

Chairman's Statement

"We believe that good health is a pre-requisite for quality living and we have set the Group's goal to become a visionary and unconventional service provider with a primary focus on the early detection of diseases.

Complimenting global trends for early detection and treatment of diseases, the Group aims to accomplish the goal by successfully combining biotechnology diagnostic applications and proven medical therapeutic methods.

The healthcare industry worldwide particularly in China is growing exponentially and we believe that a successful implementation of the goal will directly enhance shareholders' value and will further place the Group's future growth on a solid foundation."

Mr. Yao Yuan, Chairman of the Board

INTRODUCTION

I am pleased to report that Shanghai Ming Yuan Holdings Limited (the "Group") has achieved respectable growth in profitability for all its business divisions particularly in its protein chips division which is becoming an important and core contributor for the Group's existing and future profit streams. At the same time, the Group has successfully transformed itself, by way of operation SPOR described below, into a leading supplier of protein chips in China in the area on early detection of diseases and into a higher-margin model that will allow for further growth.

More information about the operations of the Group is contained in a separate section referred as "Management Discussion and Analysis".

PERFORMANCE

In 2004, the Group turnover increased by 14.8 percent to HK\$523.6 million. Net profit attributable to shareholders for the year was HK\$67.0 million, representing a 98.8 percent increase over the HK\$33.7 million of 2003. Earnings per share were 2.50 HK cents, compared with 1.41 HK cents in 2003.

BUSINESS REVIEW

Strategic Prioritization of Resources ("SPOR")

In 2004, the Group is principally engaged in three business divisions, namely, IT products and services, protein chips and property investment. The Group has an excellent year for its protein chip division and sold a total of 714,058 protein chips, representing an increase of 114.0 percent over the 332,494 protein chips of 2003.

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In order to seize the opportunity of further developing an extremely promising market for protein chips, the Group commenced operation SPOR to shift resources allocation from other business divisions to the high growth protein chips division. The Group will complete operation SPOR with the complete disposal of the other business divisions before the end of 2005 and by then the Group's business operation will be focused on healthcare related business activities. This focus will further strengthen the Group's long term strategy to develop itself into a global supplier of protein chips for the early detection of diseases.

During the year, the Group has successfully disposed most of the significant investment properties in China and Hong Kong. The net proceeds of the disposals will be used for the development of the protein chips division. The Group is also committed to downsize or dispose the remaining IT products and services business division in 2005.

Sales and Marketing for Protein Chips

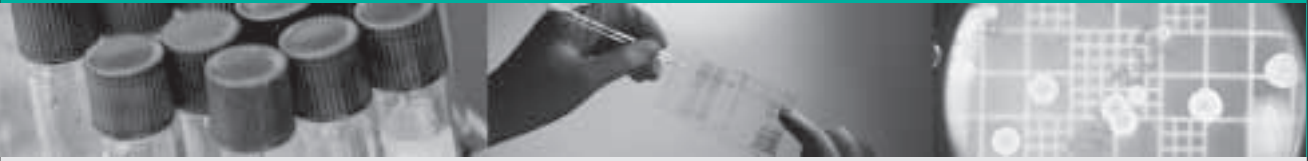
During the year, the Group has restructured its sales and marketing strategy with emphasis on the broadening of sales channels and coordinating marketing efforts. This has resulted in the establishment of a more comprehensive pricing and cooperation structure tailored for direct sales, distributorships and life insurance companies. A combination of these methodical changes resulted in a remarkable growth in sales of protein chips and a sustainable sales structure.

At the same time, the Group's successful efforts in optimizing the utilization of protein chips per chipreader have also contributed to the significant increase in the sales for protein chips. Sales and marketing for protein chips will continue to be a primary focus of the Group in the foreseeable future.

PROSPECTS

The outlook for the Group is extremely promising and business plans are being executed with impressive results. Most importantly, the Group has successfully raised more than HK\$370 million to date for the execution of its business plans through new equity placements, convertible bonds, a term loan and through operation SPOR. Together with the Group's existing cash resources generated from operations, the Group has the necessary funding for its business plans.

The Group continues to adopt a methodical and committed approach towards the implementation of its business plan and changes are only made when there is a need to do so. For example, the Group laid down key milestones for its protein chips business division in 2003 (referred to as "KM2003 Objectives") and the Group has made impressive progress in the direction of achieving these objectives that include the expansion of production capacity, the strengthening of sales network and structure, the broadening of product types etc.



The Group has completed the feasibility study for the construction of a new plant at the Songjiang Industrial Zone in the outskirts of the City of Shanghai and the full production capacity of the Group will be increased by an additional eight million chips per annum when it is completed. The Group will continue to operate its current production facility at the Huzhou Economic & Technological Development Zone in the Zhejiang Province which has a capacity of 1.5 million chips per annum. The Group's new production facility will significantly add distribution capacity for the different products and will significantly strengthen the production base.

Although the Group is already a leading supplier of protein chips in China, the Group is still constantly seeking established research based biotechnology or sales network investment opportunities to expedite its business growth and this may be achieved by conducting strategic acquisitions or partnerships with good potential or synergies.

CORPORATE GOVERNANCE

In a highly competitive global market, the Group has demonstrated in the past on its strong ability to deliver profitability and growth to its shareholders amidst difficult and challenging market conditions. Being the Group's commitment to protect shareholders' interests, all decisions are made to enhance shareholders' value and uphold our good standard of corporate governance practice.

The Group is committed to good corporate governance and practices, and is dedicated to consider the incorporation of relevant listing rules for corporate governance as proposed by the Stock Exchange of Hong Kong Limited from time to time. The Group believes that good corporate governance provides additional assurance to existing and future shareholders, and will serve to establish a responsible corporate image to the investing public.

The Group's outstanding results were evident of the workload and pressure demanded of all staff and the year 2004 may be remembered as a corporate milestone following the ongoing execution of KM2003 Objectives, the implementation of operation SPOR and the sourcing of new funds for the Group's corporate development.

Finally, I would like to express my greatest appreciation for members of the Board for their constant and valuable support and guidance. At the same time, I am also very grateful and appreciative to the Group's management team and staff for their professionalism, enterprise, hard work, loyal support and dedication.

Yao Yuan

Executive Chairman

24th March, 2005