



MINGYUAN MEDICARE

DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

stock code : 00233

INTERIM REPORT **2007**

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Unaudited Six months ended 30 June | |
|--|-------|---------------------------------------|--------------------------------|
| | | 2007 HK\$'000 | 2006 HK\$'000 (Restated) |
| Continuing Operations | | | |
| Turnover | 2 | 107,636 | 73,271 |
| Cost of sales | | (22,896) | (8,309) |
| Gross Profit | | 84,740 | 64,962 |
| Other income | 3 | 10,239 | 18,730 |
| Selling and distribution expenses | | (7,441) | (3,844) |
| Administrative expenses | | (24,946) | (18,124) |
| Finance costs | 4 | (7,883) | (8,217) |
| Profit before taxation | 5 | 54,709 | 53,507 |
| Taxation | 6 | (727) | (8,645) |
| Profit for the period from continuing operations | | 53,982 | 44,862 |
| Discontinued Operations | | | |
| Loss for the year from discontinued operations | | – | (550) |
| Profit for the period | | 53,982 | 44,312 |
| Attributable to: | | | |
| Equity holders of the parent | | 52,901 | 44,582 |
| Minority interests | | 1,081 | (270) |
| | | 53,982 | 44,312 |
| Interim dividend | 7 | 27,351 | 26,881 |
| Earnings per share (cents) | | | |
| From continuing and discontinued operations | | | |
| – Basic | 8 | 1.96 | 1.66 |
| – Diluted | 8 | 2.00 | 1.71 |
| From continuing operations | | | |
| – Basic | 8 | 1.96 | 1.67 |
| – Diluted | 8 | 2.00 | 1.72 |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 286,038 | 229,512 |
| Prepaid lease payment | | 67,201 | 67,635 |
| Goodwill | | 104,240 | 104,240 |
| Intangible asset | 9 | 4,974 | 5,104 |
| Available-for-sale investment | | 528 | 946 |
| Deposit paid for the acquisition of property, plant and equipment | | 4,454 | 6,870 |
| | | 467,435 | 414,307 |
| Current Assets | | | |
| Prepaid lease payment | | 1,456 | 1,429 |
| Inventories | | 3,074 | 7,460 |
| Trade and other receivables, deposits and prepayment | 10 | 48,289 | 50,445 |
| Pledged bank deposit | | – | 10,000 |
| Deposit placed with financial institutions | | – | 166,658 |
| Bank balances and cash | | 417,834 | 274,903 |
| | | 470,653 | 510,895 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 18,867 | 34,447 |
| Amount due to related companies | | – | 11,741 |
| Bank borrowing – due within one year | | 55,803 | 70,500 |
| Taxation payable | | 6,800 | 11,002 |
| | | 81,470 | 127,690 |
| Net Current Assets | | | |
| | | 389,183 | 383,205 |
| | | 856,618 | 797,512 |

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

| Notes | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
|--|--|--|
| Capital and Reserves | | |
| Share capital | 136,753 | 134,405 |
| Reserves | 503,921 | 433,689 |
| Equity attributable to equity holders of the parent | 640,674 | 568,094 |
| Minority Interests | 3,844 | 2,763 |
| Total equity | 644,518 | 570,857 |
| Non-Current Liabilities | | |
| Bank borrowings – due after one year | 36,000 | 24,625 |
| Convertible bonds | 167,498 | 193,428 |
| Deferred tax liabilities | 8,602 | 8,602 |
| | 212,100 | 226,655 |
| | 856,618 | 797,512 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital HK\$'000 | Share premium HK\$'000 | Convertible bonds equity reserve HK\$'000 | Share option reserve HK\$'000 | Contributed surplus HK\$'000 (Note a) | Translation reserve HK\$'000 | Statutory reserve HK\$'000 | Available for sales investment reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------|--|----------------------------------|---|---------------------------------|-------------------------------|--|---------------------------------|-------------------|
| At 31 December 2005 | 134,405 | 150,354 | 20,343 | 9,965 | 12,804 | 9,517 | 644 | - | 154,217 | 492,249 |
| Exchange realignment | - | - | - | - | - | 28,470 | - | - | - | 28,470 |
| Gain on fair value changes of available-for-sale investments | - | - | - | - | - | - | - | 47 | - | 47 |
| Income recognised directly in equity | - | - | - | - | - | 28,470 | - | 47 | - | 28,517 |
| Profit for the year | - | - | - | - | - | - | - | - | 73,559 | 73,559 |
| Total recognised income and expenses for the year | - | - | - | - | - | 28,470 | - | 47 | 73,559 | 102,076 |
| Recognition of equity-settled share base payments | - | - | - | 4,796 | - | - | - | - | - | 4,796 |
| Release upon disposal of subsidiaries | - | - | - | - | - | (3,502) | (644) | - | - | (4,146) |
| Interim dividend paid | - | - | - | - | - | - | - | - | (26,881) | (26,881) |
| At 31 December 2006 | 134,405 | 150,354 | 20,343 | 14,761 | 12,804 | 34,485 | - | 47 | 200,895 | 568,094 |
| Exchange realignment | - | - | - | - | - | 14,779 | - | - | - | 14,779 |
| Income recognised directly in equity | - | - | - | - | - | 14,779 | - | - | - | 14,779 |
| Profit for the period | - | - | - | - | - | - | - | - | 52,901 | 52,901 |
| Total recognised income and expenses for the period | - | - | - | - | - | 14,779 | - | - | 52,901 | 67,680 |
| Conversion of convertible bonds | 2,298 | 31,057 | (3,459) | - | - | - | - | - | - | 29,896 |
| Conversion of share options | 50 | 678 | - | - | - | - | - | - | - | 728 |
| Recognition of equity-settled share base payments | - | - | - | 1,400 | - | - | - | - | - | 1,400 |
| Final dividend paid | - | - | - | - | - | - | - | - | (27,124) | (27,124) |
| At 30 June 2007 | 136,753 | 182,089 | 16,884 | 16,161 | 12,804 | 49,264 | - | 47 | 226,672 | 640,674 |

Note: (a) The contributed surplus of the Group represent the amount due to former holding company waived during the change of the substantial shareholders in 2002.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited | |
|--|--------------------------|------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Net cash generated from operating activities | 57,940 | 60,017 |
| Net cash (used in) generated from investing activities | (50,277) | 7,283 |
| Net cash used in financing activities | (42,187) | (14,088) |
| Net (decrease) increase in cash and cash equivalent | (34,524) | 53,212 |
| Cash and cash equivalents at beginning of period | 441,561 | 489,085 |
| Effect of foreign exchange rate changes | 10,797 | 2,364 |
| Cash and cash equivalents at end of period | 417,834 | 544,661 |

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The 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 the financial instruments, which are measured at fair values. In addition, the 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 2006.

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on 1 January 2007. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into the following two major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

| | | |
|------------------------|---|---|
| Protein chips division | – | Manufacturing and trading of protein chips and related equipments |
| Healthcare division | – | Provision of cervical cancer care and operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kon District, Shanghai, PRC (上海市虹口區婦幼保健院) |

In previous year, the Group also engaged in the (i) trading of information technology products and related accessories (information technology products and services segment) and (ii) trading of properties held for sale (property investment segment). These operations were discontinued on 30 September 2006 and 1 January 2006 respectively.

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segments is as follows:

| | Continuing operations | | | Discontinued operations | | | |
|--|---------------------------------------|------------------------------------|-----------------------|---|--|-----------------------|--------------------------|
| | Protein chips division HK\$'000 | Healthcare division HK\$'000 | Sub-total HK\$'000 | Information technology products and services division HK\$'000 | Property investment division HK\$'000 | Sub-total HK\$'000 | Consolidated HK\$'000 |
| Six months ended 30 June 2007 | | | | | | | |
| REVENUE | | | | | | | |
| External sales | 89,568 | 18,068 | 107,636 | - | - | - | 107,636 |
| RESULTS | | | | | | | |
| Segment results | 62,575 | 3,060 | 65,635 | - | - | - | 65,635 |
| Unallocated expenses | | | (9,261) | | | - | (9,261) |
| Interest income | | | 3,390 | | | - | 3,390 |
| Gain on disposal of property, plant and equipment | 2,828 | | 2,828 | | | - | 2,828 |
| Finance costs | | | (7,883) | | | - | (7,883) |
| Profit/(loss) before taxation | | | 54,709 | | | - | 54,709 |
| Taxation | | | (727) | | | - | (727) |
| Profit for the period | | | 53,982 | | | - | 53,982 |

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

| | Continuing operations | | | Discontinued operations | | | |
|--|---|--|-------------------------------------|---|--|-------------------------------------|--|
| | Protein chips division HK\$'000 (Restated) | Healthcare division HK\$'000 (Restated) | Sub-total HK\$'000 (Restated) | Information technology products and services division HK\$'000 (Restated) | Property investment division HK\$'000 (Restated) | Sub-total HK\$'000 (Restated) | Consolidated HK\$'000 (Restated) |
| Six months ended 30 June 2006 | | | | | | | |
| REVENUE | | | | | | | |
| External sales | 73,271 | – | 73,271 | 12,916 | – | 12,916 | 86,187 |
| RESULTS | | | | | | | |
| Segment results | 51,617 | – | 51,617 | (97) | – | (97) | 51,520 |
| Unallocated expenses | | | (8,595) | | | – | (8,595) |
| Interest income | | | 7,424 | | | 8 | 7,432 |
| Gain on disposal of property, plant and equipment | 11,278 | | 11,278 | | | – | 11,278 |
| Finance costs | | | (8,217) | | | (461) | (8,678) |
| Profit/(loss) before taxation | | | 53,507 | | | (550) | 52,957 |
| Taxation | | | (8,645) | | | – | (8,645) |
| Profit for the period | | | 44,862 | | | (550) | 44,312 |

2. SEGMENT INFORMATION (Continued)**Geographical segments**

The following table provides an analysis of the Group's revenue by geographic markets, irrespective of the origin of the goods and services:

| | Revenue by geographical market | |
|--------------------------------|---|-----------------|
| | Unaudited | |
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Continuing operations | | |
| Hong Kong | 428 | 375 |
| PRC | 107,208 | 72,896 |
| | 107,636 | 73,271 |
| Discontinued operations | | |
| PRC | – | 12,916 |
| | 107,636 | 86,187 |

3. OTHER INCOME

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|--------------------------|---------------|--------------------------|------------|--------------------------|---------------|
| | Unaudited | | Unaudited | | Unaudited | |
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) | | (Restated) |
| Interest income | 3,390 | 7,424 | - | 8 | 3,390 | 7,432 |
| Gain on disposal of property, plant and equipment | 2,828 | 11,278 | - | - | 2,828 | 11,278 |
| Realized gain on investment in securities | 2,020 | - | - | - | 2,020 | - |
| Government grant | 1,701 | - | - | - | 1,701 | - |
| Others | 300 | 28 | - | 512 | 300 | 540 |
| | 10,239 | 18,730 | - | 520 | 10,239 | 19,250 |

4. FINANCE COSTS

| | Continuing operations | | Discontinued operations | | Consolidated | |
|--|--------------------------|--------------|--------------------------|------------|--------------------------|--------------|
| | Unaudited | | Unaudited | | Unaudited | |
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) | | (Restated) |
| Interest on bank borrowings wholly repayable within five years | 1,946 | 2,135 | - | 461 | 1,946 | 2,596 |
| Effective interest expenses on convertible bonds | 5,937 | 6,082 | - | - | 5,937 | 6,082 |
| | 7,883 | 8,217 | - | 461 | 7,883 | 8,678 |

5. PROFIT BEFORE TAXATION

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|-------------------------------|------------|-------------------------------|------------|-------------------------------|------------|
| | Unaudited | | Unaudited | | Unaudited | |
| | Six months ended 30 June 2007 | 2006 | Six months ended 30 June 2007 | 2006 | Six months ended 30 June 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) | | (Restated) |
| Profit before taxation has been arrived at after charging: | | | | | | |
| Depreciation | 3,533 | 2,325 | – | 45 | 3,533 | 2,370 |
| Staff costs | | | | | | |
| – directors' remuneration | 2,250 | 2,067 | – | – | 2,250 | 2,067 |
| – other staff costs | 9,803 | 4,257 | – | 578 | 9,803 | 4,835 |
| – share-based payments | 789 | 2,153 | – | – | 789 | 2,153 |
| – retirement benefits scheme contributions, excluding directors | 82 | 23 | – | – | 82 | 23 |
| Total staff costs | 12,924 | 8,500 | – | 578 | 12,924 | 9,078 |
| Auditors' remuneration | 700 | 500 | – | – | 700 | 500 |

6. TAXATION

| | Continuing operations | | Discontinued operations | | Consolidated | |
|--------------------------------------|--------------------------|----------------|--------------------------|------------|--------------------------|----------------|
| | Unaudited | | Unaudited | | Unaudited | |
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) | | (Restated) |
| The charge (credit) comprises: | | | | | | |
| Hong Kong Profits Tax | - | - | - | - | - | - |
| Taxation in other jurisdictions | | | | | | |
| – Overprovision in prior years | 7,341 | - | - | - | 7,341 | - |
| Taxation in other regions in the PRC | (8,068) | (8,645) | - | - | (8,068) | (8,645) |
| | (727) | (8,645) | - | - | (727) | (8,645) |

No provision was made for Hong Kong profits tax as the Group had no assessable profit in Hong Kong for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

Taxation arising in other jurisdictions of PRC is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

7. DIVIDEND

| | Unaudited | |
|---|--------------------------|------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Dividend recognised as distribution during the period | 27,351 | 26,881 |

8. EARNINGS PER SHARE

For continuing and discontinued operations

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

| | Unaudited | |
|---|---------------------------------|---------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Earnings | | |
| Profit for the year attributable to the equity holders of the parent and earnings for the purpose of basic earnings per share | 52,901 | 44,582 |
| Effect of dilutive potential ordinary shares: | | |
| – Interest on convertible bonds | 5,937 | 6,082 |
| Earnings for the purpose of diluted earnings per share | 58,838 | 50,664 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,697,313,684 | 2,688,107,099 |
| Effect of dilutive potential ordinary shares: | | |
| – share options | 14,984,580 | – |
| – convertible bonds | 224,310,810 | 277,763,889 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 2,936,609,074 | 2,965,870,988 |

8. EARNINGS PER SHARE (Continued)

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the parent is based on the following data:

Earnings figures are calculated as follows:

| | Unaudited | |
|--|---------------------------------|------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Profit for the year attributable to equity holders of the parent | 52,901 | 44,582 |
| Add: Loss for the year from discontinued operations | – | 281 |
| Earnings for the purposes of basic earnings per share from continuing operations | 52,901 | 44,863 |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible loan notes | 5,937 | 6,082 |
| Earnings for the purposes of diluted earnings per share from continuing operations | 58,838 | 50,945 |

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

9. INTANGIBLE ASSETS

| | Distribution right | |
|---|--|--|
| | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
| COST | | |
| At beginning of period/year | 5,190 | – |
| Acquired on acquisition of subsidiaries | – | 5,190 |
| At end of period/year | <u>5,190</u> | <u>5,190</u> |
| AMORTISATION | | |
| At beginning of period/year | 86 | – |
| Provided for the period/year | 130 | 86 |
| At end of period/year | <u>216</u> | <u>86</u> |
| CARRYING VALUE | | |
| At end of period/year | <u>4,974</u> | <u>5,104</u> |

The distribution right was purchased as part of a business combination during 2006. The distribution right entitles the Group to distribute HPV Detection products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 years.

The intangible asset has a definite useful lives of 20 years and it is being amortised on a straight-line basis over 20 years.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK\$41,811,000 (31 December 2006: HK\$43,624,000). The Group normally allows a credit period of 30 to 90 days to its trade customers. An aging analysis of the trade receivables at the balance sheet date is as follows:

| | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 60 days | 30,267 | 43,035 |
| 61 – 90 days | 10,452 | 589 |
| Over 90 days | 1,092 | – |
| | <u>41,811</u> | <u>43,624</u> |

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$3,755,000 (31 December 2006: HK\$3,137,000). An aging analysis of trade payables at the balance sheet date is as follows:

| | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 60 days | 2,741 | 1,565 |
| 61 – 90 days | 826 | 1,407 |
| Over 90 days | 188 | 165 |
| | <u>3,755</u> | <u>3,137</u> |

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Market Review

China continues to achieve high growth in its economy and in the first half of 2007, its economy continued to enjoy a double digit GDP growth rate of 11.5 percent reaching RMB10.6 trillion. The overall GDP growth rate for 2006 was 10.7 percent.

Under the 11th Five-Year Plan from 2006 to 2010, the Chinese Government projected that its economy will grow at an annual rate of 8 percent and that the future economic development in China will continue to be fuelled by the rapid growth of fixed asset investment, backed by the high savings and inflow of foreign investment.

The Chinese economy has enjoyed a period of unprecedented and sustainable growth from 2001 to 2006 with per capita income of urban and rural residents achieving annual growth averages of 11.0 percent and 8.1 percent respectively. This period of sustainable growth has led to a continual improvement in standard of living that led to a continual increase in expenditures on food, clothing, healthcare, transportation, telecommunications, education, entertainment and housing. The improved standard of living and the increase in healthcare consciousness have led to an increased spending on healthcare products and services.

Business Review

The net profit attributable to shareholders amounted to HK\$52.9 million (2006 (restated): HK\$44.6 million), representing an increase of 18.6 percent over that of last corresponding period. The double digit increase was due to the increase in sales from principally the existing distributors' network and the China Life Insurance Company Limited, Shanghai Branch ("China Life") which is related to the sale of its Cancer Care Insurance Policy. Earnings per share was HK1.96 cents (2006 (restated): HK1.66 cents), representing a significant increase of approximately 18.1 percent.

The Group's medical related services consist of the Protein Chips Division and the Healthcare Division.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK\$89.6 million (2006 (restated): HK\$73.3 million), representing an increase of approximately 22.2 percent over that of last corresponding period. More importantly, segment profits of this division amounted to HK\$62.6 million (2006 (restated): HK\$51.6 million), representing an increase of approximately 21.3 percent over that of last corresponding period.

Protein Chips Division (Continued)

The Group continued to experience strong growth in the first half of this year and the Group sold a total of 932,371 protein chips (2006: 746,535), representing an increase of 24.9 percent over that of last corresponding period. Since the launch of the China Life's Cancer Care Insurance Policy in Shanghai in March, the Group sold more than 120,000 protein chips for use in the risk evaluation process for the cancer policy. The Group continued to enlarge its sales and related after sales support to life insurance companies, particularly the China Life group of branches in China. Based on the proven Shanghai servicing and logistical model, the Group plans to support the launch of the relevant China Life's Cancer Care Insurance Policy in other major cities.

On other matters, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilization rate and diversification of chipset packaging.

Healthcare Division

This division currently consists of two units, namely the cervical cancer care and medical care units. Turnover contributed by this division amounted to HK\$18.1 million (2006 (restated): Nil). The segment profits of this division amounted to HK\$3.1 million (2006 (restated): Nil).

Cervical Cancer Care Unit

The Group officially launched its new HPV DNA diagnostic kits with the successful appointment of distributors in 8 provinces and have sold more than 8,300 kits in the first half of 2007. To date, the HPV DNA diagnostic kits are already approved to sell in over 20 hospitals in China.

Medical Care Unit

The Group currently holds fifty one percent equity interest in Shanghai Woman and Child Healthcare Hospital of Hong-Kou District and continued to contribute positively to the Group.

Corporate Review

Licensed Intellectual Property Platform – HPV DNA Detection Kits for Cervical Cancer Screening

Cervical cancer is the second biggest cause of female mortality worldwide with over 288,000 deaths and 500,000 new cases every year. In China, cervical cancer causes over 50,000 deaths and over 130,000 new infections every year. Currently, it is estimated that over 300 million women worldwide undergo some form of pap-smear tests every year with much lower detection rate for cervical cancer.

Licensed Intellectual Property Platform – HPV DNA Detection Kits for Cervical Cancer Screening (Continued)

The Group's HPV DNA Detection Kits is a product with high sensitivity of over 95 percent for early screening of cervical cancer compared with pap-smear testing methods, and uses a commonly available PCR reader to diagnose the HPV viruses that are accepted to be the principal causes of cervical cancer genetically.

The Group has been working with Genetel Pharmaceuticals Limited, its technology partner to strengthen the production, logistic and pathology related protocol. The Group is committed to invest resources to expand the distribution network and to establish the necessary promotional activities for the medical and laboratory professionals in China. Comparing to other technologies that require the investment of a specialized reader and a new set of pathology related protocol, the Group is currently focuses on increasing the number of participating hospitals which is a necessary infrastructural exercise to increase the sale of its detection kits – the consumables.

Marketing Strategy – An Integrated Approach

In February, the Group established the Strategic Marketing Department to consolidate all promotional and marketing efforts with the fundamental objectives of strengthening the Group's corporate and product profile in the bio-medical market, promoting the application of bio-medical products in the medical industry, establishing a market risk management systems and contributing to the Group's sales plan for the different products and services.

Cancer Care Insurance Policy – Opportunities and Challenges

In March, the Group began to implement the milestone arrangement with China Life whereby the Group would supply the C-12 protein chips for use in the cancer policy evaluation process in Shanghai. In the first four months of the arrangement and similar to many new start up operations, the Group worked closely with China Life personnel to resolve many operational and logistical issues.

The Group will continuously review the operational aspects to improve the quality of service to China Life's customers and the Group is prepared to make the necessary changes to establish a more customer oriented servicing model.

Currently, China Life has the most extensive distribution network in the Chinese insurance industry, comprising over 650,000 exclusive agents and 12,000 group insurance sales force. The Group is pleased with the progress in Shanghai and the servicing model is ready for duplication in other cities where there are branches of China Life. The Group places this process of duplication as its top priority and is committed to invest the resources to support the cancer policy launch in other branches of China Life.

Corporate Governance and Investors Relation Strategy

Unlike the more traditional form of business operations represented in the stock markets, the Group understands that its business nature is not easily understood by the investment community in Asia and believes that a more proactive channel of communication needs to be established to explain our business model and the potential of the market for early screening of diseases globally.

The Group continued with efforts to enhance investor relations during the first half of the year and the Group has established various means of communication channels in order that the Company's management philosophy, operations and future investment and development strategies are communicated to existing shareholders and the investment community.

During the first half of the year, representatives from the Group had met with the investors and relevant parties for a total attendance of 162. By category, those who attended included fund managers (76%); analysts (12%); bankers (4%); media (2%) and others (6%). In addition, 2 roadshows and 4 investor forums were conducted with a total attendance of 123.

In the first half of the year, the Group has participated in corporate briefings to financial institutions organized by various international securities houses, including Deutsche Bank, JP Morgan Securities (Asia Pacific), Citigroup Global Markets Asia, Credit Suisse, DBS Vickers (HK) and UBS Investment Bank, in US, Hong Kong and Singapore.

The Board believes that an effective practice in corporate governance and a disciplined approach to build a platform of communication with the investment community for bio-medical companies could enhance better value for the Group similar to that in the biotech stocks globally in the long term and achieve better shareholders' value.

PROSPECTS

Following the successful disposal of the remaining non core asset in 2006, this is the first year that the Group is principally focused on bio-medical and related activities. The Group maintains its belief that early screening and diagnosis of potentially fatal diseases would significantly improve the chances of successful treatment and raises the survival rate of the patients. Therefore, the Group will continue to develop internally by way of its proprietary protein chip platform and externally with established bio-medical research institutions to bring effective screening and diagnostic tools for life threatening diseases.

PROSPECTS *(Continued)*

In pursuit of its KM2003 Objectives, the Group is pleased with the progress on the implementation of its business plans that are largely focused on product series diversification, sales channel diversification, production expansion, technology partnerships, technology promotion, etc. This has led to the launch of the HPV DNA testing kits for cervical cancer, the set up of the unique sales arrangement with China Life for its Cancer Care Insurance Policy, the operational readiness of the eight million protein chips production facility in Shanghai and the establishment of the Strategic Marketing Department.

Being China's leading bio-medical company in the area of early screening and detection of diseases, the Group understands the 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 continues to apply a methodical and disciplined approach towards the implementation of business plans in the KM2003 Objectives for the strengthening of distribution network and process, continuous improvement of production process and efficiency, and the on time delivery of a diversified new and upgraded range of bio-medical products from both its proprietary and licensed platforms for the detection of diseases.

The concept of a screening test is performed to detect potential health disorders or diseases in persons who do not have any symptoms of disease. The objective is early detection and lifestyle changes or surveillance, to reduce the risk of disease, or to detect it early enough to treat it most effectively. Screening test is increasingly important and serves the purpose of raising awareness in one's health status. Screening tests are not considered diagnostic, but are utilized to identify a subset of the population who should have additional testing or diagnosis to determine the presence or absence of disease.

While minimizing unclear, ambiguous, or confusing results, a screening test is valuable in its ability to detect potential problems. While screening tests are not 100 percent accurate in all cases, it is more valuable to have the screening tests at the appropriate times, as recommended by a physician. Like in the situation of cancer tumors, it is demonstrated that early discovery of tumor presence could lead to early treatment and a higher probability of a cure or recovery.

The Group prides itself to offer a viable alternative to people who believe in early detection and prevention of diseases and in the past few years the Group has successfully in developing a market demand that never existed before for cancer screening. At the same time, the Group has plans to develop diagnostic protein chips for specific cancer tumor type to broaden the coverage on cancer products and to further the promotion of HPV DNA detection kits for effective screening and diagnostic tool for the detection and prevention of cervical cancer.

PROSPECTS *(Continued)*

Cancer knows no boundaries. It not only affects the quality of life of the person living with the disease but also adversely impacts the psychosocial welfare of entire families. Cancer represents a tremendous burden on patients, families and societies and many of these deaths globally can be avoided if appropriate measures are put in place to prevent, early detect, cure and care. Its effects can be wide-ranging and a downward spiral can result with huge economic implications. Statistically, cancer claims twice as many lives worldwide as AIDS. In fact, more than 13.0 percent of all deaths every year are caused by cancer. That's more than AIDS, tuberculosis, and malaria put together.

According to the World Health Organization for 2005, 7.6 million people or 13 percent of the 58 million deaths worldwide are caused by cancer and over 11 million new cases are diagnosed each year. In China, cancer is the largest cause of death and it is estimated that more than 1.5 million people are afflicted with cancer each year. In developing countries like China, over 90 percent of cancer patients already suffer from advanced and incurable clinical complications at the time of diagnosis. The number of patients is likely to increase significantly in the next decade since the high-risk group, i.e. people over 40 years old and susceptibility to cancer increases dramatically with age, accounts for more than 30 percent of the total population in China.

In the second half of the year, the Group will continue to expedite its business growth by actively pursuing new investment opportunities through strategic acquisitions or partnerships with good potential or synergies. Finally, the Directors believe that the Group has successfully built a sustainable growth strategy for its C-12 products in the enormous Chinese insurance industry and established a sustainable growth model based on an increasingly expanding product ranges on its licensed intellectual property platform.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 2007 of HK\$0.01 (2006: HK\$0.01) per share to shareholders whose names appear on the Register of Member of the Company on 18 October 2007. The dividend will be paid on 31 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 October 2007 to Thursday, 18 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queens' Road East, Hong Kong, not later than 4:30 p.m. on Monday, 15 October 2007.

PLEDGE OF ASSETS

At the balance sheet date, following assets were pledged to secure general banking and credit facilities granted to the Group:

| | 30 June 2007 HK\$'000 (Unaudited) | 31 December 2006 HK\$'000 (Audited) |
|------------------------------|--|--|
| Land | 5,938 | 5,992 |
| Buildings under construction | 23,718 | 23,587 |
| Pledged bank deposit | – | 10,000 |
| | <u>29,656</u> | <u>39,579</u> |

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 2007, the Group had cash and bank balances of HK\$417.8 million (31 December 2006: HK\$451.6 million). The Group's gearing ratio as at 30 June 2007 was 40.5 percent (31 December 2006: 50.8 percent), based on bank and other borrowings of HK\$259.3 million (31 December 2006: HK\$288.6 million) and shareholders' fund of HK\$640.7 million (31 December 2006: HK\$568.1 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK\$91.8 million were outstanding as at 30 June 2007 (31 December 2006: HK\$95.1 million). The bank borrowings bear interest at prevailing market rates ranging from 5.02 percent to 6.04 percent per annum (31 December 2006: ranging from 4.92% to 6.04%).

Revenue generated from protein chips division, healthcare division, payment for purchases of materials, components, equipment and salaries are 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 2007 and 31 December 2006, the Group did not have any significant contingent liabilities.

EMPLOYEES

At 30 June 2007, the Group had a total of 432 employees (31 December 2006: 387 employees) in Hong Kong and China. The increase in the number of employees of the Group was due to the fact that various sales and support teams were built to strengthen the distribution channels and after-sales support services of protein chips operation. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2007, the interests and short positions of the directors and chief executives or their associates in the shares and share options of the Company and its associated corporations (all within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Listing Rules to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) Long positions in ordinary shares of the Company

| Name of Director | Capacity | Number of ordinary Shares | | | | Total | Approximate % of Shareholding |
|------------------|------------------------------------|---------------------------|------------------|-------------------------|-----------------|---------------|-------------------------------|
| | | Personal Interests | Family Interests | Corporate Interests | Other Interests | | |
| Mr. Yao Yuan | Interest of controlled corporation | - | - | 1,049,969,075 (Note) | - | 1,394,469,075 | 38.38% |
| Mr. Lu Chung | Interest of controlled corporation | 21,220,000 | - | 1,049,969,075 (Note) | - | 1,071,189,075 | 39.17% |

Note:

As at 30 June 2007, these shares were beneficially owned by Ming Yuan Investments Group Limited of which Mr. Yao Yuan and Mr. Lu Chung, each owns 50% of the entire issued share capital respectively.

(B) Right to acquire shares in the Company

| Name or category of participant | Date of grant | Exercise period | Exercise price per share HK\$ | Number of share options | | | | |
|---------------------------------|---------------|--------------------------|----------------------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 01.01.2007 | Granted during the period | Exercise during the period | Lapsed during the period | Outstanding at 30.06.2007 |
| Directors | | | | | | | | |
| Chien Hoe Yong, Henry | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 26,500,000 | - | - | - | 26,500,000 |
| Hu Jun | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 10,000,000 | - | - | - | 10,000,000 |
| Yu Ti Jun | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 10,000,000 | - | - | - | 10,000,000 |
| | 27.04.2007 | 08.04.2007 to 07.04.2010 | 0.78 | - | 2,400,000 | - | - | 2,400,000 |
| Lam Lee G. | 27.04.2007 | 08.04.2007 to 07.04.2010 | 0.78 | - | 2,400,000 | - | - | 2,400,000 |

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2007, 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 SFO, or which were required to be 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 and "SHARE OPTION SCHEME" below, 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.

SHARE OPTION SCHEME

The Company has in force a share option scheme (the "Scheme") for the purposes of providing incentives and rewards to eligible participants who contribute to the Group's operations. Under the Scheme, the Directors may, at its discretion, invite any employees, directors, advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any company in the Group to acquire options. The Scheme became effective on 31 May 2004 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the Adoption Date.

The maximum number of shares which may be issued upon exercise of all outstanding options under the Scheme shall not exceed 10% of the shares in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Directors may at its discretion determines the specific exercise period. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price; (ii) the average closing price of the Company's shares of the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 30 June 2007, the number of shares issuable under share options granted under the Scheme was 155,980,000, which represented approximately 5.70% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options may be granted to each eligible participant in the Scheme within any 12-month period up to the date of the latest grant, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limited is subject to shareholders' approval in a general meeting.

SHARE OPTION SCHEME (Continued)

As at 30 June 2007, the share options granted and outstanding under the Scheme are set out below:

| Name or category of participant | Date of grant | Exercise period | Exercise price per share HK\$ | Number of share options | | | | |
|---------------------------------------|---------------|--------------------------|----------------------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 01.01.2007 | Granted during the period | Exercise during the period | Lapsed during the period | Outstanding at 30.06.2007 |
| Directors | | | | | | | | |
| Chien Hoe Yong, Henry | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 26,500,000 | - | - | - | 26,500,000 |
| Hu Jun | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 10,000,000 | - | - | - | 10,000,000 |
| Yu Ti Jun | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 10,000,000 | - | - | - | 10,000,000 |
| | 27.04.2007 | 08.04.2007 to 07.04.2010 | 0.78 | - | 2,400,000 | - | - | 2,400,000 |
| Lam Lee G. | 27.04.2007 | 08.04.2007 to 07.04.2010 | 0.78 | - | 2,400,000 | - | - | 2,400,000 |
| Others | | | | | | | | |
| Senior management and other employees | 08.04.2005 | 08.04.2005 to 07.04.2010 | 0.728 | 86,900,000 | - | (1,000,000) | (2,400,000) | 83,500,000 |
| | 27.04.2007 | 08.04.2007 to 07.04.2010 | 0.78 | - | 21,180,000 | - | - | 21,180,000 |
| In aggregate | | | | 133,400,000 | 25,980,000 | (1,000,000) | (2,400,000) | 155,980,000 |

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2007, shareholders who have interests or short positions in 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the shares of the Company

| Name of Shareholder | <i>Notes</i> | Number of Ordinary Shares | Approximate % of Shareholding |
|-------------------------------------|--------------|----------------------------------|--------------------------------------|
| Ming Yuan Investments Group Limited | (i) | 1,049,969,075 | 38.38% |
| Ming Yuan Holdings Limited | (i) | 1,049,969,075 | 38.38% |
| Mr. Yao Yuan | (i) | 1,049,969,075 | 38.38% |
| Mr. lu Chung | (i) & (ii) | 1,071,189,075 | 39.17% |

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. lu Chung respectively.
- (ii) Being the aggregate of personal interest held by Mr. lu Chung of 21,220,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 1,049,969,075 shares.

Save as disclosed above, as at 30 June 2007, the Company has not been notified by any persons who had interests or short positions in 5% or more in the shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during six months period ended 30 June 2007. Neither the Company nor any of its subsidiaries had purchased or sold the shares in the Company during the year.

CORPORATE GOVERNANCE

The Stock Exchange of Hong Kong Limited (“Stock Exchange”) introduced the Code on Corporate Governance Practices (the “GCP Code”) as set out in Appendix 14 of the Listing Rules effective from 1 January 2005. The Board took appropriate action to adopt the GC Code as part of an ongoing exercise to strengthen corporate governance so as to ensure better transparency and protection of shareholder’s interest in general.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the CGP Code, except the followings:

Provision A.4.1 of the CGP Code requires that every director should be appointed for a specific term, and subject to retirement by rotation at least every three years. During the year, the non-executive directors have not been appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

Bye-law 109 of the Bye-laws of the Company provides that at each general meeting of the Company, with the exception of the executive chairman, one-third of the directors of the Company (or if their number is not three or a multiple of three, the then number nearest to but not exceeding one-third) who have been longest in office since their last election shall retire from office and the retiring directors shall be eligible for re-election.

Based on the number of directors as at 31st December, 2006, a non-executive director will serve on the board for a term of about two years until he/she becomes due to retire from the board by rotation. In the opinion of the directors, this arrangement meets the same objective as the CGP Code.

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as the code of conduct for Directors and Senior Management in their dealings in the Company’s securities.

The Company made specific enquiries of each Director and member of the Senior Management, and each confirmed that he/she had fully complied with the Model Code during the period ended 30 June 2007.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

AUDIT COMMITTEE

The audit committee is comprised of three independent non-executive directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

The audit committee meets regularly to review the completeness, accuracy and fairness of the Company's financial statement. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control the Company has established to allow the board of directors to monitor the Group's overall financial position and to protect its assets.

The audit committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30 June 2007.

REMUNERATION COMMITTEE

The remuneration committee currently comprises two independent non-executive directors, namely Dr. Lam Lee G., (Chairman) and Mr. Lee Sze Ho, Henry and the CEO, Mr. Chien Hoe Yong, Henry.

The remuneration committee is responsible for reviewing and evaluating the remuneration packages of Directors and senior management and making recommendations to the Board from time to time.

INVESTOR RELATIONS AND COMMUNICATION

The Group adopts a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional investors and analysts. In order to further effective communication, the Company maintains a website (www.mymedicare.com.hk) to disseminate shareholder information electronically on a timely basis.

On behalf of the Board
Chien Hoe Yong, Henry
CEO and Executive Director

13 September 2007