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

(incorporated in Bermuda with limited liability)

(Stock Code: 0233)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Directors") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for year 2006 are as follows:

CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
Continuing Operations			
Turnover	*3*	**256,474**	160,835
Cost of sales		**(42,992)**	(19,525)
Gross Profit		**213,482**	141,310
Other income		**30,748**	20,643
Selling and distribution expenses		**(15,921)**	(9,164)
Administrative expenses		**(68,570)**	(43,606)
Finance costs		**(9,624)**	(16,740)
Gain on disposal/dissolution of subsidiaries		**178**	2,608
Profit before taxation	*4*	**150,293**	95,051
Taxation	*5*	**(23,411)**	(18,933)
Profit for the year from continuing operations		**126,882**	76,118
Discontinued Operations			
Loss for the year from discontinued operations		**–**	(3,156)
Profit for the year		**126,882**	72,962
Attributable to:			
Equity holders of the parent		**125,282**	73,559
Minority interests		**1,600**	(597)
		126,882	72,962
Dividends recognized as distribution during the year	*6*	**56,214**	26,881
Earnings per share			
From continuing and discontinued operations			
Basic	*7*	**4.48 HK cents**	2.74 HK cents
Diluted	*7*	**4.30 HK cents**	nil
From continuing operations			
Basic	*7*	**4.48 HK cents**	2.83 HK cents
Diluted	*7*	**4.30 HK cents**	nil

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-Current Assets			
Property, plant and equipment		**326,351**	229,512
Prepaid lease payments		**69,945**	67,635
Goodwill		**104,240**	104,240
Intangible asset		**2,088**	5,104
Available-for-sale investments		**528**	946
Deposits paid for the acquisition of property, plant and equipment		**23,297**	6,870
		526,449	414,307
Current Assets			
Prepaid lease payments		**1,509**	1,429
Inventories		**14,222**	7,460
Trade and other receivables, deposits and prepayments	8	**80,809**	50,445
Investments held for trading		**25,189**	–
Pledged bank deposit		**–**	10,000
Deposits placed with financial institutions		**–**	166,658
Bank balances and cash		**453,514**	274,903
		575,243	510,895
Current Liabilities			
Trade and other payables	9	**47,714**	34,447
Amount due to a related company		**6,209**	11,741
Bank borrowings – due within one year		**68,229**	70,500
Taxation payable		**16,783**	11,002
		138,935	127,690
Net Current Assets		**436,308**	383,205
		962,757	797,512
Capital and Reserves			
Share capital		**144,904**	134,405
Reserves		**682,535**	433,689
Equity attributable to equity holders of the parent		**827,439**	568,094
Minority Interests		**4,363**	2,763
Total equity		**831,802**	570,857
Non-Current Liabilities			
Bank borrowings – due after one year		**69,916**	24,625
Convertible bonds		**54,761**	193,428
Deferred tax liabilities		**6,278**	8,602
		130,955	226,655
		962,757	797,512

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The 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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

Except for the changes in disclosures as set out below, the adoption of those new HKFRSs has no material impact on the Group's results and financial position for the current or prior years, and does not result in any significant changes in the accounting policies of the Group.

On 1 January 2007, the Company adopted HKFRS 7 "Financial Instruments: Disclosures" and HKAS (Amendment) "Capital Disclosures", and has included various revised and new disclosures in its notes to the financial statements, which relate to the Group's financial instruments and capital management.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-INT 12	Service Concession Arrangements[4]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards, or interpretations will have no material impact on the results and the financial position of the Group.

The accounting policies adopted for the preparation of the consolidated financial statements are consistent with those used in the Group's annual audited financial statements for the year ended 31 December2006.

3. 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	–	Manufacture and trading of protein chips and related equipments
Health care operation	–	Provision of cervical cancer care and operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, PRC (上海市虹口區婦幼保健院)

In previous years, the Group also engaged in the trading of information technology products and related accessories (information technology products and services division). This operation was discontinued on 30 September 2006.

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

	Protein chips division	**Health care division**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2007			
REVENUE			
External sales	219,031	37,443	256,474
RESULTS			
Segment results	183,401	581	183,982
Unallocated expenses			(29,460)
Interest income			5,217
Finance costs			(9,624)
Gain on disposal/dissolution of subsidiaries			178
Profit before taxation			150,293
Taxation			(23,411)
Profit for the year			126,882

	Continuing operations			Discontinued operations	
	Protein chips division	Health care division	Sub-total	Information technology products and services division	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2006					
REVENUE					
External sales	150,865	9,970	160,835	14,740	175,575
RESULTS					
Segment results	115,173	1,059	116,232	(738)	115,494
Unallocated expenses			(14,752)	–	(14,752)
Interest income			7,703	8	7,711
Finance costs			(16,740)	(489)	(17,229)
Gain on disposal/ dissolution of subsidiaries			2,608	–	2,608
Profit before taxation			95,051	(1,219)	93,832
Taxation			(18,933)	–	(18,933)
			76,118	(1,219)	74,899
Loss on disposal of discontinued operations			–	(1,937)	(1,937)
Profit (loss) for the year			76,118	(3,156)	72,962

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	
	2007	2006
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**12,882**	637
PRC	**243,592**	160,198
	256,474	160,835
Discontinued operations		
PRC	**–**	14,740
	256,474	175,575

4. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation has been arrived at after charging:						
Depreciation	**6,261**	5,475	**–**	67	**6,261**	5,542
Impairment loss on intangible asset included in administrative expenses	**3,343**	–	**–**	–	**3,343**	–
Amortisation of prepaid lease payment	**1,473**	335	**–**	–	**1,473**	335
Amortisation of intangible assets included in administrative expenses	**121**	86	**–**	–	**121**	86
Change in fair value of investment held for trading included in administrative expenses	**10,073**	–	**–**	–	**10,073**	–
Staff costs						
– directors' remuneration	**6,198**	4,329	**–**	–	**6,198**	4,329
– other staff costs	**27,224**	16,802	**–**	867	**27,224**	17,669
– share-based payments, excluding directors	**4,151**	3,558	**–**	–	**4,151**	3,558
– retirement benefits scheme contributions, excluding directors	**115**	120	**–**	–	**115**	120
Total staff costs	**37,688**	24,809	**–**	867	**37,688**	25,676
Auditors' remuneration	**1,600**	1,300	**–**	100	**1,600**	1,400
Cost of investories recognised as an expense	**42,992**	19,525	**–**	14,645	**42,992**	34,170
Allowances for bad and doubtful debts	**1,122**	–	**–**	–	**1,122**	–
Research and development expenditure	**4,409**	1,118	**–**	–	**4,409**	1,118
Exchange (gain)/loss	**(28)**	2,366	**–**	–	**(28)**	2,366

5. TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
Hong Kong Profits Tax						
– Current year	**–**	–	**–**	–	**–**	–
– Overprovision in prior years	**–**	(671)	**–**	–	**–**	(671)
Taxation in other jurisdictions of the PRC						
– Current year	**25,735**	19,604	**–**	–	**25,735**	19,604
Deferred taxation	**(2,324)**	–	**–**	–	**(2,324)**	–
	23,411	18,933	**–**	–	**23,411**	18,933

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the PRC. The New Law imposed a single income tax rate of 25% for both invested enterprises. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for all PRC subsidiaries of the Company from 1 January 2008. The Company's all subsidiaries in PRC applied tax rate of 33% to provide for current tax for the current year before the New Law became effective.

Taxation arising in other jurisdictions of the 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.

6. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
Final, paid – HK$0.01 per share for 2006 (2005: Nil)	**27,124**	–
Interim – HK$0.01 per share for 2007 (2006: HK$0.01 per share)	**29,090**	26,881
	56,214	26,881
Dividend proposed		
Final – HK$0.01 per share for 2007 (2006: HK$0.01 per share)	**29,258**	26,881

The final dividend of HK$0.01 per share (2006: HK$0.01 per share) has been proposed by the directors and is subject to approval by shareholders in forthcoming annual general meeting.

7. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to the equity holders of the parent)	**125,282**	73,559
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**3,567**	–
Earnings for the purpose of diluted earnings per share	**128,849**	73,559

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,797,888,233**	2,688,100,846
Effect of dilutive potential ordinary shares:		
– share options	**24,206,191**	–
– convertible bonds	**170,751,722**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,992,846,146**	2,688,100,846

For the year ended 31 December 2006, the computation of diluted earnings per share does not assume the exercise of the share options since the exercise price of the Company's share options was higher than the average market price.

For the year ended 31 December 2006, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in profit per share.

For continuing operations

The calculation of the basic 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:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the parent	**125,282**	73,559
Add: Loss for the year from discontinued operations attributable to equity holders of the parent	**–**	2,559
Earnings for the purposes of basic earnings per share from continuing operations	**125,282**	76,118

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

For discontinued operations

For the year ended 31 December 2006, basic loss per share for the discontinued operations is 0.09 HK cent per share, based on the loss for the year from the discontinued operations attributable to the equity holders of the parent of HK$2,559,000 and the denominators detailed above for basic earnings per share.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$75,094,000 (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 net of allowance for doubtful debt at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**68,766**	43,035
61 – 90 days	**6,328**	589
	75,094	43,624

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$6,215,000 (2006: HK$3,137,000). An aging analysis of trade payables at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**6,014**	1,565
61 – 90 days	**9**	1,407
Over 90 days	**192**	165
	6,215	3,137

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the last five years, the PRC economy have grown over 81.6 percent with an average annual increase of 10.6 percent and the PRC economy is currently the fourth largest economy in the world. During the year, the PRC Government continued to adopt a prudent fiscal policy and a tight monetary policy while committed to a sustainable and healthy economic development objective, and successfully achieved a GDP growth rate of 11.4 percent in 2007. While it is widely expected that the macroeconomic regulations will continue to affect the economy in the PRC in 2008, the healthcare sector is the very few bright spots where the PRC Government is committed to increase significantly its public expenditure on healthcare reform.

Nevertheless, the PRC Government is committed to a sound and fast economic growth with emphasis on quality and efficiency of the growth. Most recently at the First Session of the 11th National People's Congress, the PRC Government announced its plan to reduce its GDP growth to approximately 8 percent in 2008 while at the same time committed its efforts to reform the health care sector with an eventual goal of establishing a basic medical and health care system to provide safe, effective, convenient and affordable service for the society.

With the healthcare reform in full momentum, the PRC healthcare industry will continue to be modernized and has already become one of the fastest growing healthcare markets in the world over the last decade. Total health expenditure and per capita health expenditure have been growing at an annual average rate of over 16 percent. Underpinning such phenomenal growth are enhanced living standard, increase in per capita income, growth of the aging population, increasing healthcare consciousness, and the PRC 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.

Since the introduction of the new rural cooperative medical care system, a total of 2,448 counties have already launched the program and that over 730 million farmers, which represented a participation rate of 85.7 percent, have participated. The PRC Government believes that this system will be fully implemented in all rural areas in 2008 and will allocate approximately RMB83.2 billion to the system, representing an increase of approximately 25 percent over that of last year.

From 2001 to 2007, the per capita income of urban and rural residents in the PRC grew at annual averages of 10.1 percent and 6.2 percent respectively. In 2007 the per capita income of urban and rural residents was approximately RMB13,786 and RMB4,140 respectively, representing a growth of 12.2 percent and 9.5 percent respectively over that of last year. The improved standard of living and the increase in healthcare consciousness have led to an increase on spending on healthcare products and services.

According to the World Health Report 2007 published by the World Health Organization, China lagged behind other developed countries on spending on healthcare services. Medical and healthcare services in the developed countries accounted for approximately 11.0 percent of the GDP on average in 2004. Medical and healthcare services in the US represented 15.4 percent of the GDP, while the figure for PRC was only 4.7 percent in 2004. It is widely expected that demand for medical and healthcare services will continue to grow as consumers become more affluent. The Group expects both the percentage and the GDP base to expand, making the healthcare industry to be a high growth sector in the economy.

Equally important is the increase in State Basic Medical Insurance population for urban residents. According to the National Bureau of Statistics of the PRC, the eligible participants have grown from 37.8 million in 2000 to 220.5 million in 2007, representing an increase of over 182.7 million participants with annual averages of 28 percent. Under the 11th Five Year Plan, it is estimated that the urban population in China will increase from 43 percent of total population to 47 percent of total population between 2005 and 2010, and 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

Being the first year that the Group is principally and entirely engaging in biomedical business activities, the Group continued to implement the KM2003 Objectives with impressive results of sustainable and high growth in sales in its Protein Chips Division. This year the Group allocated most of its resources in three major areas – including the implementation of its distribution arrangement with China Life Insurance Company Limited, Shanghai Branch ("CLS") following the introduction of a new cancer care insurance policy in Shanghai, the promotion and registration of the HPV DNA testing kits with the hospitals nationwide, and the launch of the new production facility in Shanghai to expand its production capacity significantly.

Major corporate activities undertaken in 2007 were summarized as follows:

Major Events and Issues in 2007

February	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.
March	Commenced the implementation of the milestone arrangement with CLS whereby CLS will use the Group's proprietary multi-tumor marker detection systems to principally and mandatory evaluating interested applicants who intend to acquire insurance protection under a new Cancer Care Insurance Policy. The cooperation agreement with CLS represents a major milestone for the corporate development of the Group and will significantly increase the sale of its proprietary protein chips and systems in coming years. The cooperation agreement marked a further collaboration with China Life Insurance Company Limited ("CL"), the largest life insurance provider in the PRC and an milestone for the Company in a successful expansion of the products sales into one of the largest and most established retail sales network in the PRC with over 640,000 individual agents, 12,000 group sales staff and over 90,000 cooperating bank branches and post offices.

April	Officially established a new business unit within its Healthcare Division to engage in the promotion, registration and distribution of the HPV DNA detection kits nationwide. The Group has successfully appointed distributors in nine provinces and two municipalities including Beijing and Shanghai, and over 57 hospitals have been successfully approved to offer the products to its patients in the PRC.
August	Completed successfully the trial run of its production lines at the new Fengxian facility in Shanghai and began its production operation to contribute to the overall production capacity of its C-12 protein chips and related systems ("C-12 products").

Mission Statement – Innovative Medicare Solutions Partnership

The Group is a leading pioneer in commercializing new diagnostics technologies and is a leading supplier of biomedical solutions in the PRC and has sold more than 5.9 million protein chips to date for cancer screening from its own proprietary intellectual property ("PIP") protein chip platform.

Founded in 2000, the Group is a pioneer that dedicates itself for the provision of low cost, non-invasive, and innovative medicare solutions in the areas of early detection and prevention of diseases, enhance human health and quality of life, and to provide a new approach to life insurance industries in the evaluation of health status and life span. It has been accepted that early detection of potential diseases including life threatening diseases would significantly improves the chances of successful medical therapy and treatment, raises the survival rate and improves the quality of life for patients.

Protein Chips Division

Currently, the Group manufactures and distributes C-12 products to hospitals and life insurance companies in the PRC. The C-12 products are capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the year, the Group continued to experience an excellent growth in both order and sales of C-12 products. As a proven and leading supplier of protein chips in China, the Group has been supplying C-12 products to life insurance companies based in the PRC for the pre-screening and general health appraisal of life and cancer policy applicants. The Group expects the overall growth for the protein chips sales to be promising and sustainable in the future.

The Group continued to experience rapid growth in its protein chips business operations and sold a total of 2.2 million protein chips (2006: 1.5 million), representing an increase of approximately 46.7 percent over that of last year.

The increase in the sale of chips was due mainly to a number of the following factors:

Sales Strategy

The Group's sales strategy involves the setting up of sales' channels, the establishment of a comprehensive pricing structure for the different sales' channels, the strengthening of technical support structures and the building up a sustainable distribution network.

The Group's sales strategy has been implemented successfully with increases in both turnover and number of chips sold. The Group will review its strategy continuously and is prepared to make revisions from time to time.

Sales channels

The Group continued to strengthen its sales network and has expanded beyond the distributorship channel where historically most of the sales were generated. The Group has successfully established direct sales channels for life insurance industry and large corporations in the PRC. It is the long term strategy of the Group that the portfolios will be further developed to achieve a more balanced sales category platform and more importantly to reduce reliance on any particular sales channel.

CLS

On 19th December 2006, the Group has successfully established a new sales channel that will contribute significantly to future revenue, profitability and growth of the Group. HD Biochips, a wholly-owned subsidiary of the Company entered into a cooperation agreement with CLS whereby the latter agreed to engage HD Biochips for the use of its C-12 products on a new insurance policy known as the "Cancer Care Insurance Policy" which has been launched in Shanghai, the PRC.

The "Cancer Care Insurance Policy" is a new health insurance policy developed by CL, the largest life insurance provider in the PRC. Being a major branch of CL, CLS has over 4,000 exclusive agents and over seven million customers. CLS is principally engaged in the provision of insurance products for four main categories, namely life, retirement, health and accident insurance.

The Cancer Care Insurance Policy seeks to provide protection for people against cancer for one year after a successful cancer screening test. Within the insured period, the policy holder will receive the appropriate compensation for medical care whether the cancer tumor is benign or malignant. Under the cooperation agreement, the Company will use its C-12 products to provide cancer screening testing and risk evaluation procedures for every customer who purchases Cancer Care Insurance Policy from CLS. The cancer screening testing and risk evaluation procedures will include a protein chip testing together with other medical tests. Under the cooperation agreement, CLS will pay to HD Biochip RMB192 for each successful policy applicant who receives the cancer screening testing and risk evaluation procedures. The cooperation agreement will last for a period of three years.

The Directors believes that the launch of the Cancer Care Insurance Policy in a metropolitan city like Shanghai is the first step and that the cancer care programs will gradually be made available to other branches of CL in the PRC. The Directors believes that the cooperation agreement with CLS provides the potential of accessing the CL's extensive insurance distribution network in the PRC and further strengthening the Company's position as a leading supplier of biomedical chips and could significantly increase the Company's sales of its proprietary protein chips and systems in coming years.

Chipreader optimization plan

As at 31 December 2007, the Group had 406 (2006: 406) chipreaders in the market. The Group understands that the chipreader for the C-12 protein chips is a principal contributing factor for the sales volume and to this effect, the Group has been successful in increasing the utilization rate per chipreader per month by promoting the sharing of chipreaders among hospitals in the same location, reallocating some existing chipreaders to newly signed up hospitals and insurance companies, and increasing the production of chipreaders to meet new demands. During the year, the implementation of the optimization plan for chipreaders also contributed significantly to the increase in sales volume for the C-12 products. The utilization rate per chipreader will be further increased should sales on C-12 products continue to experience growth in the future and other new products were introduced.

Chipset packaging diversification

The Group currently maintains three different sizes of packaging for its customers, namely 48 wells chipset for the simultaneous testing of 42 patients, 24 wells for the testing of 18 patients and 16 wells for the testing of 10 patients. The smaller packaging for 18 and 10 patients is more popular with regional hospitals and allows more regular processing of C-12 products for patients. Nevertheless, the Group maintains a flexible policy on packaging based on a reasonable demand from its customers and will review the packaging from time to time.

After sales service

The Group continues to strengthen after sales service to its customers and in house procedure has been developed to track down details of subsequent therapeutic treatments in hospitals for cancer patients being diagnosed. The after sales services not only indicate that our customers are actually being cared for. It also instills in our employees a sense of mission to assist our customers and their patients.

Healthcare Division:

The division currently consists of two units, namely the Hospital Unit and the Cervical Cancer Care Unit.

Under the Hospital Unit, the Group continued to manage the Shanghai Woman and Child Healthcare Hospital of Hong-Kou District by way of a 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd. The hospital operation is demonstrating steady growth in patient's trafffic and is fulfilling its functional role as a platform to introduce new diagnostic services to local women population.

Under the Cervical Cancer Unit, the Group launched a coordinated and nationwide sales and marketing campaign for its HPV DNA testing kits and making important progress to register its products for distribution to women's patients at hospitals nationwide.

The DNA-based diagnostic technology platform has been developed for the early screening and diagnosis of infectious and genetic diseases and involves a panel of techniques based on sensitive fluorescence detection, cost-effective microplate hybridization, and DNA microarray genotyping of amplified DNA products.

The HPV DNA testing kits offer superior sensitivity (>95%) for early screening cervical cancer compared with conventional pap-smear test (50-60%), yet it does not require a large upfront capital investment on specialized equipment, and is only a fraction of the costs of other competitive products. The SNIPER™ FPCR Kit obtained approval from the SFDA in May 2006.

Cervical cancer is the second biggest cause of female mortality worldwide with over 288,000 deaths and 500,000 new cases every year. In the PRC, 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.

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 papilomavirus ("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.

FINANCIAL PERFORMANCE

The net profit attributable to shareholders amounted to HK125.3 million (2006: HK$73.6 million), representing an increase of 70.2 percent over that of last corresponding year. The significant digit increase was due to the increase in sales from principally the existing distributors' network and the CLS. Earnings per share was 4.48 HK cents (2006: 2.74 HK cents), representing a significant increase of approximately 63.5 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$219.0 million (2006: HK$150.9 million), representing an increase of approximately 45.1 percent over that of last year. More importantly, segment profits of this division amounted to HK$183.4 million (2006: HK$115.2 million), representing an increase of approximately 59.2 percent over that of last year.

The Group continued to experience strong growths and sold a total of 2.2 million protein chips (2006: 1.5 million), representing an increase of 46.7 percent over that of last year. The Group continued to enlarge its sales and related after sales support to life insurance companies, particularly the CL group of branches in the PRC. 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 of the PRC.

On other hand, 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$37.4 million (2006: HK$10.0 million). The segment profits of this division amounted to HK$3.8 million (2006: HK$1.0 million).

Cervical Cancer Care Unit

In 2007, the Group officially launched its new HPV DNA diagnostic kits with the successful appointment of distributors in nine provinces and two municipalities including Beijing and Shanghai. and have sold more than 25,000 kits in 2007. To date, the HPV DNA diagnostic kits are already approved to sell in over 57 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.

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 biomedical activities relating to screening and diagnostics for diseases. 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 is committed to develop internally by way of its proprietary protein chip platform and externally with established biomedical research institutions to bring effective screening and diagnostic tools for life threatening diseases that would be targeting both the urban and rural segment of the population.

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 CLS for its Cancer Care Insurance Policy, the completion of its new production facility in Shanghai and the establishment of the Strategic Marketing Department.

Being the leading biomedical company in the area of early screening and detection of diseases in the PRC, 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 the PRC represents one of the largest and rapidly growing markets in 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 approach and a disciplined cost control philosophy towards the implementation of its business plans in 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 biomedical products from both its proprietary and licensed platforms for the detection of diseases.

Government globally is facing strained healthcare budgets and there is a strong belief that a reallocation of resources to a program of strong prevention and early detection would contribute to a healthier population and deliver considerable savings. Therefore recently at the World Health Organization ("WHO") during the 58th World Health Assembly in 2005, member states adopted a number of resolutions that included a common understanding on early detection and prevention of diseases by way of promoting national health programs to control and prevent diseases including cancers. It is estimated by WHO that one third of all cancer cases and 80 percent of premature deaths from heart attacks and strokes are preventable. Earlier detection of diseases can lead to more effective treatment and prevention offers the most cost-effective and long term strategy for the control of cancer and other diseases.

Being a pioneer in this field of early screening, detection and prevention of diseases and a leading supplier of biomedical solutions in the PRC, the Group has seized first mover advantage to service the increasing health conscious and affluent group of customers in the PRC who demand higher standard of healthcare service and are looking for ways to improve quality of life including early medical therapy and treatment of diseases through early detection. The Group's biomedical chips are designed for early detection of diseases. With increasing health conscious worldwide and increasingly tight medical resources, the Group believes the dynamic development of biomedical solutions provides a new trend in healthcare industry that is moving decisively in the direction of early detection and prevention of diseases. The accumulation of market experiences over the last few years enables the Group to appreciate the opportunities and challenges for biomedical products and services, and structure its unique distribution network for growth.

Since 2003, the Group has since been implementing business plans and strategies in accordance with the KM2003 Objectives with an intention to strengthen its leading position as a protein chip supplier in the PRC which is one of the largest, fastest growth and most promising healthcare markets in the world. Despite many challenges ahead, the outlook for the Group is extremely promising and business plans are being implemented with impressive results.

Key Milestones Progress

Based on KM2003 Objectives, the Group is committed to achieving key milestones and a summary of their respective progress are provided below:

(1) Production management for the protein chips.

Phase I of the new production facility in the Fengxian MA District of Shanghai (the "Shanghai Plant") began operational in August 2007 and production lines for 4 million chips were installed. Back in 2005, the Group anticipated a significant growth in demand for its C-12 Protein Chips and commenced the construction of a new production facility in the Fengxian MA District of Shanghai on a site area of approximately 81,764 sq.m. with a planned production capacity of 8 million chips annually. The Shanghai Plant will be the Group's principal production base for a range of protein chips used for screening and diagnosis of different diseases.

The existing plant at the Huzhou Economic & Technological Development Zone in the Zhejiang Province (the "Huzhou Plant") is currently operating at its full production capacity of 1.5 million chips per annum.

(2) Build and strengthen the distribution channels and after sales support services.

The Group currently distributes its C-12 products to over 45 health centers of major insurance companies and over 700 hospitals in the PRC through regional distributorships and direct sales. The Group intends to expand the points of service to a total of 1,000 hospitals and health centers of insurance companies. At the new plant site, the Group will build a composite training center to train medical and healthcare personnel on handling of protein chips and systems and provide after sales services for customers.

The successful arrangement with CLS to support the cancer evaluation process on the Cancer Care Insurance Policy in Shanghai is contributing significantly to the sale of C-12 products and the Group expects other branches of CL will start making the policy program available to their customers across the PRC shortly. CL is the largest life insurance company in the PRC and its distribution network, comprised of exclusive agents, direct sales representatives, and dedicated and non-dedicated agencies, is also the most extensive one in China. Being the premier life insurance company in the PRC, CL's products and services include life insurance, group life insurance, accident and health insurance. Leveraging on the existing distribution network of CL in the PRC, the Directors are confident that the Group's revenue base will increase significantly and the distribution points will grow in multiples in the coming years.

(3) Commit resources in marketing and promotional activities.

The Group markets and promotes protein chips under the brand name "HealthDigit". Currently, the Group is gaining increasing recognition for its product quality and corporate credibility. The Group intends to further leverage on its first mover advantage and market leadership position by investing additional resources on the promotion and cultivation of the brand name "HealthDigit" and the Group's biomedical products and services.

The Group established a Strategic Marketing Department in February 2007, for the setting up of marketing and promotional programs to enhance the corporate profile of the Company, and to bring together scientists, medical practitioners, and laboratory technicians to further promote the application of biomedical solutions for the early screening, detection and prevention of diseases including cancer.

(4) Pursue new research, discovery and product innovations.

The Group continues to conduct research in-house on different applications of protein chips to be used for early detection of diseases based on the existing protein technology platform and the emphasis will be on product development of cancer or cardiac related screening products.

The Group understands the importance of technological leading edge in the biomedical industry. In 2006, the Group has successfully diversified its revenue sources and its product platform by establishing a second revenue source, in addition to its own PIP protein chip platform, by way of a licensed intellectual property ("LIP") product platform. The Group intends to work with established research based institutions as partners in commercialization of successfully researched and licensed products which are used for early screening of diseases and which are complimentary to the existing products of the Group. The Group places emphasis to develop its product platform into three major revenue sources, namely cancer, cardiac and other diseases series based on both PIP and LIP sources.

By engaging a new revenue source from LIP product platform, the Group has entered into a 20-year exclusive distribution and production agreement for the distribution of the *SNIPER™ HPV DNA* product series for cervical cancer screening in the Asia Pacific region. The Group is confident that the partnership will be mutually beneficial and provide a new direction in product development for new revenue source and a model for further cooperation. The Group will continue to seek opportunities to work with established scientific research institutions and laboratories on the discovery and research of new product and applications. The Group will over time increase its library of products and will launch them as and when the market condition is ready.

(5) Establish global platform for the protein chips and systems.

While the major market for the Group is the PRC, the Group has commenced feasibility studies on various markets outside the PRC and intends to work with partners and regulators in their respective native countries for the distribution of "HealthDigit" protein chips and systems.

New Line of Biomedical Testing Kits and Chips for the Early Detection of Diseases

By way of both PIP and LIP sources, the Group intends to strengthen its leadership position in the biomedical industry by further diversifying its biomedical product series that contain the characteristics of both screening and diagnostic value and the Group plans to increase its efforts and resources for the promotion and distribution of the following biomedical products:

- ***Protein Chip for Rheumatoid Autoimmune Diseases (referred to as "RAD")***

  Autoimmune diseases affect an estimated 3 to 5 percent of the total population with the highest prevalence in the elderly. Being a major category of the autoimmune diseases, rheumatoid disorders are difficult to recognize in the early stage, but in late stages, multiple organs can be affected and damages can be irreversible.

  The word "auto" is the Greek word for self. The immune system is a complicated network of cells and cell components (called molecules) that normally defends the body and eliminates infections caused by bacteria, viruses, and other invading microbes. If a person has an autoimmune disease, the immune system mistakenly attacks itself, targeting the cells, tissues, and organs of the person's own body. A collection of immune system cells and molecules at a target site is broadly referred as inflammation.

  Rheumatoid disorders include systemic lupus erythematosus, rheumatoid arthritis, Sjogren's syndrome, scleroderma, polymyositis/dermatomyositis and mixed connective tissue disease.

  Clinical tests for RAD protein chip have been successfully completed and it is estimated that over 50 million people in the PRC suffered from rheumatoid autoimmune diseases.

- ***Protein Chip for Infertility and Sterility Diseases (referred to as "ISD")***

  The protein chip is used to diagnose certain autoimmune disorders that cause infertility and sterility. Such disorders include endometriosis, recurrent spontaneous miscarriage, and dysfunction of the ovary and sperms.

  Clinical tests for ISD have already been successfully completed in 2005 and it is estimated that over 20 million people in the PRC suffered from infertility and sterility diseases.

Conclusion

The high growth rate in the economy of the PRC has placed the Group in the most exciting part of the world to implement its business plans and operations and the Directors are pleased with the results on the implementation of the business objectives. As part of the PRC Government new effort to build a harmonious society and to reform the healthcare sector, the Directors believe that a well funded and fair medical system is a vital contributor to building a lasting harmonious society and that the Company's early detection and prevention of diseases will save lives and promote the awareness of good healthcare.

Being a leading supplier of protein chips and solutions for early detection of diseases in the high growth healthcare industry in the PRC, the Group appreciates the many challenges and risks that are associated with the high growth industry and believe that the Group is reasonably well placed to respond to the risks and challenges accordingly. The Group believes that the business plan for the KM2003 Objectives will be executed with precision and changes will only be made when there is a need to do so.

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 methods. 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 in 2008.

PLEDGE OF ASSETS

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

	2007	2006
	HK$'000	*HK$'000*
Prepaid lease payments	**42,500**	–
Buildings	**169,721**	5,992
Buildings under construction	**–**	23,587
Investments held for trading	**14,429**	–
Pledged bank deposit	**–**	10,000
	226,650	39,579

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 31 December 2007 the Group had cash and bank balances of HK$453.5 million (2006: HK$441.6 million). The Group's gearing ratio as at 31 December 2007 was 23.1 percent (2006: 50.8 percent), based on bank and other borrowings of HK$192.9 million (2006: HK$288.6 million) and shareholders' fund of HK$835.4 million (2006: HK$568.1 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$138.1 million were outstanding as at 31 December 2007 (2006: HK$95.1 million). The range of effective interest rates on the bank borrowings as at 31 December 2007 was approximately 4.86 percent to 8.42 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 31 December 2007 and 31 December 2006, the Group did not have any significant contingent liabilities.

FINAL DIVIDEND

The Directors have recommend the payment of a final dividend of 1 HK cent (2006: 1 HK cent) per share for 2007 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 27 May 2008. This together with the interim dividend of 1 HK cent per share give a total of 2 HK cents per share for the year (2006: 2 HK cents). The proposed final dividend will be paid on 27 June 2008 following the approval at the annual general meeting of the Company to be held on 2 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 28 May 2008 to Friday, 30 May 2008, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrar, Computershares Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 27 May 2008.

EMPLOYEES

At 31 December 2007, the Group had a total of 452 employees (2006: 387 employees) in Hong Kong and the PRC. 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 the operation. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased 23,810,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration, of HK$27,616,000 with the highest and lowest prices per share at HK$1.21 and HK$1.00 respectively.

All the repurchased shares were subsequently cancelled. The issued share capital of the Company was reduced by the par values thereof. The premium paid on the repurchase of shares and related expenses, in the amount of HK$26,425,000, was charged to the share premium account.

The repurchase of shares during the year was effected by the Directors pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting held on 6 June 2007, with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Group.

Saved as disclosed above, 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 31 December 2007, 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 year ended 31 December 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 consolidated financial statements for the year ended 31 December 2007 in conjunction with the Group's auditors.

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.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31 December 2007 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statement for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

As at the date of this announcement, the executive directors of the Company are Mr. Yao Yuan (Chairman), Mr. Chien Hoe Yong, Henry (CEO), Mr. Iu Chung, Mr. Hu Jun, and Mr. Yu Tin Jun; the independent non-executive directors are Dr. Lam Lee G., Mr. Hu Jian Hua and Mr. Lee Sze Ho, Henry.

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

31 March 2008

* *For identification purposes only*