銘源醫療

Mingyuan Medicare Development Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00233

Innovative Medicare

Our Vision

Interim Report 2013

The Board of Directors (the "Board") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period of 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2013

		Unaudited Six months ended 30 June	
	Notes	**2013** **HK$'000**	2012 HK$'000
Continuing operations			
Revenue	2	**182,197**	181,287
Cost of sales		**(63,665)**	(59,365)
Gross Profit		**118,532**	121,922
Other income	3	**4,454**	8,359
Other gains and losses	4	**10,622**	9,218
Selling and distribution expenses		**(43,937)**	(32,694)
Administrative expenses		**(36,690)**	(40,047)
Other expenses		**(23,779)**	(30,062)
Share of result of a jointly controlled entity		**371**	1,229
Share of result of an associate		**(2,272)**	–
Finance costs	5	**(7,742)**	(5,452)
Profit before taxation		**19,559**	32,473
Income tax expense	6	**(3,139)**	(2,131)
Profit for the period from continuing operations	7	**16,420**	30,342
Discontinued operation			
Profit for the period from discontinued operation		**–**	3,200
Profit for the period		**16,420**	33,542
Other comprehensive income (loss) for the period			
Exchange differences arising on translation		**19,294**	(10,690)
Total comprehensive income for the period		**35,714**	22,852

	Notes	Unaudited Six months ended 30 June **2013** **HK$'000**	2012 HK$'000
Profit for the period attributable to owners of the Company			
– from continuing operations		**21,790**	39,514
– from discontinued operation		**–**	3,200
		21,790	42,714
(Loss) for the period attributable to non-controlling interests			
– from continuing operations		**(5,370)**	(9,172)
– from discontinued operation		**–**	–
		(5,370)	(9,172)
		16,420	33,542
Total comprehensive income for the period attributable to:			
Owners of the Company		**41,084**	32,024
Non-controlling Interests		**(5,370)**	(9,172)
		35,714	22,852
Earnings per share			
From continuing and discontinued operations			
Basic	8	**0.50 HK cents**	0.97 HK cents
Diluted	8	**0.50 HK cents**	0.97 HK cents
From continuing operations			
Basic	8	**0.50 HK cents**	0.90 HK cents
Diluted	8	**0.50 HK cents**	0.90 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013** ***HK$'000*** **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Non-Current Assets			
Property, plant and equipment		**336,591**	338,124
Prepaid lease payments		**43,033**	43,065
Goodwill		**443,807**	437,160
Other intangible assets		**1,046,730**	1,076,259
Interest in a jointly controlled entity		**14,537**	14,168
Interest in an associate		**86,126**	88,399
Deposit paid for the acquisition of property, plant and equipment		**577**	6,117
Deposits paid for acquisition of intangible assets		**40,000**	40,000
Amount due from subsidiaries of a jointly controlled entity		**28,726**	28,363
		2,040,127	2,071,655
Current Assets			
Inventories		**30,548**	31,155
Prepaid lease payments		**1,041**	1,029
Loan receivable		**118,000**	118,000
Trade and other receivables, deposits and prepayments	9	**306,602**	317,753
Amount due from a director		**629**	622
Amount due from related companies		**12,235**	8,179
Amount due from subsidiaries of a jointly controlled entity		**5,502**	5,667
Pledged bank deposits		**–**	24,878
Bank balances and cash		**360,871**	286,256
		835,428	793,539

	Notes	**30 June 2013** **HK$'000** **(Unaudited)**	31 December 2012 HK$'000 (Audited)
Current Liabilities			
Trade and other payables	10	**74,578**	57,532
Amount due to related companies		**2,390**	5,584
Amount due to a subsidiary of a jointly controlled entity		**8,122**	6,671
Bank borrowings – due within one year		**152,218**	189,733
Taxation payable		**20,559**	19,007
		257,867	278,527
Net Current Assets		**577,561**	515,012
Total Assets less Current Liabilities		**2,617,688**	2,586,667
Capital and Reserves			
Share capital		**219,211**	219,211
Reserves		**2,023,776**	1,982,696
Equity attributable to owners of the Company		**2,242,987**	2,201,907
Non-controlling interests		**176,753**	181,897
Total Equity		**2,419,740**	2,383,804
Non-Current Liabilities			
Deferred tax liabilities		**197,948**	202,863
		2,617,688	2,586,667

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital HK$'000	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Assets revaluation reserve HK$'000	Contributed surplus HK$'000 (Note)	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority Interest HK$'000	Total HK$'000
At 31 December 2011	219,211	1,177,668	–	1,140	10,354	12,804	258,635	607,985	2,287,797	206,235	2,494,032
Loss for the year	–	–	–	–	–	–	–	(111,646)	(111,646)	(16,096)	(127,742)
Exchange realignment	–	–	–	–	–	–	25,756	–	25,756	–	25,756
Total comprehensive income (expense) for the year	–	–	–	–	–	–	25,756	(111,646)	(85,890)	(16,096)	(101,986)
Release on disposal of a subsidiary	–	–	–	–	–	–	7,500	(7,500)	–	(8,242)	(8,242)
At 31 December 2012	219,211	1,177,668	–	1,140	10,354	12,804	291,891	488,839	2,201,907	181,897	2,383,804
Profit (loss) for the period	–	–	–	–	–	–	–	21,790	21,790	(5,370)	16,420
Exchange realignment	–	–	–	–	–	–	19,294	–	19,294	–	19,294
Total comprehensive income (expense) for the period	–	–	–	–	–	–	19,294	21,790	41,084	(5,370)	35,714
Rounding adjustment	–	–	–	–	–	–	–	(4)	(4)	226	222
At 30 June 2013	219,211	1,177,668	–	1,140	10,354	12,804	311,185	510,625	2,242,987	176,753	2,419,740

Note: The contributed surplus of the Group represents an amount due to a former holding company waived upon the change of the substantial shareholders in 2002.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Net cash generated from operating activities	**111,043**	94,980
Net cash (used in) investing activities	**3,587**	(10,420)
Net cash from financing activities	**(39,258)**	108,619
Net increase in cash and cash equivalent	**75,372**	193,179
Cash and cash equivalents at beginning of period	**286,256**	144,819
Effect of foreign exchange rate changes	**(757)**	(126)
Cash and cash equivalents at end of period	**360,871**	337,872

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention, except for certain financial instruments, which are measured at fair values. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The accounting policies adopted for the preparation of the condensed consolidated financial statements are consistent with those used in the Group's annual audited financial statements for the year ended 31 December 2012.

In the current period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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	Consolidated Financial Statements, Joint Arrangements and Disclosure 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 Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of new and revised HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current period and prior periods and/or on the disclosures set out in these financial statements.

The Group has not early adopted any new or amended standards that have been issued but are not effective for the financial year beginning 1 January 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.

Specially, the Group's operating segments under HKFRS 8 are therefore as follows:

Protein chips division	–	Manufacturing and trading of protein chips and related equipments
Health care division	–	Manufacturing and trading of HPV detection products and related equipment
Medical centres management	–	Provision of medical diagnostic, health check and medical appraisal services
Individualised target therapy division	–	Research, development and trading of individualised molecular diagnostic products
Bio-drugs division	–	Research, development and trading of specialized molecular antibody drugs

2. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

	Protein chips division	Health care division	Medical centres management	Individualised target therapy division	Bio-drugs division	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2013						
REVENUE						
External sales	**139,117**	**7,680**	**24,691**	**10,634**	**75**	**182,197**
Segment profit (loss)	**67,101**	**(9,867)**	**(2,431)**	**(21,898)**	**(124)**	**32,781**
Unallocated expenses						**(8,033)**
Interest income						**4,454**
Share of result of a jointly controlled entity						**371**
Share of result of an associate						**(2,272)**
Finance costs						**(7,742)**
Profit before tax from continuing operations						**19,559**
For the six months ended 30 June 2012						
REVENUE						
External sales	137,938	7,552	29,766	6,031	–	181,287
Segment profit (loss)	79,863	(8,971)	(1,852)	(22,721)	(485)	45,834
Unallocated expenses						(13,897)
Interest income						4,759
Share of result of a jointly controlled entity						1,229
Finance costs						(5,452)
Profit before tax from continuing operations						32,473

2. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Segment results represent the profit and loss of each segment without allocation of central administration costs, directors' salaries, share of results of a jointly controlled entity and an associate, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

For the purpose of assessment by 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.

Geographical information

Around 99% (2012: 99%) of the Group's turnover are derived from the operation in the PRC and around 99% (2012: 99%) of the Group's non-current assets excluded financial instruments are located in the PRC, therefore, no geographical information is presented.

3. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest income		
– on bank deposits	**943**	1,229
– on loan receivable	**3,511**	3,530
Government subsidy	**–**	3,355
Others	**–**	245
	4,454	8,359

4. OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of intellectual property	**10,622**	9,218

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**7,742**	5,452

6. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprise Income Tax	**7,927**	7,033
Deferred tax	**(4,788)**	(4,902)
	3,139	2,131

No provision for Hong Kong Profits Tax has been made since the group entities operating in Hong Kong had no assessable profit for both periods.

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 for the PRC subsidiaries is 25%.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiary is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year is 2008 and the applicable tax rate for 2013 is 25% (2012: 12.5%).

The Group's another PRC subsidiary, 湖州數康生物科技有限公司 was approved as a "high-new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% for both periods until 2014.

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

7. PROFIT FOR THE PERIOD

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	**18,573**	14,423
Amortisation of prepaid lease payments	**518**	508
Amortisation of other intangible assets (included in other expenses)	**23,555**	29,554
Amortisation of other intangible assets (included in cost of sales)	**18,872**	18,460
Staff costs		
– directors' remuneration	**1,977**	2,218
– other staff costs	**17,864**	14,123
– retirement benefits scheme contributions, excluding directors	**223**	227
Total staff costs	**20,064**	16,568
Auditors' remuneration	**800**	1,300
Cost of inventories recognised as expenses	**40,110**	40,905
Research and development expenditure	**3,586**	3,256

8. EARNINGS PER SHARE

For continuing and discontinued operations

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

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to the owners of the Company)	**21,790**	42,714
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,383,892,800**	4,383,892,800

For continuing operations

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

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to the owners of the Company	**21,790**	42,714
Less: profit for the period from discontinued operation	**–**	3,200
Earnings for the purposes of basic and diluted earnings Per share from continuing operations	**21,790**	39,514

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**180,543**	183,195
Bills receivable	**–**	3,483
Less: allowance for doubtful debt	**(14,616)**	(14,616)
	165,927	172,062
VAT recoverable	**1,077**	1,396
Prepayments	**3,026**	4,258
Receivable from Weiyi	**81,770**	78,915
Refund of deposit paid for acquisition of property, plant and equipment	**–**	49,756
Others	**54,802**	11,366
	306,602	317,753

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

The following is an aged analysis of the trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of reporting period:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**74,326**	79,448
61 – 90 days	**39,778**	22,008
91 – 180 days	**33,141**	33,590
181 – 270 days	**10,889**	6,150
Over 270 days	**7,793**	30,866
	165,927	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.

10. TRADE AND OTHER PAYABLES

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Trade payables	**21,352**	7,010
Receipts in advance	**13,275**	12,379
Accrued expenses	**4,233**	6,605
Other tax payable	**6,534**	9,176
Other payable	**9,388**	9,108
Others	**19,796**	13,254
	74,578	57,532

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
0 – 60 days	**12,813**	2,890
61 – 90 days	**4,797**	1,570
Over 90 days	**3,742**	2,550
	21,352	7,010

11. COMPARATIVE INFORMATION

Certain comparative information in respect of cost of sales, other gains and losses, other expenses, and profit for the period from discontinued operations has been reclassified to conform to current period's presentation in the unaudited condensed consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Global economic growth in China remained quite subdued during the first six months of 2013, as the growth of the emerging market economies continued to disappoint investors. This was mainly due to infrastructure bottlenecks, capacity constraints, decelerating external demand growth, lowering commodity prices and weakening policy support. China recorded its slowest growth rate in the first half of 2013 in 13 years.

Under this subdued environment, the Group still managed to record a very steady turnover. Total turnover of the Group in the first half of 2013 was HK$182.2 million, representing an increase of 0.5% as compared to the total revenue of HK$181.3 million in the first half of 2012. Gross profit decreased from HK$121.9 million to HK$118.5 million, representing a decrease of 2.78%. The Gross profit margin decreased from 67.25% in 2012 to 65.06% in 2013. The Group recorded a profit of HK$16.4 million in the first half of 2013 as compared to a profit of HK$30.3 million in the first half of 2012. The decrease in profit was a combination of increase in cost of sales, decrease in government subsidy, increase in share of loss of an associate, and increase in finance costs.

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

MARKET REVIEW

In the last five years, the China economy have grown 65 percent with an average annual growth of 9.2 percent and the China economy is currently the third largest economy in the world. Confronting economic complexity both at home and abroad, the China Government had successfully engaged a flexible and prudent macro-economic policies to introduce more timely measures to expand domestic demand, speed up the construction of public facilities and improve living standards of the poor to achieve steady and relative fast economic growth.

While the global economy is slowly recovering, the China Government continue to engage on strategic and fundamental changes in the economic structure of the country and to place more emphasis on building a sustainable domestic economy based on heavy investments and strong domestic spending.

MARKET REVIEW *(Continued)*

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 capita income, growth of the aging population, increasing healthcare consciousness, and the China Government's commitment to reform and to increase the healthcare budget for both the urban and rural medical systems as part of its committed effort to establish a harmonious society and will invariably drive up strong demands for medical products and services in the coming decade.

According to the National Bureau of Statistics of China, the eligible participants in State Basic Medical Insurance program have grown from 43.3 million in 2000 to 535 million in 2012, representing an increase of over 491.7 million participants with annual growth average of 24.6 percent. Under the 12th Five Year Plan, it is estimated that at the end of 2015 the urban population in China will increase to 51.5 percent of total population, and at the end of 2012, the urban population reached 52.6 percent of the total population. The continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

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

Protein Chips Division

The Group manufactures and distributes its C-12 protein chips to hospitals, medical centres and life insurance companies in China. The C-12 protein chip is capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the first half of 2013, the Group continued to experience steady demand for C-12 protein chips. C-12 protein chips 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 protein chips 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 to be promising and sustainable in the future.

Turnover contributed by the sale of the C-12 protein chips for the first half of 2013 amounted to HK$139.1 million (first half of 2012: HK$137.9 million), representing an increase of approximately 0.9 percent. Despite the slow economy, sales of C-12 protein chips remained rather steady and the board is confident that sales of C-12 protein chips would maintain a steady growth rate in the next few years.

BUSINESS REVIEW *(Continued)*

Healthcare Division

Under this division, the Group launched a coordinated and nationwide sales and marketing campaign for its HPV DNA testing kits and had made important progress by registering its products for distribution to female patients at hospitals nationwide.

The HPV DNA testing kits offer superior sensitivity (>95%) for early screening of cervical cancer compared with conventional pap-smear test (50-60%). Besides, it does not require a large upfront capital investment on specialized equipment. According to the World Health Organization, cervical cancer is fully preventable and curable if pre-cancerous lesions are detected and treated early. Cervical cancer is caused by a common virus called human papillomavirus ("HPV"). High-risk, cancer-causing types of HPV can be detected using DNA technology. Women above age 18 are recommended to take annual examination to screen cervical disease or cancer.

The division recorded a slight increase in sales of the HPV DNA testing kits for the first half of 2013. Total sales recorded for the first half of 2013 amounted to HK$7.7 million (first half of 2012: HK$7.6 million).

Medical Centres Management Division

The division is principally engaged in the provision of healthcare services for residents living in cities that demand attentive and quality healthcare services, and is complimentary to the Company's existing business activities particularly in strengthening and expanding capability to launch health screening packages to residents living in major cities in China.

The establishment of the division will also provide greater flexibility for the Group 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 for the first half of 2013 amounted to HK$24.7 million (first half of 2012: HK$29.8 million), representing a decrease of approximately 17.1 percent. The decrease in turnover was a result of the general reduction in pricing as a result of severe competition experienced in the health care market in Shanghai during the first half of 2013.

Individualized Target Therapy Division

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

BUSINESS REVIEW *(Continued)*

Individualized Target Therapy Division *(Continued)*

The division successful obtained four new drug licenses from the SDFA of China in the later part of 2012. The Board is confident that the division would be one of the major profit contributors to the Group in the next few years.

Sales contributed by this new division for the first half of 2013 amounted to HK$10.6 million (first half of 2012: HK$6.0 million), representing an increase of approximately 76.7 percent.

Bio-Drugs Division

This unit is principally engaged in the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products. The unit is further expanded by the acquisition of Shanghai Huipu Bio-Pharmaceutical Company Limited by the Group in December 2011. The unit is still in its early stage of development and is not expected to make significant contribution to the Group in the next couple years.

FINANCIAL REVIEW

Profit for the first half of 2013 from continuing operations amounted to HK$16.4 million (first half of 2012: HK$30.3 million), representing a decrease of 45.87%. Earnings per share for the first half of 2013 was 0.50 HK cents (first half of 2012: 0.97 HK cents). The decrease in profit was a combination of (i) decrease in gross profit margin due to slight increase in material and labour costs during the period; (ii) decrease in government subsidy as government subsidy is not a regular source of income of the Group; (iii) increase in share of loss of an associate; and (iv) increase in fiance costs due to increase in interest rate over the period in China. Effective interest rate during the first half of 2013 was approximately 8% per annum (first half of 2012: approximately 5.7%).

Total selling and distribution expenses, administrative expenses and other expenses for the first half of 2013 amounted to HK$104.4 million (first half of 2012: HK$102.8 million), representing an increase of 1.6 percent. Selling and distribution expenses increased from HK$32.7 million to HK$43.9 million, representing an increase of 34.3%. The increase in selling and distribution expenses was due to (i) increase in sales and promotion activities; and (ii) increase in sales commission/rebate to sales agents in order to maintain a steady level of turnover under this subdued environment. The increase in selling and distribution expenses was compensated by a reduction in the administrative expenses and other expenses. The reduction in administrative expenses was a result of better costs control and cost management. Administrative expenses decreased from HK$40.0 million to HK$36.7 million, representing a decrease of 8.3%.

FINANCIAL REVIEW *(Continued)*

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 protein chips for the first half of 2013 amounted to HK$139.1 million (first half of 2012: HK$137.9 million), representing an increase of approximately 0.9 percent. Segment profit of this division amounted to HK$67.1 million (first half of 2012: HK$79.9 million), representing a decrease of approximately 16.0 percent. The decrease in segment profit was a result of (i) increase in material and labour cost; (ii) decrease in average market price of the C-12 protein chips in the Shanghai region by about 10 percent; and (iii) increase in selling and distribution expenses in order to maintain a steady level of turnover for C-12 protein chips under the subdued environment.

The Group sold a total of 800,000 units of protein chips during the first half of 2013 (first half of 2012: 720,000 units), representing an increase of 11.1 percent. During the six months ended 30 June 2013, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilisation rate and diversification of chipset packaging.

Healthcare Division

Turnover contributed by this division amounted to HK$7.7 million (first half of 2012: HK$7.6 million). The division recorded a loss of HK$9.9 million for the first half of 2013 (first half of 2012: loss of HK$9.0 million). The loss was due to amortisation of technical know-how arising on acquisition of HPV DNA technology in the amount of HK$10.2 million for first half of 2013 (first half of 2012: HK$9.9 million).

Medical Centres Management

Turnover contributed by this division amounted to HK$24.7 million for the first half of 2013 (first half of 2012: HK$29.8 million) representing a decrease of approximately 17.1 percent. The decrease in turnover was a result of the general reduction in pricing as a result of severe competition experienced in the health care market in Shanghai during the first half of 2013. The division recorded a loss of HK$2.4 million for the first half of 2013 (first half of 2012: loss of HK$1.9 million). The loss was due to amortisation of intangible assets arising on acquisition of the medical centre operation in the amount of HK$3.7 million for first half of 2013 (first half of 2012: HK$3.6 million).

FINANCIAL REVIEW *(Continued)*

Individualized Target Therapy Division

Turnover contributed by this division amounted to HK$10.6 million for the first half of 2013 (first half of 2012: HK$6.0 million). The increase in turnover was because the division successful obtained four new drug licenses from the SDFA of China in the later part of 2012.

The division recorded a loss of HK$21.9 million for the first half of 2013 (first half of 2012: loss of HK$22.7 million). The loss was due to the amortisation of technical know-how arising on acquisition of Shanghai Yuanqi Bio- Pharmaceutical Company Limited in the amount of HK$23.6 million for the first half of 2013 (first half of 2012: HK$22.9 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. 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 China, the Group has successfully expanded its business segments to include medical centres management and bio drugs to enable the Group to be a more self contained and diversified medicare solutions provider. Nevertheless, the Group appreciates the many challenges and risks that are associated with this high growth industry and believe that the Group is reasonably well placed to respond to the risks and challenges accordingly.

The Group is working closely with an increasing number of healthcare institutions including hospitals, medical centres, clinical laboratory testing centres, etc. to understand better testing needs of the patients in order to introduce innovative and effective screening and diagnostics products. The Group also understands the constant evolution of biomedical science and its applications, and will continue to expedite its business growth by actively pursuing new medical related opportunities through alliances, licensing and acquisitions. The Group is optimistic about its future and is in a state of readiness to face the many new challenges to come.

PLEDGE OF ASSETS

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

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Prepaid lease payments	**44,074**	44,094
Buildings	**284,658**	278,310
Pledged bank deposits	**–**	24,878
	328,732	347,282

LIQUIDITY AND FINANCING

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

At 30 June 2013, the Group had cash and bank balances of HK$360.9 million (31 December 2012: HK$311.1 million). The Group's gearing ratio as at 30 June 2013 was 6.8 percent (31 December 2012: 8.6 percent), based on bank and other borrowings of HK$152.2 million (31 December 2012: HK$189.7 million) and shareholders' fund of HK$2,243.0 million (31 December 2012: HK$2,201.9 million).

The Group's bank borrowings were denominated in Renminbi. Bank borrowings totaling HK$152.2 million were outstanding as at 30 June 2013 (31 December 2012: HK$189.7 million). The range of effective interest rates on the fixed-rate bank borrowings as at 30 June 2013 was approximately 7.72% to 8.30 percent per annum (31 December 2012 was approximately 7.22 percent to 7.80 percent per annum) and the range of effective interest rates on the variable-rate bank borrowings as at 30 June 2013 was approximately 5.90% to 9.68% per annum (31st December, 2012 was approximately 5.40% percent to 9.18% percent per annum).

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

CONTINGENT LIABILITIES

As at 30 June 2013 and 31 December 2012, the Group did not have any significant contingent liabilities.

DIVIDEND

The Directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

EMPLOYEES

At 30 June 2013, the Group had a total of 1,099 employees (31 December 2012: 1,132 employees) in Hong Kong and China. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice. The emolument of the directors of the Company is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2013, the interests and short positions of the directors and chief executives or their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Position	Approximate % of shareholding
Mr. Yao Yuan	Held by controlled corporation	946,169,075 *(Note (i))*	Long	21.58%

Note:

(i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2013, had any interests or short positions in the shares of the Company or any of its associated corporations which were required to be recorded in the register required to be kept by the Company under Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES" above, at no time during the period was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the directors and the chief executives of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or its associated corporations, and neither the directors nor chief executives of the Company or any of their spouses or children under the age of 18 had any interest in, or had been granted, any right to subscribe for the shares in, or debentures of, the Company or its associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Name	Capacity	Number of shares	Notes	Shareholding percentage
Ming Yuan Investments Group Limited	Beneficial owner	946,169,075	*(i)*	21.58%
Ming Yuan Holdings Limited	Held by controlled corporation	946,169,075	*(i)*	21.58%
Mr. Yao Yuan	Held by controlled corporation	946,169,075	*(i)*	21.58%
Mr. Iu Chung	Beneficial owner and held by controlled corporation	947,509,075	*(i)&(ii)*	21.61%

Notes:

(i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Iu Chung respectively.

(ii) Being the aggregate of personal interest held by Mr. Iu Chung of 1,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 946,169,075 shares.

Other than as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more in the issued share capital of the Company as at 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2013, neither the Company, its subsidiaries nor its jointly controlled entities has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board of the Company 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 period ended 30 June 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 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 six months period ended 30 June 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 statements. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control that 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 unaudited consolidated financial statements for the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

As at the date of this report, the executive directors 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.

On behalf of the Board
Yao Yuan
Chairman

Hong Kong, 30 August 2013