MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED
銘源醫療發展有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0233)

UNAUDITED CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

Reference is made to the announcement ("Announcement") of Mingyuan Medicate Development Company Limited (the "Company", together with its subsidiaries, collectively the "Group") dated 17 June 2015 relating to the delay in publication of annual results of the Group for the year ended 31 December 2014 ("2014 Annual Results"). As stated in the Announcement, additional time is required for the Company to prepare the information requested including the result of the independent investigation on the bank balance of the Company as of 31 December 2014 for the auditors of the Company to finalize and complete the audit of the 2014 Annual Results.

This announcement is made by the board (the "Board") of directors ("Directors") of the Company pursuant to Rule 13.49(3) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. Based on information available, the Board announces the unaudited consolidated profit and loss statement of the Group for the year ended 31 December 2014 together with the comparative figures. The unaudited consolidated profit and loss statement has been reviewed by the Company's audit committee (the "Audit Committee") and approved by the Board for publication.

Trading in the shares of the Company will remain suspended pending release of the audited annual results of the Company for the year ended 31 December 2014.

*	*For identification purposes only*

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the Year Ended 31 December 2014

	Notes	Year Ended 31 December 2014 HK$'000 (Unaudited)	2013 HK$'000 (Restated)
Continuing operations			
Revenue	2	**409,530**	361,757
Cost of sales		**(110,270)**	(100,740)
Gross Profit		**299,260**	261,017
Other income		**14,597**	13,356
Other gains and losses		**(2,703)**	10,092
Distribution and selling expenses		**(109,007)**	(108,755)
Administrative expenses		**(80,097)**	(59,815)
Other expenses		**(125,733)**	(115,145)
Impairment losses on goodwill		**–**	(384,308)
Impairment losses on intangible assets		**(459,095)**	(170,000)
Impairment losses on interest in an associate		**(43,613)**	(20,310)
Reversal of other receivable written off (other receivable written off)		**498,406**	(507,197)
Deposit paid for acquisition of intangible asset written off		**–**	(40,000)
Amount due from subsidiaries of a joint venture written off		**–**	(33,859)
Share of (loss) profit of a joint venture		**(14,765)**	274
Share of loss of an associate		**(1,013)**	(11,828)
Finance costs		**(12,030)**	(12,453)
Loss before tax		**(35,793)**	(1,178,931)
Income tax credit (expense)		**39,574**	(10,462)
Profit (loss) for the year from continuing operations		**3,781**	(1,189,393)
Discontinued operations			
Profit for the year from discontinued operations		**210**	1,251
Profit (loss) for the year		**3,991**	(1,188,142)

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

1. BASIS OF PREPARATION

Accounting policies adopted for the preparation of the unaudited consolidated profit and loss statement are consistent with those used in the Group's annual audited financial statement for the year ended 31 December 2013.

2. 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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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 services
Individualised target therapy division ("ITTD")	Research, development, manufacture and trading of individualised molecular diagnostic products and related equipments
Bio-drugs division ("BDD")	Research, development, manufacture and trading of specialised monoclonal antibody drugs and related equipments

The health check and medical appraisal services under MCM segment were discontinued in the current year, The segment information reported below included the amounts in relation to the discontinued operation.

Segment revenue and results

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

	PCD *HK$'000*	HCD *HK$'000*	MCM *HK$'000*	ITTD *HK$'000*	BDD *HK$'000*	Total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
For the year ended 31st December, 2014 (unaudited)								
REVENUE								
External sales	**308,301**	**39,962**	**25,205**	**34,430**	**1,632**	**409,530**	**–**	**409,530**
Inter-segment sales	**31,054**	**–**	**–**	**–**	**–**	**31,054**	**(31,054)**	**–**
Total	**339,355**	**39,962**	**25,205**	**34,430**	**1,632**	**440,584**	**(31,054)**	**409,530**
Segment results	**55,023**	**(30,858)**	**(24,403)**	**(186,756)**	**(319,184)**	**(506,178)**	**(621)**	**(506,799)**
Unallocated expenses								**(6,693)**
Interest income								**7,311**
Share of loss of a joint venture								**(14,765)**
Share of loss of an associate								**(1,013)**
Reversal of other receivable written off								**498,406**
Finance costs								**(12,030)**
Profit before tax from discontinued operations								**(210)**
Loss before tax from continuing operations								**(35,793)**
For the year ended 31st December, 2013 (restated)								
REVENUE								
External sales	281,293	20,893	29,066	29,467	1,038	361,757	–	361,757
Inter-segment sales	23,014	–	–	–	–	23,014	(23,014)	–
Total	304,307	20,893	29,066	29,467	1,038	384,771	(23,014)	361,757
Segment results	45,156	(187,958)	(19,969)	(47,356)	(37,043)	(247,170)	(519)	(247,689)
Unallocated expenses								(2,228)
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 interest in an associate								(20,310)
Other receivable written off								(507,197)
Finance costs								(12,453)
Profit before tax from discontinued operations								(2,053)
Loss before tax from continuing operations								(1,178,931)

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 and interest in an associate, other receivable written off, reversal of other receivable written off, finance costs and profit before tax from discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

Other segment information

Amounts included in the measure of segment profit or loss:

	PCD	HCD	MCM	ITTD	BDD	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2014 (unaudited)								
Depreciation of property, plant and equipment	**30,952**	**542**	**697**	**2,119**	**945**	**35,255**	**–**	**35,255**
Loss on disposal of property, plant and equipment	**3,093**	**–**	**–**	**–**	**–**	**3,093**	**–**	**3,093**
Amortisation of prepaid lease payments	**1,042**	**–**	**–**	**–**	**–**	**1,042**	**–**	**1,042**
Amortisation of intangible assets	**–**	**20,398**	**7,360**	**47,132**	**46,042**	**120,932**	**–**	**120,932**
Impairment losses on intangible assets	**–**	**14,256**	**29,223**	**142,832**	**272,784**	**459,095**	**–**	**459,095**
For the year ended 31st December, 2013 (restated)								
Depreciation of property, plant and equipment	27,927	598	4,228	2,355	373	35,481	–	35,481
Loss on disposal of property, plant and equipment	618	–	–	–	–	618	–	618
Gain on sale of an intellectual property	(10,710)	–	–	–	–	(10,710)	–	(10,710)
Amortisation of prepaid lease payments	1,044	–	–	–	–	1,044	–	1,044
Amortisation of intangible assets	–	20,443	7,377	47,239	46,122	121,181	–	121,181
Impairment losses on other intangible assets	–	170,000	–	–	–	170,000	–	170,000
Deposits paid for acquisition of intangible assets written off	40,000	–	–	–	–	40,000	–	40,000
Amounts due from subsidiaries of a joint venture written off	–	–	33,859	–	–	33,859	–	33,859

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	PCD	HCD	MCM	ITTD	BDD	Total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2014 (unaudited)								
Reversal of other receivable	**–**	**–**	**–**	**–**	**–**	**–**	**498,406**	**498,406**
Impairment losses on interest in an associate	**–**	**–**	**–**	**–**	**–**	**–**	**(43,613)**	**(43,613)**
For the year ended 31st December, 2013 (restated)								
Impairment losses on goodwill	–	–	(214,531)	(169,777)	–	(384,308)	–	(384,308)
Other receivable written off	–	–	–	–	–	–	(507,197)	(507,197)
Impairment losses on interest in an associate	–	–	–	–	–	–	(20,310)	(20,310)

Revenue from major products and services

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Continuing operations		
Protein chips	**330,516**	306,281
HPV detection products and related equipments	**39,962**	20,893
Medical diagnostic services	**2,990**	4,078
Individualised molecular diagnostic products	**34,430**	29,467
Bio-drugs products	**1,632**	1,038
	409,530	361,757
Discontinuing operations		
Health check and medical appraisal services `	**–**	42,393
	409,530	404,150

Geographical information

Around 100% (2013: 100%) of the Group's revenue are derived from the operation in the PRC and around 98% (2013: 91%) of the Group's non-current assets excluding financial instruments are located in the PRC, therefore, no geographical information is presented.

Information about major customers

For the years ended 31st December, 2014 and 2013, no single customer contributed more than 10% of the total sales of the Group.

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.

2014 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 7.4% in 2014, the slowest year-on-year growth in the past 14 years.

Under this subdued environment, the Group still managed to record a very steady growth in turnover. Total turnover of the Group in 2014 was HK$409.5 million, representing an increase of 13.2% as compared to the total revenue of HK$361.8 million (restated) in 2013. Gross profit increased from HK$261.0 million (restated) to HK$299.3 million, representing an increase of 14.7%. Meanwhile, the gross profit margin increased from 72.2% (restated) in 2013 to 73.1% in 2014.

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 59 percent with an average annual growth of 8.5 percent and the China economy is currently the second 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 2,000 to 598 million in 2014, representing an increase of over 554.7 million participants with annual averages of 21.9 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 2014, the urban population reached 54.8 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.

Turnover contributed by the sale of the C-12 products amounted to HK$339.4 million (2013: HK$304.3 million), representing an increase of approximately 11.5 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. After several 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 in the later part of 2013. 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 had commenced 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$40.0 million (2013: HK$20.9 million), representing an increase of 91.4 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$25.2 million (2013: HK$29.1 million (restated)), representing a decrease of approximately 13.4 percent.

The division discontinued the health check and medical appraisal services in the year 2014.

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 division contributed sales of HK$34.4 million for the year 2014 (2013: HK$29.5 million), representing an increase of approximately 16.6 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 Group recorded a profit of HK$4.0 million for the year ended 31 December 2014 (2013: loss for the year of HK$1,188.1 million). The turnaround from loss to profit in 2014 was primarily due to (i) recovery of other receivable of HK$498.4 million previously written off. Other receivable of HK$507.2 million was written off in 2013. (ii) There was no impairment losses on goodwill in 2014 (2013: impairment losses of HK$384.3 million. The results of the Group in 2014 was still materially affected by (i) impairment losses of HK$502.7 million (2013: HK$190.3 million) on intangible assets and interest in an associate; and (ii) amortisation of HK$120.9 million (2013: HK$121.2 million) of other intangible assets.

Recovery of other receivable previously written off

In 2013, the Group deposited RMB396,000,000 (equivalent to approximately HK$507.2 million) (the "Deposit") to an unrelated entity incorporated in the PRC for certain treasury arrangement. The amount is interest-free, unsecured and repayable on demand. As at 31st December, 2013, the Directors were still in the negotiation with such entity in relation to the repayment of the Deposit but no agreement has yet to been concluded. Despite the Directors were of the view that the Deposit could be recoverable but since no agreement had been reached, the entire amount of the Deposit had been impaired in 2013 for prudence.

In 2014, the Group successfully recovered the full amount of the Deposit. Following this successful recovery, the Group reported a gain on recovery of receivable of HK$498.4 million in 2014.

Impairment losses on goodwill

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. The excess of sum of consideration transferred over the amount of any non-controlling interests, the fair value recognised over the identified assets acquired and liabilities assumed will be recorded as goodwill. Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is carried at cost less any accumulated impairment losses, if any,

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.

Goodwill and other intangible assets arising through various business acquisitions would be tested for impairment annually. Impairment losses so identified is allocated first to reduce the carrying amount of any goodwill and then to other intangible assets.

In 2013, the Group recorded an impairment losses of HK$384.3 million on goodwill. After the recognition of impairment losses in 2013, goodwill of all the operating segments, except PCD, has been fully written off. Impairment losses identified in subsequent years on all the operating segments, except PCD, will be allocated to reduce the carrying values of other intangible assets. The Group did not identify impairment losses on PCD in 2014 and hence did not record any impairment losses on goodwill in 2014.

Impairment losses on other intangible assets

Total impairment losses on other intangible assets for the year amounted to HK$459.1 million (2013: HK$170.0 million). This impairment losses related to other intangible assets of HCD, MCM, ITTD and BDD (2013: HCD only).

The recoverable amounts of other intangible assets of various operating segments have 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 18.0% (2013: 18.8%), 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 is approximately 5% to 10% for HCD (2103: approximately 10% to 22%); approximately 0.5% to 2% for MCM (2013: approximately 4% to 9%); approximately 18% to 120% for ITTD (2013: approximately 30% to 220%); and approximately 20% to 50% for BDD (2013: approximately 50% to 200%). 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, MCM, ITTD and BDD, the management of the Group recognised total impairment losses of HK$459.1 million to the other intangible assets in 2014 (2013: HK$170.0 million).

Apart from the considerations described in determining the value-in-use of various operating segments above, the Directors are not aware of any other probable changes that would necessitate changes in its key estimates. However, the estimated recoverable amount of the Group's various operating segment is particularly sensitive to the long term growth rate applied.

Amortisation of other intangible assets

Total amortisation of other intangible assets for the year amounted to HK$120.9 million (2013: HK$121.2 million), representing a decrease of HK$0.3 million. After the impairment losses recognised on other intangible assets over the last couple years, the amortisation of other intangible assets in the subsequent years will be reduced significantly.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products and new tuberculosis amounted to HK$339.4 million (2013: HK$304.3 million), representing an increase of 11.5 percent over that of last year. Segment profit of this division amounted to HK$55.0 million (2013: HK$45.2 million), representing an increase of approximately 21.7 percent over that of last year.

The Group sold a total of 2.22 million protein chips (2013: 2.15 million), representing an increase of 3.3 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. The increase in segment profit was a direct result of cost control on operating costs.

A new drug license for the testing of tuberculosis was obtained in the later part of 2013. 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 sales had commenced in 2014 and total sales recorded for the year was HK$3.3 million (2013: Nil). This new product provides a gross margin in the region of 85% and a specialised sales team has been established to further promote the sales of this new product. The Directors believe that this new product would become a significant profit contributor of the Group in the next few years.

Health Care Division

Turnover contributed by this division amounted to HK$40.0 million (2013: HK$20.9 million), representing an increase of 91.4 percent over last year. The division incurred a segment loss of HK$30.9 million for the year (2013: segment loss of HK$188.0 million). The segment loss was due to the amortisation of technical know-how arising on acquisition of Genetel BVI in the amount of HK$20.4 million (2013: HK$20.4 million). The significant decrease in segment loss was because of decrease in impairment losses of other intangible assets. An impairment losses of other intangible assets of HK$170.0 million was recognised for the division in 2013. In 2014, impairment losses of other intangible assets amounted to 14.3 million only was recognised. In 2014, the Group sold 488,600 kits (2013: 314,800 kits), an increase of 55.2% over last year.

Medical Centres Management

Turnover contributed by this division amounted to HK$25.2 million (2013: HK$29.1 million (restated)), representing a decrease of 13.4 percent over last year. Segment loss of this division amounted to HK$24.4 million (2013: segment loss of HK$20.0 million (restated)).

The segment loss for the year was primarily due to (i) amortisation of other intangible assets of HK$7.4 million (2013: HK$7.4 million). and (ii) impairment losses of HK$29.2 million (2013: Nil) was recognised during the year.

Individualised Target Therapy Division

Turnover contributed by this division amounted to HK$34.4 million (2013: HK$29.5 million), representing an increase of 16.6 percent over last year. The division incurred a segment loss of HK$186.8 million for the year (2013: segment loss of HK$47.4 million). The increase in segment loss was due to (i) impairment losses on other intangible assets of HK$142.8 million (2013: Nil) and (ii) the amortisation of technical know-how and customer base arising on acquisition of Shanghai Yuanqi Bio-Pharmaceutical Company Limited in the amount of HK$47.1 million (2013: HK$47.2 million).

Bio-drug Division

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.

The division recorded a segment loss of 319.2 million (2013: 37 million). The significant increase in segment loss of the division was because of (i) impairment losses of HK$272.8 million (2013: Nil) on other intangible assets was recognised in 2014; and (ii) amortisation of other intangible assets amounted to HK$46.0 million (2013: 46.1 million) was recorded in 2014.

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 2014, the Group had a total of 978 employees (2013: 1,186 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 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 2014, 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 Listing Rules, 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 2014.

AUDIT COMMITTEE

The audit committee comprises 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 to monitor the Group's overall financial position and to protect its assets.

The audit committee has reviewed the Group's unaudited consolidated profit and loss statement for the year ended 31 December 2014.

On behalf of the Board
Yao Yuan
Chairman & CEO

Hong Kong, 11 February 2016

As at the date of this announcement, the executive directors are Mr. Yao Yuan (Chairman & CEO) and Mr. Kot Wang; non-executive director is Mr. Yu Ti Jun; the independent non-executive directors are Mr. Chui Man Lung, Everett, Mr. Zhang Xiao Ming, Mr. Yao Liang and Mr. Yang Chun Bao.

* *For identification purposes only*