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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 SUPPLEMENTAL INFORMATION FOR IMPAIRMENT LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

Reference is made to the announcement of results for the year ended 31 December 2013 and the 2013 annual report published by the Company on 31 March 2014 and 30 April 2014 respectively (collectively “The Results”). The Company reported impairment loss of HK\$384.31 million on goodwill and impairment loss of HK\$170 million on other intangible assets (collectively the “Impairment Loss”) in the Results.

The Board is pleased to provide following additional information about the Impairment Loss so that the Company’s shareholders could have a reasonable appreciation of the Company’s annual results for the year ended 31 December 2013.

During the year ended 31 December 2013, three operating units, the health care division (“HCD”), medical centres management (“MCM”) and individualized target therapy division (“ITTD”), reported a total of HK\$384.31 million and HK\$170 million impairment losses on goodwill and other intangible assets respectively. Goodwill and other intangible assets arose after various business acquisitions undertaken by the Company in previous years. The carrying value of goodwill and other intangible assets so created under various operating units would have to be valued each year by the Company.

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

For HCD, 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 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. Growth rate adopted for the projected cash flow covering the 5-year period for years 2014 to 2018 at 31 December 2013 is 21.57%, 14.08%, 14.00%, 14.00% and 10.26% (growth rate adopted for the projected cash flow covering the 5-year period for years 2013 to 2017 at 31 December 2012 was: 105.95%, 89.66%, 47.05%, 47.00% and 47.00%).

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.

For 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. Growth rate adopted for the projected cash flow covering the 5-year period for years 2014 to 2018 at 31 December 2013 is 9.37%, 5.17%, 5.15%, 4.34% and 4.22% (growth rate adopted for the projected cash flow covering the 5-year period or years 2013 to 2017 at 31 December 2012 was: 38.97%, 37.97%, 36.87%, 11.96% and 8.23%).

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.

For 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. Growth rate adopted for the projected cash flow covering the 5-year period for years 2014 to 2018 at 31 December 2013 is 220.34%, 168.31%, 81.87%, 57.16% and 29.88% (growth rate adopted for the projected cash flow covering the 5-year period for years 2013 to 2017 at 31 December 2012 was: 653.72%, 135.79%, 58.78%, 46.95% and 38.90%).

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 so calculated, the management of the Group determined that there were impairment losses of HK\$214.5 million and HK\$169.8 million on the goodwill of MCM and ITTD respectively, and impairment loss of HK\$170 million on other intangible assets of HCD for the year ended 31 December 2013 (2012: impairment losses of HK\$79.9 million on the goodwill of HCD only).

On behalf of the Board
Mingyuan Medicare Development Company Limited
銘源醫療發展有限公司*
Yao Yuan
Chairman

Hong Kong, 30 May 2014

As at the date of this announcement, the executive directors are Mr. Yao Yuan (Chairman, CEO), Mr. Zhao Chao, and Mr. Zhou Li Qun; non-executive director is Mr. Yu Ti Jun; the independent non-executive directors are Mr. Lee Sze Ho, Henry, Mr. Tang Yan Qin, and Mr. Chow Wing Kin.

* For identification purposes only