242)	(8,242)
At 31st December, 2012	219,211	1,177,668	1,140	10,354	12,804	291,891	488,839	2,201,907	181,897	2,383,804

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, 2012

	NOTES	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(120,596)	66,392
Adjustments for:			
Finance costs		14,215	13,040
Imputed interest expense on non-current interest-free loan to subsidiaries of a jointly controlled entity		3,690	–
Imputed interest expense on receivable from Weiyi		2,209	–
Interest income		(7,656)	(14,434)
Depreciation of property, plant and equipment		37,493	38,829
Amortisation of prepaid lease payments		1,017	997
Amortisation of other intangible assets		84,016	35,478
(Gain) loss on disposal of property, plant and equipment		(243)	74
Gain on disposal of interest in a subsidiary		(11,445)	–
Impairment loss on trade receivables		12,030	–
Impairment loss on available-for-sale investments		–	1,192
Impairment loss on goodwill		79,910	22,300
Share of result of a jointly controlled entity		(702)	(2,466)
Share of result of an associate		10,160	–
Written off of rental income from a related company		4,507	–
Operating cash flows before movements in working capital		108,605	161,402
Increase in inventories		(9,193)	(7,268)
(Increase) decrease in trade and other receivables, deposits and prepayments		(10,868)	56,606
Decrease in held for trading investments		17	45
Increase in trade and other payables		14,001	16,357
Cash generated from operations		102,562	227,142
Income taxes paid		(19,876)	(21,235)
Interest paid		(14,215)	(13,040)
NET CASH FROM OPERATING ACTIVITIES		68,471	192,867
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(24,878)	–
Additions of property, plant and equipment		(21,878)	(32,220)
Advance to related companies		(5,651)	(25,183)
Deposits paid for acquisition of property, plant and equipment		(1,080)	(97,901)
Advance to subsidiaries of a jointly controlled entity		(1,020)	(40,320)
Advance to a director		(614)	–
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	35(c)	76,057	–
Refund of deposit paid for acquisition of property, plant and equipment		45,711	–
Repayment from Weiyi	35(c)	24,576	–
Interest received		7,656	14,434
Repayment from subsidiaries of a jointly controlled entity		3,032	43,681
Proceeds on disposal of property, plant and equipment		1,057	–
Repayment from related companies		705	20,903
Acquisition of assets through acquisition of a subsidiary (net of cash and cash equivalents acquired)	35(b)	–	(301,400)
Acquisition of a business (net of cash and cash equivalents acquired)	35(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 intangible assets		–	(40,000)
Prepaid lease payments of land use rights		–	(7,616)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		103,673	(1,057,485)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	**160,973**	172,032
Advance from a related company	**5,521**	49,480
Repayment of bank borrowings	**(146,388)**	(209,606)
Repayment to a shareholder	**(61,440)**	–
Proceeds from placement of shares	**–**	238,140
Advance from a shareholder	**–**	60,415
Proceeds from issue of shares by exercise of share options	**–**	12,029
Repayment to a related company	**–**	(84,317)
Expense on issue of shares	**–**	(3,683)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(41,334)**	234,490
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**130,810**	(630,128)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**148,837**	742,837
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6,609**	36,128
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**286,256**	148,837
Represented by:		
Bank balances and cash	**286,256**	144,819
Bank balances and cash classified as held for sale	**–**	4,018
	286,256	148,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2012

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, 2012 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The application of amendments to 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 during the year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013
[2] Effective for annual periods beginning on or after 1st January, 2015
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. 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.

HKFRS 9 is effective for the Group for annual period beginning on 1st January, 2015, with earlier application permitted.

Based on the Group's financial assets and financial liabilities as at 31st December, 2012, the directors 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.

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". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (CONTINUED)

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for annual period beginning on 1st January, 2013, with earlier application permitted.

The directors anticipate that the application of the new standard will have no material impact to the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income".

The amendments to HKAS 1 also require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 or services.

The principal accounting policies adopted are as follows:

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.

Income and expenses 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 assets or liabilities 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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 on a pro rata basis based on 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 is 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.

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's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures

Jointly controlled entities

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 subsequent 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 deconsolidation of a group entity which is not a foreign operation, exchange differences accumulated is the translation reserve arising from translating the assets and liabilities of the relevant entity into the presentation currency of the Group, will be transferred directly to accumulated profits.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Government grants

Government grants are 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 on a systematic and rational basis 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 before tax” 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 effect 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).

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (CONTINUED)

***Research and development expenditures* (CONTINUED)**

- 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 recognised in 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 recognised 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. 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 debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL includes financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of identified 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 and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

Financial assets **(CONTINUED)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, amount due from a director, 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).

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 when 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 the 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, amounts due to related companies/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.

On derecognition of a financial asset, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At the end of the reporting period, the Group revises its estimates of number of options that are expected to ultimately vest. The impact of the revision of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with finite useful lives 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 (or a cash-generating unit) 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, 2012, the carrying amount of technical know-how is HK$984,811,000 (2011: HK$1,040,026,000) and during the year ended 31st December, 2012, amortisation of the technical know-how amounting to HK$64,903,000 (2011: HK$27,080,000) is charged to profit or loss. Details of these other intangible assets are set out in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (CONTINUED)

Useful life of other intangible assets – customer base

Other intangible assets – customer base 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 changes in market demand and customer loyalty. 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, 2012, the carrying amount of customer base is HK$91,448,000 (2011: HK$109,292,000) and during the year ended 31st December, 2012, amortisation of the customer base amounting to HK$19,113,000 (2011: HK$8,181,000) is charged to profit or loss. Details of these other intangible assets are set out in Note 19.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is higher of the fair value less cost to sell or value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use 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, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a further impairment loss may arise. As at 31st December, 2012, the carrying amount of goodwill is HK$437,160,000, net of accumulated impairment loss of HK$102,210,000 including HK$79,910,000 for the segment of health care division – manufacturing and trading of HPV detection products and related equipments and HK$22,300,000 for the segment of medical centres management. As at 31st December, 2011, the carrying amount of goodwill is HK$511,334,000, net of accumulated impairment loss of HK$22,300,000 in the segment of medical centres management. Details of the calculation of value in use are disclosed in Note 18.

Estimated impairment of other intangible assets

Determining whether other intangible assets are impaired requires an estimation of the recoverable amount which is higher of the fair value less cost to sell or value in use of the cash-generating units to which other intangible asset has been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the relevant assets or the cash-generating unit in which the relevant intangible assets belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an impairment loss may arise. As at 31st December, 2012, the carrying amount of other intangible assets is HK$1,076,259,000 (2011: HK$1,149,318,000), and management of the Group determined that there was no impairment on other intangible assets. Details of the calculation of value in use are disclosed in Note 18.

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, 2012, the carrying amount of trade receivables is HK$183,195,000, net of allowance for doubtful debts of HK$14,616,000 (2011: HK$171,668,000, net of allowance for doubtful debts of HK$2,587,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with 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

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets designated at fair value through profit or loss		
– Held for trading investments	**–**	17
Loans and receivables		
– Trade and other receivables	**305,727**	175,952
– Amounts due from related companies	**8,179**	7,597
– Amounts due from subsidiaries of a jointly controlled entity	**34,030**	36,672
– Amount due from a director	**622**	–
– Loan receivable	**118,000**	118,000
– Pledged bank deposits	**24,878**	–
– Bank balances and cash	**286,256**	144,819
	777,692	483,040
	777,692	483,057
Financial liabilities		
Amortised cost		
– Trade and other payables	**29,373**	21,225
– Amounts due to related companies	**5,584**	–
– Amount due to a subsidiary of a jointly controlled entity	**6,671**	4,129
– Amount due to a shareholder	**–**	61,596
– Bank borrowings	**189,733**	172,033
	231,361	258,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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/a subsidiary of a jointly controlled entity/subsidiaries of a jointly controlled entity/a director/a shareholder, held for trading investments, loan receivable, bank balances and cash, pledged bank deposits, 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. However, the Group has certain bank balances that are denominated in Hong Kong dollar ("HK dollar") and United States dollar ("US dollar"). As a result, the Group is exposed to fluctuations in exchange rates of US dollar and HK dollar 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 at the end of the reporting period are as follows:

	Assets	
	2012	**2011**
	HK$'000	**HK$'000**
US dollar	**11**	58
HK dollar	**24**	760

Sensitivity analysis

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowings (see Notes 28 and 31 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, pledged bank deposits and bank borrowings (see Notes 22, 28 and 31 for details of loan receivable, pledged bank deposits and bank borrowings respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk **(CONTINUED)**

(ii) Interest rate risk (CONTINUED)

Sensitivity analysis

The sensitivity analysis 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 (2011: 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 (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2012 would decrease/increase by HK$642,000 and the Group's profit for the year ended 31st December, 2011 would decrease/increase by HK$205,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

Credit risk

As at 31st December, 2012, 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, the 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 1% (2011: 7%) and 15% (2011: 11%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In addition, the Group has concentration of credit risk on loan receivable of approximately HK$118 million (2011: HK$118 million) as at 31st December, 2012. 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, 2011 and 2012.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st December, 2012

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 at the end of the reporting period.

Liquidity tables

2012

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
Trade and other payables	–	24,913	1,570	2,890	29,373	29,373
Bank borrowings						
– fixed rate	7.59	–	–	91,836	91,836	87,073
– variable rate	6.44	26,782	–	78,761	105,543	102,660
Amount due to a subsidiary of a jointly controlled entity	–	6,671	–	–	6,671	6,671
Amounts due to related companies		5,584	–	–	5,584	5,584
		63,950	1,570	173,487	239,007	231,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st December, 2012

6. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk **(CONTINUED)**

Liquidity tables (CONTINUED)

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$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
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

As at 31st December, 2011, bank loan amounted to HK$55,000,000 with a repayment on demand clause and breach of covenants are included in the "On demand or less than 1 month" time band in the above maturity analysis. Based on the initial repayment term, the entire amount of HK$55,000,000 was due for repayment in 2012. During the year ended 31st December, 2012, HK$28,218,000 was repaid and the remaining amount of HK$26,782,000 has not been settled, which was repayable on demand as at 31st December, 2012 as agreed with the relevant bank. This bank loan is secured by a pledged bank deposit of HK$24,878,000 as disclosed in Note 28. 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 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 cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

7. REVENUE

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

	2012 HK$'000	2011 HK$'000
Sales from protein chips division	**252,664**	265,499
Trading of Human Papilloma Viruses ("HPV") detection products and related equipments	**16,364**	16,556
Medical centres management operation	**38,085**	17,901
Sales from individualised target therapy division	**15,324**	1,603
Sales from Bio-drugs division	**360**	–
	322,797	301,559

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	–	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.

An operating segment regarding hospital operation was discontinued in 2011. Details are set out in Note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue 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, 2012								
Continuing operations								
REVENUE								
External sales	**252,664**	**16,364**	**38,085**	**15,324**	**360**	**322,797**	**–**	**322,797**
Inter-segment sales	**14,733**	**–**	**–**	**–**	**–**	**14,733**	**(14,733)**	**–**
Total	**267,397**	**16,364**	**38,085**	**15,324**	**360**	**337,530**	**(14,733)**	**322,797**
Segment results	**49,638**	**(17,736)**	**(11,014)**	**(46,863)**	**(852)**	**(26,827)**	**(26)**	**(26,853)**
Unallocated expenses								**(9,261)**
Interest income								**7,656**
Share of result of a jointly controlled entity								**702**
Share of result of an associate								**(10,160)**
Impairment loss on goodwill								**(79,910)**
Finance costs								**(14,215)**
Loss before tax from continuing operations								**(132,041)**
For the year ended 31st December, 2011								
Continuing operations								
REVENUE								
External sales	247,558	16,556	35,842	1,603	–	301,559	–	301,559
Inter-segment sales	10,700	–	2,897	–	–	13,597	(13,597)	–
Total	258,258	16,556	38,739	1,603	–	315,156	(13,597)	301,559
Segment results	106,724	(15,876)	3,523	(2,949)	–	91,422	(195)	91,227
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 continuing operations								63,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

8. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit and loss of each segment without allocation of central administration costs, directors' salaries, share of results of a jointly controlled entity and an associate, 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 results 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 and operating segment:

	2012 HK$'000	2011 HK$'000
ASSETS – continuing operations		
Segment assets		
– protein chips division	**740,917**	683,459
– health care division	**10,855**	10,174
– medical centres management	**63,822**	39,546
– Individualised target therapy division	**17,480**	10,419
– Bio-drugs division	**3,026**	1,706
	836,100	745,304
Goodwill	**437,160**	511,334
Other intangible assets	**1,076,259**	1,149,318
Unallocated assets	**515,675**	421,669
Assets classified as held for sale	**–**	246,131
Consolidated total assets	**2,865,194**	3,073,756
LIABILITIES – continuing operations		
Segment liabilities		
– protein chips division	**36,832**	23,801
– health care division	**3,994**	6,198
– medical centres management	**7,398**	6,490
– Individualised target therapy division	**4,128**	1,288
– Bio-drugs division	**1,404**	1,901
	53,756	39,678
Unallocated liabilities	**427,634**	475,796
Liabilities classified as held for sale	**–**	64,250
Consolidated total liabilities	**481,390**	579,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 a jointly controlled entity and an associate, other intangible assets, loan receivable, amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

– segment liabilities included trade and other payables 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	Elimination HK$'000	Consolidated HK$'000
For the year ended 31st December, 2012								
Continuing operations								
Additions to non-current assets (Note)	**7,311**	**946**	**13,363**	**2,100**	**274**	**23,994**	**–**	**23,994**
Depreciation of property, plant and equipment	**32,541**	**477**	**3,092**	**1,093**	**290**	**37,493**	**–**	**37,493**
Loss (gain) on disposal of property, plant and equipment	**66**	**76**	**–**	**(385)**	**–**	**(243)**	**–**	**(243)**
Amortisation of prepaid lease payments	**1,017**	**–**	**–**	**–**	**–**	**1,017**	**–**	**1,017**
Amortisation of other intangible assets	**10,000**	**20,160**	**7,274**	**46,582**	**–**	**84,016**	**–**	**84,016**
Rental receivable from a related company written off	**4,507**	**–**	**–**	**–**	**–**	**4,507**	**–**	**4,507**
For the year ended 31st December, 2011								
Continuing operations								
Additions to non-current assets (Note)	772	164	4,320	3,930	957	10,143	–	10,143
Depreciation of property, plant and equipment	33,712	664	2,360	102	–	36,838	7	36,845
Loss on disposal of property, plant and equipment	–	–	6	–	–	6	–	6
Amortisation of prepaid lease payments	997	–	–	–	–	997	–	997
Amortisation of other intangible assets	4,248	19,965	7,204	3,844	–	35,261	–	35,261

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 results or segment assets but regularly reviewed by the chief operating decision maker for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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:

	2012 HK$'000	2011 HK$'000
Continuing operations		
Protein chips	**271,974**	265,499
HPV detection products and related equipments	**16,364**	16,556
Medical diagnostic, health check and medical appraisal services	**18,775**	17,901
Individualised molecular diagnostic products	**15,324**	1,603
Bio-drugs products	**360**	–
	322,797	301,559
Discontinued operation		
Hospital Operation	**–**	49,665
	322,797	351,224

Geographical information

Around 100% (2011: 99%) of the Group's revenue are derived from the operation in the PRC and around 98% (2011: 99%) of the Group's non-current assets excluding financial instruments are located in the PRC, therefore, no geographical information is presented.

Information about major customers

For the years ended 31st December, 2011 and 2012, no single customer contributed more than 10% of the total sales of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

9a. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest income		
– on bank deposits	**557**	10,810
– on loan receivable	**7,099**	3,608
Government subsidy (Note)	**4,453**	2,907
Others	**137**	4,765
	12,246	22,090

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
(Gain) loss on disposal of property, plant and equipment	**(243)**	6
Change in fair value of held for trading investments	**–**	45
Impairment loss on available-for-sale investments	**–**	1,192
Impairment loss on goodwill (Note 18)	**79,910**	22,300
Rental receivable from a related company written off (Note 40)	**4,507**	–
	84,174	23,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**14,215**	12,194
Imputed interest expense on non-current interest-free loan to subsidiaries of a jointly controlled entity	**3,690**	–
Imputed interest expense on receivable from Weiyi	**2,209**	–
	20,114	12,194

11. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**19,487**	21,331
– Overprovision in prior years	**–**	(1,955)
	19,487	19,376
Other jurisdiction		
– Current year	**842**	–
Deferred tax (Note 33)		
– Current year	**(13,183)**	(2,218)
	7,146	17,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

11. INCOME TAX EXPENSE (CONTINUED)

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.

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%.

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 2012 is 12.5% (2011: 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.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

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

	2012 HK$'000	2011 HK$'000
(Loss) profit before tax (from continuing operations)	**(132,041)**	63,357
Tax at the domestic income tax rate at 25% (2011: 25%) (Note i)	**(33,010)**	15,839
Tax effect of share of result of a jointly controlled entity and an associate	**2,365**	(617)
Tax effect of income not taxable for tax purpose	**(1,449)**	(3,812)
Tax effect of expenses not deductible for tax purpose	**26,638**	10,102
Tax effect of deductible temporary differences not recognised	**6,970**	–
Tax effect of tax losses not recognised (Note ii)	**4,594**	2,613
Income tax on concessionary rate	**(2,612)**	(10,534)
Overprovision in prior years	**–**	(1,955)
Tax effect of withholding tax on the undistributed profits of PRC subsidiaries	**4,581**	5,681
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(931)**	–
Others	**–**	(159)
Income tax expense for the year	**7,146**	17,158

Notes:

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

(i) As at 31st December, 2012, the Group had unused tax losses of HK$84,800,000 (2011: HK$66,423,000) 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 losses will expire within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

12. (LOSS) PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	**37,493**	36,845
Amortisation of prepaid lease payments	**1,017**	997
Amortisation of other intangible assets (included in other expenses)	**56,582**	8,091
Amortisation of other intangible assets (included in cost of sales)	**27,434**	27,170
Staff costs		
– directors' emoluments (Note 13(i))	**3,778**	4,235
– other staff costs	**34,577**	24,847
– retirement benefits scheme contributions, excluding directors	**434**	452
Total staff costs	**38,789**	29,534
Auditor's remuneration	**1,569**	2,375
Cost of inventories recognised as expenses	**74,752**	52,496
Research and development expenditure (included in other expenses)	**6,166**	8,003
Impairment loss on trade receivables	**12,030**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(i) Directors' and chief executive's emoluments

	2012 HK$'000	2011 HK$'000
Directors' and chief executive's fees:		
(a) Executive and chief executive		
– Yao Yuan	**1,656**	1,440
– Chien Hoe Yong, Henry	**253**	228
– Hu Jun	**–**	–
– Yu Ti Jun	**120**	120
– Iu Chung*	**–**	170
	2,029	1,958
(b) Independent non-executive		
– Lam Lee G.**	**50**	120
– Hu Jin Hua	**120**	120
– Lee Sze Ho, Henry	**120**	120
– Tang Yan Qin***	**120**	99
	410	459
(c) Non-executive		
– Yang Zhen Hua**	**50**	120
– Ma Yong Wei****	**–**	–
	50	120
Total directors' and chief executive's fees	**2,489**	2,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) Directors' and chief executive's emoluments (CONTINUED)

	2012 HK$'000	2011 HK$'000
Other emoluments of executive directors and chief executive's:		
(a) Salaries and other benefits		
– Yao Yuan	144	360
– Chien Hoe Yong, Henry	1,117	1,143
– Hu Jun	–	–
– Yu Ti Jun	–	–
– Iu Chung*	–	55
	1,261	1,558
(b) Bonus (Note)		
– Yao Yuan	–	–
– Chien Hoe Yong, Henry	–	114
– Hu Jun	–	–
– Yu Ti Jun	–	–
– Iu Chung*	–	–
	–	114
(c) Retirement benefits scheme contributions		
– Yao Yuan	14	12
– Chien Hoe Yong, Henry	14	12
– Hu Jun	–	–
– Yu Ti Jun	–	–
– Iu Chung*	–	2
	28	26
Total other emoluments of executive directors and chief executive	1,289	1,698
Total directors' and chief executive's emoluments	3,778	4,235

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

Mr. Chien Hoe Yong, Henry is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(i) Directors' and chief executive's emoluments (CONTINUED)

Neither the Chief Executive nor any of the directors waived any emoluments during either year.

* The director resigned on 15th February, 2011.

** The directors resigned on 30th May, 2012.

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

**** The director resigned on 28th August, 2012.

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors and the Chief Executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**1,440**	1,882
Retirement benefits scheme contributions	**41**	32
Bonus (Note)	**–**	100
	1,481	2,014

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

Their emoluments were within the following bands:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000	**3**	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

14. DIVIDENDS

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period.

15. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the year attributable to the owners of the Company	**(111,646)**	49,662

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,384,212,800**	4,013,454,783
Effect of dilutive potential ordinary shares:		
– Share options	**–**	167,142
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**4,384,212,800**	4,013,621,925

For the year ended 31st December, 2012, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share for continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

15. (LOSS) EARNINGS PER SHARE (CONTINUED)

From continuing operations

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the year attributable to the owners of the Company	**(111,646)**	49,662
Less: Profit for the year from discontinued operation	**(11,445)**	(159)
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(123,091)**	49,503

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

From discontinued operation

	2012 HK$'000	2011 HK$'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	**11,445**	159
Earnings per share	**0.26 HK cents**	Nil

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st December, 2012

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, 2011	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 35(a))	–	3,434	113	383	–	–	–	3,930
Acquisition of assets through acquisition of a subsidiary (Note 35(b))	–	621	115	221	–	–	–	957
Disposals	–	(313)	(4)	–	–	(283)	–	(600)
Reclassified as held for sale (Note 29)	(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
Exchange adjustments	3,369	1,305	116	66	116	4	(10)	4,966
Additions	66	6,360	6,797	528	3,801	259	6,183	23,994
Transfer	11,825	–	–	–	–	–	(11,825)	–
Disposals	–	(2,453)	(314)	(552)	–	(2)	–	(3,321)
At 31st December, 2012	345,250	113,720	10,419	7,989	10,302	640	426	488,746
DEPRECIATION								
At 1st January, 2011	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 29)	(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
Exchange adjustments	691	914	27	48	40	1	–	1,721
Provided for the year	17,675	17,825	447	610	897	39	–	37,493
Eliminated on disposals	–	(1,662)	(309)	(534)	–	(2)	–	(2,507)
At 31st December, 2012	66,351	71,819	2,822	6,092	3,137	401	–	150,622
CARRYING VALUES								
At 31st December, 2012	278,899	41,901	7,597	1,897	7,165	239	426	338,124
At 31st December, 2011	282,005	53,766	1,163	1,979	4,185	16	6,078	349,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

	2012 HK$'000	2011 HK$'000
Analysed for reporting purpose as:		
Current asset	**1,029**	1,682
Reclassified as held for sale (Note 29)	**–**	(662)
	1,029	1,020
Non-current asset	**43,065**	78,872
Reclassified as held for sale (Note 29)	**–**	(35,202)
	43,065	43,670
	44,094	44,690

The Group's prepaid lease payments represent payments for land use rights under medium-term lease located in the PRC which is amortised on a straight-line basis over the term of the lease for 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

18. GOODWILL

	HK$'000
COST	
At 1st January, 2011	420,982
Arising on acquisition of a business (Note 35(a))	169,777
Reclassified as held for sale (Note 29)	(57,125)
At 31st December, 2011	533,634
Exchange adjustments	5,736
At 31st December, 2012	539,370
IMPAIRMENT	
At 1st January, 2011	–
Impairment loss recognised in the year	22,300
At 31st December, 2011	22,300
Impairment loss recognised in the year	79,910
At 31st December, 2012	102,210
CARRYING VALUES	
At 31st December, 2012	437,160
At 31st December, 2011	511,334

For the purpose of impairment testing, the carrying amount of goodwill and other intangible assets has been allocated to the following cash generating units at the end of the reporting period as follows:

	Goodwill 2012 HK$'000	Other intangible assets 2012 HK$'000	Goodwill 2011 HK$'000	Other intangible assets 2011 HK$'000
Segment of protein chips division	**47,115**	**85,753**	47,115	95,753
Segment of health care division – manufacturing and trading of HPV detection products and related equipments	**79,910**	**233,123**	79,910	250,370
Segment of medical centres management	**218,613**	**45,069**	236,832	51,643
Segment of individualised target therapy division	**171,432**	**356,102**	169,777	398,770
Technical know-how of bio-drugs division	**–**	**356,212**	–	352,782
	517,070	**1,076,259**	533,634	1,149,318
Less: impairment loss recognised				
Segment of health care division – manufacturing and trading of HPV detection products and related equipments	**(79,910)**	**–**	–	–
Segment of medical centres management	**–**	**–**	(22,300)	–
	437,160	**1,076,259**	511,334	1,149,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

18. GOODWILL (CONTINUED)

In addition, certain amounts of property, plant and equipment have been allocated to each of the Group's cash-generating units for the purposes of impairment assessment of the respective cash-generating units.

During the year ended 31st December, 2012, except that an impairment of HK$79,910,000 has been recognised in the segment of health care division – manufacturing and trading of HPV detection products and related equipments, 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, 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.

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 to which goodwill, other intangible assets and certain property, plant and equipment are allocated to 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 covering a 5-year period and using a discount rate of 16.0% (2011: 16.0%), 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 sale and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Based on the recoverable amount of this unit, the management of the Group determined that there is no impairment of its CGU containing goodwill, other intangible assets and the relevant property, plant and equipment (2011: Nil).

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

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to 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 covering a 5-year period and using a discount rate of 18.6% (2011: 16.1%), 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. Based on the recoverable amount of this unit, the management of the Group determined that there is an impairment of HK$79,910,000 of its CGU containing goodwill, other intangible assets and the relevant property, plant and equipment (2011: Nil). The impairment loss has been allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

18. GOODWILL (CONTINUED)

Cash generating unit for segment of medical centres management

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to 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 covering a 5-year period and using a discount rate of 14.4% (2011: 16.1%), 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. Based on the recoverable amount of this unit, the management of the Group determined that there is no impairment of its CGU containing goodwill, other intangible assets and the relevant property, plant and equipment (2011: HK$22,300,000).

Cash generating unit for segment of individualised target therapy division

The recoverable amount of this unit to which goodwill, other intangible assets and certain property, plant and equipment are allocated to 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 covering a 5-year period and using a discount rate of 16.5% (2011: 19.8%), 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. Based on the recoverable amount of this unit, the management of the Group determined that there is no impairment of its CGU containing goodwill, other intangible assets and the relevant property, plant and equipment (2011: Nil).

Technical know-how of bio-drugs division

The Group has estimated the recoverable amount of an individual asset of bio-drugs for impairment assessment. The recoverable amount of the technical know-how has been determined based on a value in use calculation. The technical know-how was acquired through acquisition of assets through acquisition of a subsidiary during the year ended 31st December, 2011. Details are set out in Note 35(b). In 2012, the Group is at the stage of trial testing for the application of drug license as a prerequisite for market distribution. The Group expects to commence the market distribution of the products in 2015. For impairment purpose, the calculation uses cash flow projections based on the financial budgets approved by management covering a 7-year period and using a discount rate of 14.7% (2011: 17.1%), and the cash flow beyond 7 years are extrapolated using a zero growth rate. A 7-year period budget has been prepared by management because it usually takes 2 years before a drug license can be obtained from the State Food and Drug Administration for sales and distribution purposes. 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 management's expectations for the market development. Based on the recoverable amount of the technical know-how, the management of the Group determined that there is no impairment of the technical know-how (2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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, 2011	2,894	68,094	284,911	355,899
Additions	–	–	100,000	100,000
Acquisition of a business (Note 35(a))	–	58,626	343,989	402,615
Acquisition of assets through acquisition of a subsidiary (Note 35(b))	–	–	352,781	352,781
Exchange adjustments	365	3,949	14,570	18,884
Reclassified as held for sale (Note 29)	(3,259)	–	–	(3,259)
At 31st December, 2011	–	130,669	1,096,251	1,226,920
Exchange adjustments	–	1,269	9,688	10,957
At 31st December, 2012	–	131,938	1,105,939	1,237,877
AMORTISATION				
At 1st January, 2011	691	13,196	29,145	43,032
Charge for the year	217	8,181	27,080	35,478
Reclassified as held for sale (Note 29)	(908)	–	–	(908)
At 31st December, 2011	–	21,377	56,225	77,602
Charge for the year	–	19,113	64,903	84,016
At 31st December, 2012	–	40,490	121,128	161,618
CARRYING VALUES				
At 31st December, 2012	–	91,448	984,811	1,076,259
At 31st December, 2011	–	109,292	1,040,026	1,149,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) The distribution right was purchased as part of a business combination during the year ended 31st December, 2006. The distribution right entitles the Group to distribute HPV detection products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 years. The distribution right was disposed of through the disposal of a subsidiary during the year ended 31st December, 2012. Details are set out in Notes 29 and 35(c).

(ii) Included in the balance as at 31st December, 2012, customer base of HK$45,069,000 (2011: 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.

In addition, included in the remaining balance as at 31st December, 2012, customer base of HK$46,379,000 (2011: HK$57,649,000) was acquired through acquisition of a business during the year ended 31st December, 2011. Details are set out in Note 35(a). The customer base is being amortised on a straight-line basis over 5 years.

(iii) Included in the balance of technical know-how as at 31st December, 2012 is technical know-how of HK$233,123,000 (2011: HK$250,370,000) 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 Group has registered various technologies developed under the technical know-how with the State Intellectual Property Office of the PRC for patents. Each technology so registered would be protected for a period of 20 years starting from the day of registration. During the year ended 31st December, 2011, two medical device licenses had been obtained from the State Food and Drug Administration for products developed by the technical know-how. Both medical device licenses have a legal life of 4 years and will be expired in the year 2015. The directors are of the opinion that the Group would be able to renew the medical device licenses continuously at minimal costs and hence extending the legal life of the medical device licenses. The directors are of the opinion that the technical know-how are expected to be available for use by the Group over a useful life of 15 years from the date of acquisition and hence the technical know-how are amortised on a straight-line basis over 15 years.

In addition, included in the balance of technical know-how as at 31st December, 2012 is technical know-how of HK$309,723,000 (2011: HK$341,121,000) acquired through acquisition of a business during the year ended 31st December, 2011. Details are set out in Note 35(a). The technical know-how represents the design, development, production, sales and distributions of individualised molecular diagnostic products. During the year ended 31st December, 2012, four medical device licenses had been obtained from the State Food and Drug Administration for products developed by the technical know-how of individualised target therapy division. The four medical device licenses have a legal life of 4 years and will be expired in the year 2016. The directors are of the opinion that the Group would be able to renew the medical device licenses continuously at minimal costs and hence extending the legal life of the medical device licenses. In the opinion of the directors, the technical know-how are expected to be available for use by the Group over a useful life of 10 years from the date of acquisition and they are being amortised on a straight-line basis over 10 years.

Included in the balance of technical know-how as at 31st December, 2012 is technical know-how of HK$356,212,000 (2011: HK$352,782,000) acquired through acquisition of assets through acquisition of a subsidiary during the year ended 31st December, 2011. Details are set out in Note 35(b). The technical know-how represents the design, development, production, sales and distributions of specialised monoclonal antibody drugs. The Group has registered the technology developed under the technical know-how with the State Intellectual Property Office of the PRC for patent. In 2012, the Group is at the stage of trial testing for the application of drug license as a prerequisite for market distribution. The Group expects to commence the market distribution of the products in 2015. The amortisation will commence when the products developed by the technical know-how are available for marketing.

Included in the balance as at 31st December, 2012 is other technical know-how of HK$85,753,000 (2011: HK$95,753,000) 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 are expected to be available for use by the Group over a useful life of 10 years and they are being amortised on a straight-line basis over 10 years.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 HK$'000	2011 HK$'000
Cost of unlisted investment in a jointly controlled entity	**26,049**	26,049
Exchange adjustments	**1,692**	1,876
Share of post-acquisition results and other comprehensive income	**(13,573)**	(14,275)
	14,168	13,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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 registered capital held by the Group directly 2012	2011	Principal activities
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:

	2012 HK$'000	2011 HK$'000
Current assets	**8,322**	5,772
Non-current assets	**10,195**	12,814
Current liabilities	**4,942**	4,936
Group's share of net assets of a jointly controlled entity	**14,168**	13,650
Income recognised in profit or loss	**18,650**	22,714
Expenses recognised in profit or loss	**17,948**	20,248
Group's share of results of a jointly controlled entity for the year	**702**	2,466

21. INTEREST IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Cost of investment in an associate – unlisted	**98,554**	98,554
Exchange adjustments	**5**	–
Share of post-acquisition results and other comprehensive income	**(10,160)**	–
	88,399	98,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

21. INTEREST IN AN ASSOCIATE (CONTINUED)

In November 2011, the Group completed the acquisition of 30% equity interest in NewScen Coast Bio-Pharmaceutical Company Limited 天津中新科炬生物制药有限公司 ("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 (2011: HK$20,310,000) 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 and 2012	20,310

The summarised financial information in respect of the Group's interest in an associate which are accounted for using the equity method is set out below.

	2012 HK$'000	2011 HK$'000
Total assets	**282,238**	313,840
Total liabilities	**53,773**	53,649
Net assets	**228,465**	260,191
Group's share of net assets of an associate	**68,539**	78,244
Total revenue for the year/period	**31,712**	–
Total loss for the year/period	**(33,866)**	–
Group's share of loss of an associate for the year/period	**(10,160)**	–

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. LOAN RECEIVABLE

The loan receivable is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

23. AMOUNT DUE FROM A DIRECTOR

Director's current account disclosed pursuant to section 161B of the Companies Ordinance is as follows:

Director	Terms of loan	Balance at 31st December, 2012 HK$'000	Balance at 1st January, 2012 HK$'000	Maximum amount outstanding during the year HK$'000
Yao Yuan	Unsecured, non-interest bearing, repayable on demand	622	–	622

24. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**14,864**	10,240
Work in progress	**3,479**	6,576
Finished goods	**12,812**	8,566
	31,155	25,382
Reclassified as held for sale (Note 29)	**–**	(1,871)
	31,155	23,511

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Trade receivables	**183,195**	171,668
Bills receivable	**3,483**	1,355
Less: Allowance for doubtful debts	**(14,616)**	(2,587)
	172,062	170,436
VAT recoverable	**1,396**	164
Prepayments	**4,258**	1,333
Receivable from Weiyi (Note 35(c))	**78,915**	–
Refund of deposit paid for acquisition of property, plant and equipment (Note i)	**49,756**	–
Others	**11,366**	19,522
	317,753	191,455
Reclassified as held for sale (Note 29)	**–**	(3,035)
	317,753	188,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

Note:

(i) The amount relates to an acquisition of property, plant and equipment in 2011 with a consideration of RMB154,400,000 (equivalent to HK$185,979,000). As at 31st December, 2011, a deposit of RMB77,200,000 (equivalent to HK$95,104,000) was paid. During the year ended 31st December, 2012, the Group and the vendor agreed to terminate the agreement without any penalty and RMB37,200,000 (equivalent to HK$45,711,000) was refunded and the remaining RMB40,000,000 (equivalent to HK$49,756,000) will be settled in 2013.

The Group normally allows a credit period of 30 days to 270 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group.

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 as at 31st December, 2011), net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
0 – 60 days	**79,448**	68,079
61 – 90 days	**22,008**	66,393
91 – 180 days	**33,590**	20,075
181 – 270 days	**6,150**	15,889
Over 270 days	**30,866**	–
	172,062	170,436

Included in the Group's trade and bills receivables are debtors with aggregate carrying amount of HK$30,866,000 (2011: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. As there has not been a significant change in credit quality, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

An aged analysis of trade and bills receivables which were past due but not impaired based on the due date is as follows:

	2012 HK$'000	2011 HK$'000
0 – 60 days	**26,060**	–
61 – 90 days	**747**	–
91 – 180 days	**1,604**	–
181 – 270 days	**2,455**	–
	30,866	–

In determining the recoverability of trade and bills and other receivables, the Group considers any change in the credit quality of the trade and bills receivables, and other receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as the customer base is large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**2,587**	2,297
Impairment losses recognised on receivables	**12,030**	–
Disposal of a subsidiary	**(172)**	–
Exchange adjustment	**171**	290
Balance at end of the year	**14,616**	2,587

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	2012 HK$'000	2011 HK$'000
(a)	Amounts due from related companies			
	– 上海铭源酒店管理有限公司	(i)	**222**	220
	– 上海铭康商务信息谘询有限公司	(ii)	**7,920**	2,755
	– NewScen Coast	(iii)	**37**	–
	– 上海铭源实业集团有限公司("上海铭源实业")	(i)	**–**	856
	– 上海铭源度假村有限公司	(i)	**–**	3,766
			8,179	7,597
(b)	Amounts due from subsidiaries of a jointly controlled entity	(v)	**34,030**	36,672
(c)	Amount due to a shareholder	(iv)	**–**	(61,596)
(d)	Amount due to a subsidiary of a jointly controlled entity		**(6,671)**	(4,129)
(e)	Amounts due to related companies			
	– 上海铭源实业	(i)	**(4,825)**	–
	– 上海铭源度假村有限公司	(i)	**(759)**	–
			(5,584)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

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) An associate of the Group.

(iv) A shareholder who has significant influence over the Company.

(v) Included in the balance is an amount of HK$28,363,000 (2011: Nil) expected to be recovered after twelve months from the end of the reporting period, and thus classified as non-current asset.

The above amounts are unsecured, non-interest bearing and are repayable on demand, except for the amounts due from subsidiaries of a jointly controlled entity as mentioned in note (v) above.

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

27. HELD FOR TRADING INVESTMENTS

	2012 HK$'000	2011 HK$'000
Held for trading investments		
Equity securities listed in Hong Kong – at fair value	–	17

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits carry fixed interest rate of 3.30% (2011: Nil) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to HK$24,878,000 (2011: Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets.

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, 2012, the bank deposits carried interest at prevailing market rates ranging from 0.40% to 0.50% (2011: 0.50% to 2.00%) 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, 2012		
Bank balances and cash	**11**	**24**
At 31st December, 2011		
Bank balances and cash	58	760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

29. 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 sale 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 of the disposal are set out in Note 35(c).

The results of the discontinued operation for the year ended 31st December, 2011, which had been included in the consolidated statement of comprehensive income for the year ended 31st December, 2011, were as follows:

	1.1.2011 to 31.12.2011 HK$'000
Revenue	49,665
Cost of sales	(33,595)
Gross profit	16,070
Other income	414
Other gains and losses	(68)
Administrative expenses	(12,318)
Other expenses	(217)
Finance costs	(846)
Profit before tax	3,035
Income tax expense	(2,723)
Profit for the year	312

Profit for the year from discontinued operation has been arrived at after charging and (crediting):

Depreciation of property, plant and equipment	1,984
Amortisation of prepaid lease payments	655
Less: amount capitalised (included in buildings under construction in Note 16)	(655)
	–
Amortisation of other intangible assets (included in other expenses)	217
Staff costs	
– other staff costs	19,122
– retirement benefits scheme contributions, excluding directors	2,156
Total staff costs	21,278
Cost of inventories recognised as expenses	33,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

The results of the discontinued operation for the period from 1st January, 2012 to 4th January, 2012 were insignificant and thus not presented in the consolidated financial statements. During the year ended 31st December, 2012, profit for the year from discontinued operation includes a gain on disposal of Weiyi amounting to HK$11,445,000. Details of the disposal of a subsidiary are set out in Note 35(c).

During the year ended 31st December, 2011, the Discontinued Business contributed net operating inflow of HK$2,505,000, cash outflow of HK$33,556,000 in respect of investing activities and cash inflow of HK$33,116,000 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) as at 31st December, 2011 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

30. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	**7,010**	9,153
Receipts in advance (Note ii)	**12,379**	10,357
Accrued expenses	**6,605**	7,772
Other tax payable	**9,176**	10,263
Other payable (Note i)	**9,108**	4,958
Others	**13,254**	27,752
	57,532	70,255
Reclassified as held for sale (Note 29)	**–**	(27,139)
	57,532	43,116

Notes:

(i) The amount relates to payables to the agents in relation to the marketing activities and after-sales services provided by the agents on behalf of the Group to the end users which are charged back to the Group for reimbursement.

(ii) Included in receipts in advance is an amount of RMB2,000,000 (equivalent to HK$2,488,000) in relation to a deposit received in advance on disposal of an internally developed intellectual property.

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

	2012 HK$'000	2011 HK$'000
0-60 days	**2,890**	5,617
61-90 days	**1,570**	1,470
Over 90 days	**2,550**	2,066
	7,010	9,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

31. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Secured bank borrowings	**189,733**	117,033
Unsecured bank borrowings	**–**	55,000
	189,733	172,033
Carrying amount repayable:		
– On demand or within one year	**189,733**	172,033

As at 31st December, 2011, the outstanding bank borrowings with a repayment on demand clause due to breach of certain terms of the bank covenants is HK$55,000,000. Based on the initial repayment term, the entire amount of HK$55,000,000 was due for repayment in 2012. During the year ended 31st December, 2012, HK$28,218,000 was repaid and the remaining amount of HK$26,782,000 has not been settled, which was repayable on demand as at 31st December, 2012 as agreed with the relevant bank. This bank loan is secured by a pledged bank deposit of HK$24,878,000 as disclosed in Note 28.

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

	2012 HK$'000	2011 HK$'000
Fixed-rate bank borrowings which due:		
– Within one year	**87,073**	30,798

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**7.22% – 7.80%**	6.94%
Variable-rate borrowings	**5.40% – 9.18%**	1.55% – 7.59%

At the end of the reporting period, the Group's bank borrowings were denominated in the functional currency of the relevant group entities.

During the year, the Group obtained new loans in the amount of HK$160,973,000 (2011: HK$172,032,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

32. SHARE CAPITAL

	Number of shares	Value HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	6,000,000,000	300,000
Issued and fully paid:		
At 1st January, 2011	3,748,340,833	187,417
Exercise of share options (Note i)	15,000,000	750
Placement of shares (Note i)	294,000,000	14,700
Issue of shares upon acquisition of subsidiaries (Note ii)	326,871,967	16,344
At 31st December, 2011 and 31st December, 2012	4,384,212,800	219,211

Notes:

(i) 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.

(ii) 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 ended 31st December, 2011. Details of the acquisition of subsidiary are set out in Note 35(a).

All the shares issued during the year ended 31st December, 2011 ranked pari passu with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st December, 2012

33. 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$'000	Total HK$'000
At 1st January, 2011	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 29)	–	–	(5,718)	(5,718)
Acquisition of a business (Note 35(a))	–	100,469	–	100,469
At 31st December, 2011	48,044	168,002	–	216,046
Charge (credit) to profit or loss	4,581	(17,764)	–	(13,183)
At 31st December, 2012	52,625	150,238	–	202,863

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, 2012 and 31st December, 2011, deferred taxation has been provided for in full in respect of undistributed profits retained by the PRC entities.

34. 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, 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,300,000 (2011: 3,300,000) representing 0.08% (2011: 0.08%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

34. SHARE OPTIONS (CONTINUED)

Equity-settled share option scheme (CONTINUED)

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:

					Number of share options		
Grantee	**Date of grant**	**Exercise price**	**Vesting period**	**Exercisable period**	**Outstanding at 1.1.2011**	**Exercised during the year**	**Outstanding at 31.12.2011 and 31.12.2012**
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 and 2012							3,300,000

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.

There was no share options granted, exercised, lapsed and cancelled during the year ended 31st December, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

The fair value assessment in respect of the acquisition of Shanghai Yuanqi was completed during the year ended 31st December, 2012. The provisional values of assets and liabilities are finalised and there is no change in the fair value upon finalisation.

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.

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

	HK$'000
Property, plant and equipment	3,930
Other intangible assets	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 (Note 33)	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

(a) Acquisition of a business (CONTINUED)

Goodwill arising on acquisition:

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

Note: 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

Note: The non-controlling interests were initially measured at the non-controlling interests' proportionate share of the fair value of identifiable net assets acquired at the date of acquisition.

Included in the Group's profit for the year ended 31st December, 2011 is loss of HK$2,974,000 attributable to the additional business generated by Shanghai Yuanqi. Group's revenue for the year ended 31st December, 2011 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 ended 31st December, 2011 would had been HK$306,726,000, and the profit for the year ended 31st December, 2011 of the Group would had been HK$709,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

(b) 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 transaction 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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

(c) Disposal of a subsidiary

As referred to in Note 29, the Group completed the disposal of its equity interest in Weiyi on 4th January, 2012. The net assets of Weiyi at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	140,719
Prepaid lease payments	35,864
Attributable 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
Trade and other payables (Note)	(132,148)
Bank borrowings	(24,638)
Taxation payable	(6,755)
Deferred tax liabilities	(5,718)
Net assets disposed of	76,872
Gain on disposal of a subsidiary:	
Consideration received	80,075
Net assets disposed of	(76,872)
Non-controlling interests	8,242
Gain on disposal	11,445

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration received	80,075
Less: bank balances and cash disposed of	(4,018)
	76,057

Note: Included in trade and other payables was an amount of HK$105,009,000 due to the Group before disposal which was used for operational purposes. The receivable due from Weiyi is interest-bearing at 3% starting from July 2013 and repayable over 2012 and 2013. Upon disposal, the Group measured the amount at fair value determined using the effective interest method using effective interest rate at 6%. The receivable is secured by the personal guarantee provided by the major shareholder of Weiyi. As at 31st December, 2012, the remaining balance of the receivable amount is HK$78,915,000 and included in trade and other receivables, deposits and prepayments (Note 25). The balance will be settled in four tranches. The first tranche of RMB20,000,000 (equivalent to approximately HK$24,192,000) will be settled by 1st April, 2013. The second tranche of RMB15,000,000 (equivalent to approximately HK$18,144,000) will be settled by 1st June, 2013. The remaining tranches of RMB30,240,000 (equivalent to approximately HK$36,579,000) will be settled by 19th December, 2013.

The impact of Weiyi on the Group's results and cashflows for the period from 1st January, 2012 to 4th January, 2012 were insignificant. The impact of Weiyi on the Group's results and cashflows for the year ended 31st December, 2011 was disclosed in Note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

36. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– property, plant and equipment	**2,891**	155,266
– other intangible assets	**27,000**	27,000
	29,891	182,266

37. OPERATING LEASE COMMITMENTS

The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK$8,579,000 (2011: HK$6,340,000) 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:

	2012 HK$'000	2011 HK$'000
Within one year	**6,628**	8,499
In the second to third year inclusive	**7,213**	12,808
	13,841	21,307

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.

38. RETIREMENT BENEFIT PLANS

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

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

The total cost charged to profit or loss of HK$462,000 (2011: HK$2,634,000) represents contributions payable to these schemes by the Group for the year ended 31st December, 2012. As at 31st December, 2012 and 31st December, 2011, no contribution was due and unpaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

39. PLEDGE OF ASSETS

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

	2012 HK$'000	2011 HK$'000
Prepaid lease payments	**44,094**	44,690
Buildings	**278,310**	282,020
Pledged bank deposits	**24,878**	–
	347,282	326,710

40. RELATED PARTY DISCLOSURES

The Group recognised rental income of RMB2,000,000 (equivalent to HK$2,409,000) in 2011 from 上海铭源度假村有限公司 ("上海铭源度假村") (2012: Nil). During the year ended 31st December, 2012, the rental agreement was terminated without any penalty. The management of the Group considered the rental receivable from 上海铭源度假村 is uncollectible due to infavorable operating results of 上海铭源度假村. Thus, an amount of RMB3,667,000 (equivalent to HK$4,507,000) has been written off. As at 31st December, 2012, 上海铭源度假村 has not moved out from the premise.

During the year ended 31st December, 2012, the Group paid rental expense of HK$654,000 (2011: HK$652,000) to 上海铭源房地产开发经营有限公司, which is a subsidiary of 上海铭源实业, a substantial shareholder who has significant influence over the Company. 上海铭源实业 is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively. Mr. Yao Yuan is the chairman of the Group while Mr. Iu Chung is the director of certain PRC subsidiaries of the Group.

During the year ended 31st December, 2012, the Group received corporate guarantee from 上海铭源实业, a substantial shareholder of the Company, in an aggregate amount of RMB11,000,000 (equivalent to HK$13,683,000) to secure the banking facility granted to the Group, of which the amount has been fully utilised as at 31st December, 2012.

During the year ended 31st December, 2011, Mr. Iu Chung gave personal guarantee in an aggregate amounts of RMB20,000,000 (equivalent to HK$24,368,000) to one bank to secure the banking facilities granted to the Group, of which the amount has been fully utilised as at 31st December, 2011. The related personal guarantee was released in 2012 upon the expiry of banking facilities.

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	**5,604**	5,904
Post-employment benefits	**41**	62
	5,645	5,966

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 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		Indirect		Principal activities
			2012	2011	2012	2011	
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 and iv)	PRC	RMB15,000,000	–	–	–	51%	Investment holding
上海市虹口区妇幼保健院 (Note ii and iv)	PRC	N/A	–	–	–	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%	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%	80%	Research, development and trading of specialised monoclonal antibody drugs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31st December, 2012

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.

(iv) These companies were disposed of during the year. Details are set out in Notes 29 and 35(c).

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.

42. COMPARATIVE INFORMATION

Certain comparative information in respect of cost of sales and other expenses has been reclassified to conform to current year's presentation in the consolidated statement of comprehensive income.

FINANCIAL SUMMARY

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

(A) RESULTS

	For the year ended 31st December,				
	2008	**2009**	**2010**	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue	292,721	357,298	370,273	301,559	**322,797**
Profit (loss) before tax	174,762	95,085	157,173	63,357	**(132,041)**
Income tax expense	(25,105)	(18,605)	(37,063)	(17,158)	**(7,146)**
Profit (loss) for the year from continuing operations	149,657	76,480	120,110	46,199	**(139,187)**
Profit (loss) for the year from discontinued operation	1,157	(837)	3,412	312	**11,445**
Profit (loss) for the year	150,814	75,643	123,522	46,511	**(127,742)**
Dividends recognised as distribution during the year	29,346	–	35,158	–	**–**
Attributable to:					
Owners of the Company	150,102	76,758	122,438	49,662	**(111,646)**
Non-controlling interests	743	(1,115)	1,084	(3,151)	**(16,096)**
	150,845	75,643	123,522	46,511	**(127,742)**

(B) ASSETS AND LIABILITIES/EQUITY

	At 31st December,				
	2008	**2009**	**2010**	**2011**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total assets	1,381,344	1,976,533	2,291,708	3,073,756	**2,865,194**
Total liabilities	(361,314)	(515,485)	(448,210)	(579,724)	**(481,390)**
	1,020,030	1,461,048	1,843,498	2,494,032	**2,383,804**
Equity attributable to owners of the Company	1,014,924	1,419,060	1,800,426	2,287,797	**2,201,907**
Non-controlling interests	5,106	41,988	43,072	206,235	**181,897**
	1,020,030	1,461,048	1,843,498	2,494,032	**2,383,804**