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 2013

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, 2013, together with the comparative figures for year 2012 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December, 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	3	**404,150**	322,797
Cost of sales		**(126,111)**	(102,186)
Gross Profit		**278,039**	220,611
Other income	4	**13,356**	12,246
Other gains and losses	5	**10,092**	(4,264)
Distribution and selling expenses		**(126,293)**	(104,385)
Administrative expenses		**(68,107)**	(84,019)
Other expenses		**(104,284)**	(62,748)
Impairment losses on goodwill		**(384,308)**	(79,910)
Impairment losses on other intangible assets		**(170,000)**	–
Impairment losses on goodwill included in interest in an associate		**(20,310)**	–
Other receivable written off	11	**(507,197)**	–
Deposits paid for acquisition of intangible assets written off	6	**(40,000)**	–
Amounts due from subsidiaries of a joint venture written off		**(33,859)**	–
Share of profit of a joint venture		**274**	702
Share of loss of an associate		**(11,828)**	(10,160)
Finance costs	7	**(12,453)**	(20,114)
Loss before tax		**(1,176,878)**	(132,041)
Income tax expense	8	**(11,264)**	(7,146)
Loss for the year from continuing operations		**(1,188,142)**	(139,187)

* *For identification purposes only*

	Notes	2013 HK$'000	2012 HK$'000
Discontinued operation			
Profit for the year from discontinued operation		**–**	11,445
Loss for the year	*9*	**(1,188,142)**	(127,742)
Other comprehensive income			
Exchange differences arising on translation of foreign subsidiaries, an associate and a joint venture (that may be reclassified subsequently to profit or loss)		**43,628**	25,756
Total comprehensive expense for the year		**(1,144,514)**	(101,986)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(1,056,705)**	(123,091)
– from discontinued operation		**–**	11,445
		(1,056,705)	(111,646)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(131,437)**	(16,096)
		(1,188,142)	(127,742)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,017,107)**	(85,890)
Non-controlling interests		**(127,407)**	(16,096)
		(1,144,514)	(101,986)
Loss per share	*10*		
From continuing and discontinued operations			
Basic		**(24.10)HK cents**	(2.55)HK cents
Diluted		**(24.10)HK cents**	(2.55)HK cents
From continuing operations			
Basic		**(24.10)HK cents**	(2.81)HK cents
Diluted		**(24.10)HK cents**	(2.81)HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Property, plant and equipment		**337,123**	338,124
Prepaid lease payments		**43,283**	43,065
Goodwill		**47,115**	437,160
Other intangible assets		**807,379**	1,076,259
Interest in a joint venture		**14,765**	14,168
Interest in an associate		**58,754**	88,399
Deposits paid for acquisition of property, plant and equipment		**2,030**	6,117
Deposits paid for acquisition of intangible assets		**–**	40,000
Amounts due from subsidiaries of a joint venture		**–**	28,363
		1,310,449	2,071,655
Current Assets			
Inventories		**24,631**	31,155
Prepaid lease payments		**1,060**	1,029
Loan receivable		**118,000**	118,000
Trade and other receivables, deposits and prepayments	*11*	**193,404**	317,753
Amount due from a director		**640**	622
Amounts due from related parties		**18,942**	8,179
Amounts due from subsidiaries of a joint venture		**721**	5,667
Pledged bank deposits		**35,863**	24,878
Bank balances and cash		**49,726**	286,256
		442,987	793,539
Current Liabilities			
Trade and other payables	*12*	**72,158**	57,532
Amounts due to related companies		**2,930**	5,584
Amount due to a subsidiary of a joint venture		**10,519**	6,671
Bank borrowings	*13*	**208,834**	189,733
Taxation payable		**27,024**	19,007
		321,465	278,527

	2013	2012
	HK$'000	*HK$'000*
Net Current Assets	**121,522**	515,012
Total Assets less Current Liabilities	**1,431,971**	2,586,667
Non-Current Liabilities		
Deferred tax liabilities	**193,042**	202,863
Net Assets	**1,238,929**	2,383,804
Capital and Reserves		
Share capital	**219,195**	219,211
Reserves	**965,244**	1,982,696
Equity attributable to owners of the Company	**1,184,439**	2,201,907
Non-controlling interests	**54,490**	181,897
Total Equity	**1,238,929**	2,383,804

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 of Hong Kong Limited (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")

(a) Application of new and revised HKFRSs

The Group has applied the following new and revised to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

- recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's transfer of financial assets.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014
2 Effective for annual periods beginning on or after 1st July, 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1st January, 2016

The Directors anticipated that the application of the above new and revised HKFRSs will not have a material impact on the results and financial position of the Group.

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.

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

Protein chips division ("PCD")	–	Manufacture and trading of protein chips and related equipments
Health care division ("HCD")	–	Manufacture and trading of HPV detection products and related equipments
Medical centres management ("MCM")	–	Provision of medical diagnostic, health check and medical appraisal services
Individualised target therapy division ("ITTD")	–	Research, development and trading of individualised molecular diagnostic products
Bio-drugs division ("BDD")	–	Research, development and trading of specialised monoclonal antibody drugs

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, 2013								
Continuing operations								
REVENUE								
External sales	281,293	20,893	71,459	29,467	1,038	404,150	–	404,150
Inter-segment sales	23,014	–	–	–	–	23,014	(23,014)	–
Total	304,307	20,893	71,459	29,467	1,038	427,164	(23,014)	404,150
Segment results	45,156	(17,958)	(14,774)	(47,356)	(37,043)	(71,975)	(519)	(72,494)
Unallocated expenses								(7,423)
Interest income								8,861
Share of profit of a joint venture								274
Share of loss of an associate								(11,828)
Impairment losses on goodwill								(384,308)
Impairment losses on goodwill included in interest in an associate								(20,310)
Impairment losses on other intangible assets								(170,000)
Other receivable written off								(507,197)
Finance costs								(12,453)
Loss before tax from continuing operations								(1,176,878)

	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 profit of a joint venture								702
Share of loss of an associate								(10,160)
Impairment losses on goodwill								(79,910)
Finance costs								(14,215)
Loss before tax from continuing operations								(132,041)

Segment results represent the profit and loss of each segment without allocation of central administration costs, directors' salaries, share of results of a joint venture and an associate, impairment losses on goodwill, other intangible assets and goodwill included in interest in an associate, other receivable, deposits paid for acquisition of intangible assets and amounts due from subsidiaries of a joint venture written off, investment income and certain 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:

	2013	2012
	HK$'000	*HK$'000*
Assets – Continuing Operations		
Segment assets		
– PCD	**531,632**	740,917
– HCD	**13,709**	10,855
– MCM	**37,122**	63,822
– ITTD	**18,287**	17,480
– BDD	**1,942**	3,026
	602,692	836,100
Goodwill	**47,115**	437,160
Other intangible assets	**807,379**	1,076,259
Unallocated assets	**296,250**	515,675
Consolidated total assets	**1,753,436**	2,865,194
Liabilities – Continuing Operations		
Segment liabilities		
– PCD	**43,068**	36,832
– HCD	**5,242**	3,994
– MCM	**29,581**	7,398
– ITTD	**2,006**	4,128
– BDD	**1,266**	1,404
	81,163	53,756
Unallocated liabilities	**433,344**	427,634
Consolidated total liabilities	**514,507**	481,390

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 joint venture and an associate, other intangible assets, loan receivable, amounts due from related parties, 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 2013								
Continuing operations								
Additions to non-current assets *(Note)*	12,278	774	7,686	3,893	645	25,276	–	25,276
Depreciation of property, plant and equipment	27,927	598	4,228	2,355	373	35,481	–	35,481
Loss (gain) on disposal of property, plant and equipment	618	–	–	–	–	618	–	618
Amortisation of prepaid lease payments	1,044	–	–	–	–	1,044	–	1,044
Amortisation of other intangible assets	10,000	20,443	7,377	47,239	36,122	121,181	–	121,181
Deposits paid for acquisition of intangible assets written off	40,000	–	–	–	–	40,000	–	40,000
Amount due from subsidiaries of a joint venture	–	–	33,859	–	–	33,859	–	33,859
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

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% (2012: 100%) of the Group's revenue are derived from the operation in the PRC and around 91% (2012: 98%) of the Group's non-current assets excluding financial instruments are located in the PRC, therefore, no geographical information is presented.

4 OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest income		
– on bank deposits	**1,781**	557
– on loan receivable	**7,080**	7,099
Government subsidy *(Note)*	**1,937**	4,453
Imputed interest income on receivable from Shanghai Weiyi Hospital Investment and Management Company Limited ("Weiyi")	**2,269**	–
Sales of consumables	**53**	46
Others	**236**	91
	13,356	12,246

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 operations of the Group.

5. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Gain on sale of an intellectual property *(Note)*	**(10,710)**	–
Loss (gain) on disposal of property, plant and equipment	**618**	(243)
Rental receivable from a related company written-off	**–**	4,507
	(10,092)	4,264

Note: In 2012, the Group entered into a sale and purchase agreement of an internally developed intellectual property with an independent third party for a consideration of RMB9,000,000. RMB2,000,000 had been received in 2012 and was recognised as receipt in advance under other payables. During the current year, as the transfer of ownership of such intellectual property was registered and the related consideration has been received in full, a gain on disposal of intellectual property amounting to RMB8,491,000 (equivalent to HK$10,710,000), net of tax was therefore recognised.

6. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS WRITTEN OFF

The amount was related to the deposits paid for acquisition of two patents from two independent third parties in 2011 with a consideration of HK$32,000,000 and HK$35,000,000 respectively. In 2011, a deposit of HK$20,000,000 was paid to each of the two independent third parties. During the current year, the Directors are still in the negotiation with the two independent third parties in relation to the registration of transfer of ownership regarding the two patents and since the transfer of the titles is uncertain, the Directors consider the recovery of such deposits to be remote and the entire amount of HK$40,000,000 has been impaired accordingly.

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**12,305**	14,215
Finance cost on discounted bills	**148**	–
Imputed interest expense on non-current interest-free loan to subsidiaries of a joint venture	**–**	3,690
Imputed interest expense on receivable from Weiyi	**–**	2,209
	12,453	20,114

8. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**23,122**	19,487
– Overprovision in prior years	**19**	–
	23,141	19,487
Other jurisdiction		
– Current year	**850**	842
Deferred tax		
– Current year	**(12,727)**	(13,183)
	11,264	7,146

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 subsidiaries, 上海銘源數康生物芯片有限公司 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%. The subsidiary was then approved as a "high and new technology enterprise" and become eligible to enjoy a preferential enterprise income tax rate of 15% starting from the current year until 2015.

The Group's another PRC subsidiary, 湖州數康生物科技有限公司 was approved as a "high and new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% for both years until 2013.

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

9. LOSS FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	**35,481**	37,493
Amortisation of prepaid lease payments	**1,044**	1,017
Amortisation of other intangible assets (included in other expenses)	**93,361**	56,582
Amortisation of other intangible assets (included in cost of sales)	**27,820**	27,434
Staff costs		
– directors' emoluments	**3,844**	3,778
– other staff costs	**40,595**	30,588
– retirement benefits scheme contributions, excluding directors	**4,979**	4,423
Total staff costs	**49,418**	38,789
Auditor's remuneration	**1,659**	1,569
Cost of inventories recognised as expenses	**126,111**	74,752
Research and development expenditure (included in other expenses)	**10,923**	6,166
Impairment loss on trade receivables (included in administrative expenses)	**–**	12,030

10. LOSS PER SHARE

From continuing and discontinued operations

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to the owners of the Company	**(1,056,705)**	(111,646)
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,384,150,553**	4,384,212,800

For the year ended 31st December, 2013 and 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 per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss figures are calculated as follows:		
Loss for the year attributable to the owners of the Company	**(1,056,705)**	(111,646)
Less: Profit for the year from discontinued operation	**–**	(11,445)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(1,056,705)**	(123,091)

The denominators used are the same as those detailed above for both basic and diluted loss 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	**N/A**	11,445
Earnings per share (basic and diluted)	**N/A**	0.26HK cents

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**184,718**	183,195
Bills receivable	**2,094**	3,483
Less: Allowance for doubtful debts	**(15,050)**	(14,616)
	171,762	172,062
VAT recoverable	**2,848**	1,396
Prepayments	**5,241**	4,258
Receivable from Weiyi	**–**	78,915
Refund of deposit paid for acquisition of property, plant and equipment *(Note i)*	**–**	49,756
Others	**13,553**	11,366
	193,404	317,753

Notes:

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$50,456,000) was settled during the current year.

ii During the current year, the Group advanced RMB396,000,000 (equivalent to approximately HK$507,197,000) to an unrelated entity incorporated in the PRC. The amount is interest-free, unsecured and repayable on demand. As at 31st December, 2013, the Directors are still in the negotiation with such entity in relation to the repayment of such advance but no agreement has yet to conclude. Despite the Directors are of the view that such advance can be recoverable but for prudence sake, the entire amount of the advance has been impaired during the current year.

The Group normally allows a credit period of 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, net of allowance for doubtful debts presented based on the invoice date at the end of reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**78,237**	79,448
61 – 90 days	**25,308**	22,008
91 – 180 days	**43,630**	33,590
181 – 270 days	**15,142**	6,150
Over 270 days	**9,445**	30,866
	171,762	172,062

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.

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**10,256**	7,010
Receipts in advance	**15,168**	12,379
Accrued expenses	**4,889**	6,605
Other tax payable	**12,828**	9,176
Other payable *(Note i)*	**5,203**	9,108
Other loans	**3,842**	–
Others *(Note ii)*	**19,972**	13,254
	72,158	57,532

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 the balance is an amount of approximately RMB8,000,000 (equivalent to approximately HK$10,091,000) advanced by an independent third party for the potential business cooperation during the current year. The amount is interest-free, unsecured and repayable on demand. As no agreement has been reached in relation to this potential business cooperation, the entire amount has been repaid to the independent third party after the reporting period.

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

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**5,074**	2,890
61 – 90 days	**410**	1,570
Over 90 days	**4,772**	2,550
	10,256	7,010

13. BANK BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Secured bank borrowings	**208,834**	189,733
Carrying amount repayable:		
– On demand or within one year	**208,834**	189,733

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

	2013	2012
	HK$'000	*HK$'000*
Fixed-rate bank borrowings which due:		
– Within one year	**115,912**	87,073

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

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**6.00% – 7.98%**	7.22% – 7.80%
Variable-rate borrowings	**6.00% – 6.60%**	5.40% – 9.18%

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

As at 31 December, 2013, the Group's unutilised amount of banking facilities is approximately HK$24,194,000 (2012: HK$71,698,000).

14. DIVIDENDS

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period.

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 specialised molecular diagnostic kits for leukemia, lymphoma and individualised target cancer therapy provide a very wide range of products for early screening and detection of major diseases.

2013 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 7.7% in 2013, 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 2013 was HK$404.2 million, representing an increase of 25.2% as compared to the total revenue of HK$322.8 million in 2012. Gross profit increased from HK$220.6 million to HK$278.0 million, representing an increase of 26.0%. Meanwhile, the gross profit margin increased from 68.3% in 2012 to 68.8% in 2013. The Group recorded a loss for the year of HK$1,188.1 million as compared to a loss for the year of HK$139.2 million in 2012 from continuing operations. The loss for the year in 2013 was primarily due to an increase of HK$37.2 million in amortisation of other intangible assets, a substantial increase in impairment losses on goodwill of HK$304.4 million, a substantial increase in impairment losses on other intangible assets of HK$170.0 million and a substantial increase in written off of other receivable of HK$507.2 million.

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 67 percent with an average annual growth of 8.9 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 573 million in 2013, representing an increase of over 529.7 million participants with annual averages of 23.3 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 2013, the urban population reached 53.7 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, health care division, medical centres management, individualised 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$304.3 million (2012: HK$267.4 million), representing an increase of approximately 13.8 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. After two years of learning the up-graded C-12 product, our distributors were more acquainted with this new product and sales of C-12 products had picked up steadily. We are confident that sales of C-12 products would maintain a steady growth rate in the next few years and that C-12 products would remain one of the main profit contributor to the Group.

A new drug license for the testing of tuberculosis was obtained during the later part of the year. This is the first ever drug license approved in China for the testing of T cell for tuberculosis by enzyme-linked technique. Sales under this newly approved drug license will commence in 2014. We are confident that sales would pick up rapidly in the next couple of years.

Health Care 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 specialised 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$20.9 million (2012: HK$16.4 million), representing an increase of 27.4 percent over last year.

Medical Centres Management

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$71.5 million (2012: HK$38.1 million), representing an increase of approximately 87.7 percent.

Individualised 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 specialised molecular diagnostic kits for leukemia, lymphoma and individualised 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$29.5 million for the year 2013 (2012: HK$15.3 million), representing an increase of approximately 92.8 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 of this division had increased steadily over the years. 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 commercialisation 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 of years.

FINANCIAL PERFORMANCE

The loss for the year in 2013 amounted to HK$1,188.1 million (2012: loss for the year of HK$127.7 million). Loss per share was 24.10 HK cents (2012: loss of 2.55 HK cents). The loss for the year in 2013 was primarily due to an increase of HK$37.2 million in amortisation of other intangible assets, a substantial increase in impairment losses on goodwill of HK$304.4 million, a substantial increase in impairment losses on other intangible assets of HK$170.0 million and a substantial increase in written off of other receivable of HK$507.2 million.

Increase in amortisation of other intangible assets

Total amortisation of other intangible assets included under other expenses for the year amounted to HK$93.4 million (2012: HK$56.6 million), representing an increase of HK$36.8 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 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 were created as a result of these two acquisitions. Amortisation of a portion of these newly acquired other intangible assets started in the year 2012, and full amortisation started in the year 2013. As such, the amortisation costs for the year 2013 increased.

Substantial increase in impairment losses on goodwill

Total impairment losses on goodwill for the year amounted to HK$384.3 million (2012: 79.9 million), representing an increase of HK$304.4 million. The impairment losses of goodwill in the year related to goodwill originally generated in the previous years on acquisition of MCM and ITTD.

	HK$'000
Impairment loss on goodwill:	
MCM	214,531
ITTD	169,777
Total	384,308

The basis of the recoverable amounts of MCM and ITTD and their major underlying assumptions are summarised below:

MCM

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 14.6% (2012: 14.4%), 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.

ITTD

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 18.4% (2012: 16.5%), 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 amounts of MCM and ITTD, the management of the Group determined that there are impairment losses of HK$214.5 million and HK$169.8 million on the goodwill of MCM and ITTD, respectively (2012: impairment losses of HK$79.9 million on the goodwill of HCD).

Substantial increase in impairment losses on other intangible assets

Total impairment losses on other intangible assets for the year amounted to HK$170.0 million (2012: Nil). This impairment losses were related to other intangible assets of HCD. As mentioned above under the substantial increase in impairment losses on goodwill section, the recoverable amount of other intangible assets 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 18.8% (2012: 18.6%), 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 other intangible assets of HCD, the management of the Group determined that there is an impairment losses of HK$170.0 million to the other intangible assets of HCD (2012: Nil).

Substantial increase in written off of other receivable

During the year, the Group advanced RMB396,000,000 (equivalent to approximately HK$507,197,000) to an unrelated entity incorporated in the PRC. The amount is interest-free, unsecured and repayable on demand. As at 31st December, 2013, the Directors are still in the negotiation with such entity in relation to the repayment of such advance but no agreement has yet to conclude. Despite the Directors are of the view that such advance can be recoverable but for prudence sake, the entire amount of the advance has been impaired during the current year.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$304.3 million (2012: HK$267.4 million), representing an increase of 13.8 percent over that of last year. Segment profit of this division amounted to HK$45.2 million (2012: HK$49.6 million), representing a decrease of approximately 8.9 percent over that of last year.

The Group sold a total of 2.15 million protein chips (2012: 1.88 million), an increase of 14.4 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.

Health Care Division

Turnover contributed by this division amounted to HK$20.9 million (2012: HK$16.4 million). The division incurred a segment loss of HK$18.0 million for the year (2012: segment loss of HK$17.8 million). The segment loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$20.4 million (2012: HK$20.2 million). In 2013, the Group sold 314,800 kits (2012: 250,000 kits), an increase of 25.9% over last year.

Medical Centres Management

Turnover contributed by this division amounted to HK$71.5 million (2012: HK$38.1 million). Segment loss of this division amounted to HK$14.8 million (2012: segment loss of HK$11.0 million).

One of the medical centres was under renovation in the year 2012. The renovation was to upgrade the whole facility for serving high end customers. The renovated centre was re-opened in April 2012. Turnover of this renovated centre for the year 2013 was HK$42.4 million (2012: HK$16.9 million), representing an increase of HK$25.5 million.

The segment loss for the year was primarily due to (i) amortisation of other intangible assets of HK$7.4 million and (ii) written off of HK$33.9 million of amounts due from subsidiaries of a joint venture.

Individualised Target Therapy Division

Turnover contributed by this division amounted to HK$29.5 million (2012: HK$15.3 million). The division incurred a segment loss of HK$47.4 million for the year (2012: segment loss of HK$46.9 million). The segment loss was due to the amortisation of technical know-how and customer base arising on acquisition of Shanghai Yuanqi Bio-Pharmaceutical Company Limited in the amount of HK$47.2 million (2012: HK$46.6 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.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2013, the Group had a total of 1,186 employees (2012: 1,132 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 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 joint venture 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 2013, 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 2013.

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 2013 in conjunction with the Group's auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 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 2013 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

On behalf of the Board
Yao Yuan
Chairman

Hong Kong, 31 March 2014

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. Zhao Chao, and Mr. Zhou Li Qun; non-executive director is 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*