MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

銘源醫療發展有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0233)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS HIGHLIGHTS

- Turnover increased by 7.0% to approximately HK$322.8 million (2011: HK$301.6 million).
- Gross profit decreased by 0.6% to approximately HK$220.6 million (2011: HK$221.9 million).
- Gross profit margin reached 68.3%, representing a decrease of 5.2% (2011: 73.5%).
- 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).
- Loss for the year from continuing operations of approximately HK$139.2 million (2011: profit of HK$46.2 million). The loss was primarily due to the substantial increase of HK$48.5 million in amortisation of intangible assets, increase in impairment loss of goodwill of HK$57.6 million, share of loss of an associate of HK$10.1 million, and 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.

* *For identification purposes only*

The Board of Directors (the "Directors") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2012, together with the comparative figures for year 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st December, 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Continuing operations			
Revenue	*3*	**322,797**	301,559
Cost of sales		**(102,186)**	(79,666)
Gross Profit		**220,611**	221,893
Other income	*4*	**12,246**	22,090
Other gains and losses	*5*	**(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		**702**	2,466
Share of result of an associate		**(10,160)**	–
Finance costs	*6*	**(20,114)**	(12,194)
(Loss) profit before tax		**(132,041)**	63,357
Income tax expense	*7*	**(7,146)**	(17,158)
(Loss) profit for the year from continuing operations		**(139,187)**	46,199
Discontinued operation			
Profit for the year from discontinued operation		**11,445**	312
(Loss) profit for the year	*8*	**(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

	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			
From continuing and discontinued operations			
Basic	*9*	**(2.55)HK cents**	1.24HK cents
Diluted	*9*	**(2.55)HK cents**	1.24HK cents
From continuing operations			
Basic	*9*	**(2.81)HK cents**	1.23HK cents
Diluted	*9*	**(2.81)HK cents**	1.23HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**338,124**	349,192
Prepaid lease payments		**43,065**	43,670
Goodwill		**437,160**	511,334
Other intangible assets		**1,076,259**	1,149,318
Interest in a jointly controlled entity		**14,168**	13,650
Interest in an associate		**88,399**	98,554
Deposits paid for the acquisition of property, plant and equipment		**6,117**	101,851
Deposits paid for acquisition of intangible assets		**40,000**	40,000
Loan receivable		**–**	118,000
Amounts due from subsidiaries of a jointly controlled entity		**28,363**	–
		2,071,655	2,425,569
Current Assets			
Inventories		**31,155**	23,511
Prepaid lease payments		**1,029**	1,020
Loan receivable		**118,000**	–
Trade and other receivables, deposits and prepayments	*10*	**317,753**	188,420
Amount due from a director		**622**	–
Amounts due from related companies		**8,179**	7,597
Amounts due from subsidiaries of a jointly controlled entity		**5,667**	36,672
Held for trading investments		**–**	17
Pledged bank deposits		**24,878**	–
Bank balances and cash		**286,256**	144,819
		793,539	402,056
Assets classified as held for sale		**–**	246,131
		793,539	648,187
Current Liabilities			
Trade and other payables	*11*	**57,532**	43,116
Amounts due to related companies		**5,584**	–
Amount due to a subsidiary of a jointly controlled entity		**6,671**	4,129
Bank borrowings		**189,733**	172,033
Amount due to a shareholder		**–**	61,596
Taxation payable		**19,007**	18,554
		278,527	299,428
Liabilities associated with assets classified as held for sale		**–**	64,250
		278,527	363,678

	Notes	2012 HK$'000	2011 HK$'000
Net Current Assets		**515,012**	284,509
Total Assets less Current Liabilities		**2,586,667**	2,710,078
Capital and Reserves			
Share capital		**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		**202,863**	216,046
		2,586,667	2,710,078

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("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. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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

In the current year, the Group has applied the following amendments to HKFRS issued by the 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 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	Investments 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.

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 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.

3. 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.

Specially, 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.

Segment revenues and results

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

	Protein chips division *HK$'000*	Health care division *HK$'000*	Medical centres management *HK$'000*	Individualised target therapy division *HK$'000*	Bio-drugs division *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
For the year ended 31st December, 2012								
Continuing operations								
REVENUE								
External sales	252,664	16,364	38,085	15,324	360	322,797	–	322,797
Inter-segment sales	14,733	–	–	–	–	143,733	(143,733)	–
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	32,842	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

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 resources 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	2011
	HK$'000	*HK$'000*
Assets – Continuing Operations		
Segment assets		
– protein chip division	**740,917**	683,459
– health care division	**10,855**	10,174
– medical centres management	**63,822**	39,546
– individualized 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 chip division	**36,832**	23,801
– health care division	**3,994**	6,198
– medical centres management	**7,398**	6,490
– individualized 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

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

– all assets are allocated to operating segments, other than goodwill, interests 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 chip division *HK$'000*	Health care division *HK$'000*	Medical centre management *HK$'000*	Individualised target therapy division *HK$'000*	Bio-drugs division *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31st December 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.

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.

4 OTHER INCOME

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

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'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	**79,910**	22,300
Rental receivable from a related company written-off	**4,507**	–
	84,174	23,543

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'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 Shanghai Weiyi Hospital Investment and Management Company Limited ("Weiyi")	**2,209**	–
	20,114	12,194

7. 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		
– Current year	**(13,183)**	(2,218)
	7,146	17,158

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 Regulations 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, 湖州數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.

8. (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	**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 on receivables	**12,030**	–

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'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.

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	2011
	HK$'000	*HK$'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

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	**0.26HK cents**	Nil

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'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	**78,915**	–
Refund of deposit paid for acquisition of property, plant and equipment	**49,756**	–
Others	**11,366**	19,522
	317,753	191,455
Reclassified as held for sale	**–**	(3,035)
	317,753	188,420

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 reporting period:

	2012	2011
	HK$'000	*HK$'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

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.

11. TRADE AND OTHER PAYABLES

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

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

	2012	2011
	HK$'000	*HK$'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

12. 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.

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.

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.

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.

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.

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.

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	2011
	HK$'000	*HK$'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:

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.mymedicare.com.hk). The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

On behalf of the Board
Yao Yuan
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. Yao Yuan (Chairman), Mr. Chien Hoe Yong, Henry (CEO), Mr. Hu Jun, and Mr. Yu Ti Jun; the independent non-executive directors are Mr. Hu Jin Hua, Mr. Lee Sze Ho, Henry, and Mr. Tang Yan Qin.

* *For identification purposes only*