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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors (the "Directors") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**207,995**	154,082
Cost of sales		**(38,495)**	(28,512)
Gross Profit		**169,500**	125,570
Other income	*3*	**2,210**	15,435
Selling and distribution expenses		**(18,061)**	(10,909)
Administrative expenses		**(35,771)**	(40,253)
Finance costs	*4*	**(10,009)**	(4,599)
		107,869	85,244
Share of profit of a jointly controlled entity		**2,507**	–
Profit before taxation	*5*	**110,376**	85,244
Taxation	*6*	**(18,309)**	(2,638)
Profit for the period		**92,067**	82,606
Attributable to:			
Equity holders of the parent		**88,744**	82,163
Minority interests		**3,323**	443
		92,067	82,606
Earnings per share			
Basic	*7*	**3.02 HK cents**	2.82 HK cents
Diluted	*7*	**2.73 HK cents**	2.80 HK cents

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Non-Current Assets			
Property, plant and equipment		**374,525**	358,175
Prepaid lease payments		**85,921**	71,150
Goodwill		**425,400**	104,240
Intangible asset		**260,000**	2,274
Interest in a jointly controlled entity		**79,431**	–
Available-for-sale investments		**528**	528
Deposit paid for acquisition of subsidiaries		**–**	56,410
Deposit paid for the acquisition of property, plant and equipment		**21,557**	21,670
		1,247,362	614,447
Current Assets			
Prepaid lease payments		**1,913**	1,569
Inventories		**22,880**	18,585
Trade and other receivables, deposits and prepayments	*8*	**128,141**	124,436
Investments held for trading		**3,934**	2,467
Pledged bank deposits		**17,019**	16,923
Bank balances and cash		**348,939**	602,917
		522,826	766,897
Current Liabilities			
Trade and other payables	*9*	**44,966**	58,104
Amount due to related companies		**–**	29,217
Bank borrowing – due within one year		**94,336**	87,077
Taxation payable		**22,679**	10,135
		161,981	184,533
Net Current Assets		**360,845**	582,364
		1,608,207	1,196,811

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital and Reserves		
Share capital	**150,170**	146,731
Reserves	**1,018,362**	868,193
Equity attributable to equity holders of the parent	**1,168,532**	1,014,924
Minority Interests	**52,544**	5,106
Total equity	**1,221,076**	1,020,030
Non-Current Liabilities		
Bank borrowings – due after one year	**113,460**	112,820
Convertible bonds	**240,840**	37,268
Deferred tax liabilities	**32,831**	26,693
	387,131	176,781
	1,608,207	1,196,811

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 2008.

In the current year, the Group has applied for the first time the following amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of these new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 *(Note 1)*
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 *(Note 2)*
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements *(Note 1)*
HKAS 39 (Amendment)	Eligible Hedged Items *(Note 1)*
HKFRS 3 (Revised in 2008)	Business Combinations *(Note 1)*
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners *(Note 1)*
HK(IFRIC)-Int 18	Transfers of Assets from Customers *(Note 3)*

Notes:

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

The PMD Business Segment

PMD stands for "Product, Manufacturing and Distribution" and is the traditional principal business segment of high margin sector of vitro diagnostic products ("IVD testing kits"). This business segment consists of the Protein Chips Division and the Healthcare Division.

The MCM Business Segment

The new MCM segment stands for "Medical Centres Management" and represents the new business of health screening and management.

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

	The PMD Business Segment			**The MCM Business Segment**	
	Protien Chips Division *HK$'000*	**Healthcare Division** *HK$'000*	**Total** *HK$'000*	**Medical Centre Management** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2009					
REVENUE					
External sales	**171,032**	**20,558**	**191,590**	**16,405**	**207,995**
RESULTS					
segment results	**117,200**	**2,997**	**120,197**	**7,130**	**127,327**
Unallocated expenses					**(7,680)**
Interest income					**738**
Finance cost					**(10,009)**
Profit before tax					**110,376**
Taxation					**(18,309)**
Profit for the period					**92,067**

	PMD Business Segment		
	Protein Chips Division	Healthcare Division	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2008			
REVENUE			
External sales	138,646	15,436	154,082
RESULTS			
Segment results	94,410	805	95,215
Unallocated expenses			(14,694)
Interest income			3,296
Gain on disposal of property, plant and equipment	6,026		6,026
Finance costs			(4,599)
Profit before taxation			85,244
Taxation			(2,638)
Profit for the period			82,606

Geographical segments

Over 95% of the Group's turnover are derived from the operation in the PRC and the Group's assets are substantially located in the PRC, therefore, no geographical segment is presented.

3. OTHER INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest income	**738**	3,296
Gain on disposal of property, plant and equipment	**–**	6,026
Realized gain on investment in securities	**1,259**	–
Government grant	**213**	6,113
	2,210	15,435

4. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**5,688**	3,137
Effective interest expenses on convertible bonds	**4,321**	1,462
	10,009	4,599

5. PROFIT BEFORE TAXATION

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**8,960**	10,145
Amortisation of prepaid lease payment	**747**	737
Staff costs		
– directors' remuneration	**3,020**	2,721
– other staff costs	**18,775**	12,852
– share-based payments, excluding directors	**520**	495
– retirement benefits scheme contributions, excluding directors	**60**	62
Total staff costs	**22,375**	16,130
Auditors' remuneration	**800**	700
Cost of inventories recognised as an expense	**38,495**	28,512
Research and development expenditure (included in other expenses)	**2,522**	2,107

6. TAXATION

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current period	**12,171**	10,791
– Overprovision in prior years	**–**	(8,153)
Deferred tax	**6,138**	–
	18,309	2,638

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 2009 (six months ended 30 June 2008: Nil).

Taxation arising in PRC is calculated at the rates prevailing in the PRC. 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 (the "Tax Holiday"). The Tax Holiday are applicable for the PRC subsidiaries after the new law implemented as described below and will be expired in 2009 to 2012.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The Directors, are of the opinion that the impact of New Law is not significant to the Group for the 6 months ended 30 June 2009 since the PRC subsidiaries is either under the exemption from PRC income tax for two years starting from their first profit-making year or classified as "Technology-and-knowledge intensive" enterprises which enjoying preferential tax rate.

The Tax Law of the PRC requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. Deferred tax of approximately HK$6,000,000 has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

7. EARNINGS PER SHARE

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 **2009** ***HK$'000***	 2008 *HK$'000*
Earnings		
Profit for the year attributable to the equity holders of the parent and earnings for the purpose of basic earnings per share	**88,744**	82,163
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**4,326**	1,462
Earnings for the purpose of diluted earnings per share	**93,070**	83,625
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,936,824,905**	2,917,952,974
Effect of dilutive potential ordinary shares:		
– share options	**–**	29,264,594
– convertible bonds	**468,891,776**	41,408,840
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,405,716,681**	2,988,626,408

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2009 *HK$'000* (Unaudited)	31 December 2008 *HK$'000* (Audited)
Trade receivables	**119,519**	103,559
Less: allowance for doubtful debt	**(2,211)**	(2,211)
	117,308	101,348
Consideration receivable for disposal of property, plant and equipment	**–**	12,433
VAT recoverable	**–**	243
Prepayments	**9,056**	8,534
Others	**1,777**	1,878
	128,141	124,436

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:

	30 June 2009 *HK$'000* (Unaudited)	31 December 2008 *HK$'000* (Audited)
0 – 60 days	**83,116**	77,044
61 – 90 days	**24,462**	16,987
91 – 180 days	**9,730**	6,049
181 – 270 days	**–**	1,268
	117,308	101,348

9. TRADE AND OTHER PAYABLES

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Trade payables	**10,395**	7,616
Receipts in advance	**9,246**	7,407
Accrued expenses	**14,078**	21,302
Payables for construction in progress	**7,366**	13,511
Other tax payable	**2,259**	4,263
Others	**1,622**	4,005
	44,966	58,104

An aging analysis of trade payables at the balance sheet date is as follows:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
0 – 60 days	**8,757**	6,831
61 – 90 days	**1,638**	295
Over 90 days	**–**	490
	10,395	7,616

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Market Review

According to an economic outlook update in June this year issued by the International Monetary Fund, global economy is slowly starting to pull out of its deepest recession since World War II but the recovery is expected to be sluggish, and both macroeconomic and financial policies need to remain supportive internationally. It is believed that the global economy will contract this year and consumer confidence remains weak.

The global policy response after the September 2008 global financial crisis has been unprecedentedly prompt, China together with the rest of the world has put together a substantial economic stimulus package including monetary, financial and fiscal measures to stabilize its financial markets and to revive global growth.

With the economic stimulus package in effect, the gross domestic product in China grew 7.1 percent over the first half of 2009 from the same period a year ago to 13.99 trillion yuan and became one of the few countries in the world that could maintain economic growth. Nevertheless, the National Bureau of Statistics most recently issued a note of caution that the China's economy is still facing difficulties and challenges, and that the economy rebound has yet to achieve stability.

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 growth of fixed asset investment, backed by the high savings, inflow of foreign investments and government economic stimulus measures.

The Chinese economy has enjoyed a period of unprecedented and sustainable growth from 2001 to 2008 with per capita income of urban and rural residents achieving annual growth averages of 9.9 percent and 6.4 percent respectively. In 2008, per capita income of urban and rural residents per year were approximately 15,781 yuan and 4,761 yuan respectively, representing a growth of 8.4 percent and 8.0 percent respectively over that of last year. 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

During this period of global economic slowdown, the outbreak of influenza A virus subtype H1N1 or more commonly referred to as "Swine Flu" has further restricted business activities and affected spending sentiments. Therefore, the Group continues to maintain its prudent approach towards its sales expansion and financial management measures. The management took the view that until the positive effects of both the huge economic stimulus package and the healthcare reform spending is becoming more evident and the general operating environment becomes more sustainably stable in China, the Group would maintain its existing business momentum and intends to further strengthen its cashflows and balance sheet while maintaining a flexible approach to review its financial policies from time to time.

The Group currently operates two business segments, namely the PMD business segment and the MCM business segment respectively. Both business segments offer strong cashflows and they provide synergy to one another and are complimentary to the development of the Group's new and pioneering IVD testing kits.

The net profit attributable to shareholders amounted to HK$88.7 million (2008: HK$82.2 million), representing an increase of 7.9 percent over that of last corresponding period. The increase was due to the overall increase in sales of its C-12 products from principally the existing sales network under the PMD business segment and revenue contribution from the MCM business segment. Earnings per share was HK3.02 cents (2008: HK2.82 cents), representing an increase of approximately 7.1 percent.

The PMD Business Segment:

PMD stands for "Product, Manufacturing and Distribution" and is the traditional principal business segment of high margin sector of vitro diagnostic products ("IVD testing kits"). This business segment consists of the Protein Chips Division and the Healthcare Division:

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$171.0 million (2008: HK$138.6 million), representing an increase of approximately 23.4 percent over that of last corresponding period. More importantly, profits of this division amounted to HK$117.2 million (2008: HK$94.4 million), representing an increase of approximately 24.2 percent over that of last corresponding period.

Despite the adoption of a tighter sales policy, the Group continued to experience respectable growth in the first half of this year and the Group sold a total of 1.61 million protein chips (2008: 1.45 million), representing an increase of 11.0 percent over that of last corresponding period. The increase is attributable to the successful inclusion of C-12 products in provincial reimbursement drug catalogue in three provinces and the sales growth is expected to be sustainable.

The Group is committed 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$20.6 million (2008: HK$15.4 million). The segment profits of this division amounted to HK$3.0 million (2008: HK$0.8 million).

Cervical Cancer Care Unit

The Group officially launched its HPV DNA diagnostic kits with the successful appointment of distributors in 18 provinces and sold more than 45,560 kits in the first half of 2009, representing an increase of 281 percent over last corresponding period. To date, the HPV DNA diagnostic kits are already approved to sell in over 136 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.

The MCM Business Segment

The new MCM segment stands for "Medical Centres Management" and represents the new business of health screening and management.

Over the years, the Group has successfully established valuable contacts at hospitals, medical centres and distributors in the healthcare industry and the Group intends to further leverage on its strength as a leading supplier of bio-medical products and its experience by establishing a national network of MCM centres by mergers and acquisition of existing independent medical centres, and forming business alliances with regional medical centres in China.

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

The establishment of the MCM will also provide greater flexibility for the Company to expand its existing operations in China, to introduce new screening and diagnostic kits more effectively and to provide a more comprehensive servicing coverage for customer loyalty orientation.

On 30 October 2008, Huzhou HealthDigit Company Limited, a wholly-owned subsidiary of the Company, acquired 75 percent equity interest in Shanghai Kang Pei which is a domestic limited liability company established in the PRC on 11 January, 2000.

Corporate Review

Issue of Convertible Bonds with Warrants

On 18 March 2009, the Company entered into a subscription agreement with CCB International Asset Management Limited (referred to as "CCBI") in relation to the issue and subscription of convertible bonds at an aggregate principal amount of HK$232,572,000 together with warrants.

CCBI is an investment firm incorporated in Hong Kong which has invested in several companies listed in Hong Kong and overseas, in sectors such as healthcare, consumer and retail, energy, transportation, media and real estate. CCBI is a wholly owned subsidiary of China Construction Bank Corporation.

China Construction Bank Corporation is a leading commercial bank in China providing a comprehensive range of commercial banking products and services with over 13,000 branches nationwide.

The fund raised was subsequently applied for the acquisition of 95 percent equity interest in Genetel Biotech (BVI) Limited. The Group believed that the issue of bonds to CCBI was the first step towards a comprehensive and mutually beneficial business cooperation with the leading banking group.

Expansion of HPV DNA Testing Platform

On 16 April 2009, the Group acquired 95 percent equity interest of Genetel Biotech (BVI) Limited (referred to as "Genetel BVI") for a consideration of HK$280,000,000. After the acquisition, the Group owns 100 percent of Genetel BVI.

Genetel BVI owns 100 percent equity interest of Genetel Pharmaceuticals (Shenzhen) Company Limited (referred to as "Genetel Shenzhen"), a company incorporated in China with limited liability for the research and development of DNA technology and products.

SNIPER technology is a patented technology developed and owned by Genetel Shenzhen. SNIPER HPV DNA product series, a specialized product for screening of cervical cancer, developed by Genetel Shenzhen have received approval from the State Food and Drug Administration ("SFDA") in China for certification on medical device in vitro diagnosis.

Cervical cancer is a fully preventable disease if pre-cancerous cell changes are detected and treated early. Women above the age of 18 or sexually active are strongly recommended by the World Health Organization to take annual examination to screen cervical disease or cancer.

The acquisition of Genetel BVI will provide the Group with the ability to combine innovative and emerging technologies with its established sales and marketing resources. The recent launch of HPV vaccines by two of the largest pharmaceutical companies in the world (Merck and GSK) and the award of 2008 Nobel Prize in Medicine to the discoverer of HPV will significantly enhance the awareness of HPV screening as the primary tool for prevention of cervical cancer.

The Group has been participating in the HPV testing market for the past three (3) years and understands perfectly the trend where HPV testing is moving into the main stream as the primary tool for cervical cancer screening. In addition, Genetel Shenzhen has demonstrated its capability in bringing a technology from conceptual stage to regulatory approval and manufacturing.

In addition, the acquisition will give the Group access to a patented molecular diagnostic platform which will expand the Group's product and services offered to customers in China. With Genetel Shenzhen, the Group will be able to compete effectively in all segments of the molecular diagnostics market.

Technology Opportunity – The Testing Kits for Influenza A viruses

On 10 June 2009, the Group entered into a milestone co-operation agreement (the "Co-operation Agreement") with Chinese National Human Genome Center in Shanghai ("CHGC") and Shanghai Biochip Co., Ltd. ("SBC") for joint development and production of advanced diagnostic kits for detecting Influenza A viruses.

Under the Co-operation Agreement, CHGC and SBC had successfully developed two advanced diagnostic kits for detecting Influenza A viruses, the Influenza A Virus Genotyping Detection Kit (RNA FQ-PCR) and the Influenza A Virus Genotyping Detection Kit (Sequencing) (collectively the "Kits") and SHMY Healthdigit Biochips Company Limited ("Healthdigit Biochips"), a wholly owned subsidiary of the Company, will be responsible for the registration of the Kits with the State Food and Drug Administration in China. Healthdigit Biochips will share jointly with CHGC and SBC for the ownership of all intellectual property rights relating to the Kits. In addition to development of the Kits, all parties to the Co-operation Agreement has agreed to establish an uniquely dynamic technology platform with rapid response capability to develop diagnostic kits for early detection of major or new infectious diseases on demand basis.

Influenza A viruses (including the recent outbreak of Influenza A (H1N1) virus is a highly infectious disease which has long been regarded as a major health hazard to human. It is known that early detection of Influenza A (H1N1) virus is an effective measure to better prevent the spread of the infectious disease and to improve the chance of recovery for patients.

Established in 1998, CHGC is a national research center for fulfilling the national scientific projects of human genome research and its application and development for China. CHGC was founded by many established institutes from the related biotech fields in Shanghai and the relevant government agencies including the Chinese Ministry of Science and Technology, Shanghai Municipal Government and Chinese Academy of Sciences ("CAS").

Founded in 2001, SBC is one of the leading biotech companies in China and is also the National Engineering Center for biochip design and engineering in Shanghai. Facilitated with advanced biotech platforms and labs and operated by strong teams for research, services, marketing and sales, SBC provides a series of biochips and related technical services, proprietary drug targets and relevant diagnostic products. SBC is funded by the Chinese government and was founded by eleven shareholders including the Shanghai Institute for Biological Sciences of CAS and other shareholders consisting of all top academic universities, research institutes, hospitals, and leading biotech companies.

Cancer Care Insurance Policy – Beyond Shanghai

Since March 2007, the Group has been implementing 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 and in 2008 over 360,000 C-12 protein chips was sold for this purpose in Shanghai. Based on the feedback from China Life, the cancer policy is popular, generally and relatively simple to sell because cancer diseases are the top natural diseases amongst the Chinese population and that cancer insurance coverage meets the expectation of the general insurance consumers.

Based on the successful Shanghai business model, the Group and China Life plans to work together to replicate the Shanghai business model into other China Life branches in various major cities in China. The progress originally made in 2008 was delayed by the global financial crisis and the Group intends to restart the programme with China Life in the fourth quarter of 2009.

In addition, 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 with over 3,600 branches, over 638,000 exclusive individual insurance agents and 13,000 direct sales representatives in China. The Group is pleased with the progress in Shanghai and the servicing model is ready for duplication in other cities with China Life. Having successfully established a sustainable sales revenue channel, the Group places this process of replication as its top priority and is committed to invest the resources to support the launching of cancer policy with other branches of China Life.

Basic Medical System – A New Dawn

The Group C-12 product is qualified as a reimbursable drug under the Basic Medical Insurance Scheme (the "BMIS") in three provinces in China and the Group has applied for the reimbursable drug status in other major cities and provinces in China.

Qualification process for reimbursement drug item is very stringent and difficult and is based on, amongst other factors, clinical need, safety and efficacy, reasonable pricing, and ease of use. Based on the successful application in the three provinces, the Group is currently applying to other provinces and cities for the inclusion of C-12 products as a reimbursable drug under the individual BMIS system and believes that the proven track record of C-12 utilization is a major prerequisite for the qualification.

With the healthcare reform in full momentum, the China 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 China Government's commitment to reform and to increase the healthcare budget for both the urban and rural medical systems as part of its committed effort to establish a harmonious society.

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 71. By category, those who attended included fund managers (82%); analysts (6%); bankers (3%); media (8%) and others (1%). In addition, 1 roadshows and 2 investor forums were conducted with a total attendance of 50.

In the first half of the year, the Group has participated in corporate briefings to financial institutions organized by various international securities houses, including Morgan Stanley, Credit Suisse and UBS.

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

The Group prides itself as one of China's leading bio-medical companies in the area of early screening and detection of diseases. The Group understands there are many challenges and risks associated with the industry, and is constantly reviewing and responding accordingly when implementing its business plans. While China represents one of the largest and rapidly growing markets for healthcare products and services, it is a very unique market that requires a comprehensive understanding of the existing medical industry, regulations and operational mechanism.

In 2008, the Chinese Government announced a landmark healthcare reform budget of 850 billion yuan to be spent before end of 2011 and to provide universal medical care to all Chinese citizens. In June this year, the State Council's Office of Health Care Reform (referred to "SCOHCR") announced that so far approximately 71.6 billion has been spent for the construction of 986 county-level hospitals, 3,549 township hospitals, and 1,154 community health centres.

More encouragingly, the SCOHCR also stated that at the end of June, approximately 337 million urban residents had been enrolled in medical insurance programs, a growth of 19 million from the end of last year. Meanwhile, the number of rural residents covered had totalled 830 million, up by 160 million.

The Group is excited 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 ongoing expansion of sales arrangement with other branches of China Life and the successful inclusion of the C-12 products on the provincial reimbursement drug list.

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 early 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 developed 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.

ACQUISITION OF SUBSIDIARIES

On 28 October 2008, the Group entered into an agreement to acquire 75% interest in 上海康培生物醫藥技術有限公司 (Shanghai Kang Pei Bio-Medical Company Limited) at a consideration of RMB310,000,000 (equivalent to approximately HK$351,726,000). Shanghai Kang Pei Bio-Medical Company Limited is a domestic limited liability company established in the PRC on 11 January 2000. Shanghai Kang Pei Bio-Medical Company Limited and its subsidiaries are principally engaged in the business of providing medical diagnostic, health check and medical appraisal services to clients in the PRC. The acquisition was completed on 12 January 2009.

On 16 April 2009, the Group entered into an agreement to acquire 95% interest in Genetel Biotech (BVI) Limited at a consideration of HK$280,000,000. Genetel Biotech (BVI) Limited and its subsidiary are engaged in the research and development of DNA technology and products. The acquisition was completed on 16 May 2009.

The transactions have been accounted for using the purchase method of accounting.

The net assets acquired in the transactions, and the goodwill arising on the acquisition, are as follows:

	Shanghai Kang Pei Bio-Medical Co., Ltd.			Genetel Biotech (BVI) Limited			
	Acquiree's carrying amount before combination	Provisional fair value adjustments	Provisional fair value	Acquiree's carrying amount before combination	Provisional fair value adjustments	Provisional fair value	Total provisional fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:							
Property, plant and equipment	13,621	–	13,621	1,947	–	1,947	15,568
Investment in jointly controlled entity	62,380	–	62,380	–	–	–	62,380
Intangible assets	–	60,000	60,000	–	200,000	200,000	260,000
Inventories	224	–	224	615	–	615	839
Trade and other receivables	31,807	–	31,807	405	–	405	32,212
Bank balances and cash	814	–	814	1,309	–	1,309	2,123
Trade and other payables	(8,809)	–	(8,809)	(4,069)	–	(4,069)	(12,878)
	100,037	60,000	160,037	207	200,000	200,207	360,244
Minority interests			(40,009)			(10,010)	(50,019)
Goodwill			231,698			89,803	321,501
Total consideration			351,726			280,000	631,726
Total consideration satisfied by:							
Cash			351,726			280,000	631,726
Net cash outflow arising on acquisition:							
Cash and cash equivalents acquired			814			1,309	2,123
Cash consideration paid			(351,726)			(280,000)	(631,726)
			(350,912)			(278,691)	(629,603)

The initial accounting for the above acquisitions has been determined provisionally, awaiting the receipt of professional valuation in relation to certain underlying assets and liabilities of the acquired subsidiaries. The goodwill of HK$321,501,000 were mainly attributable to the difference between the consideration and the fair value of underlying assets and liabilities acquired, and since the fair value of acquired assets and liabilities are determined provisionally and therefore, the goodwill may be subject to further changes upon finalization of initial accounting.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by 35.1% to HK$208 million for the six months ended 30 June 2009 from HK$154 million in the same period last year. Our core operation, protein chips division, continued to the key growth driver. Total sales for the division increased by 23.0% to HK$171 million from HK$139 million in the same period last year. Turnover of the Healthcare division increased by 33.8% to HK$20.6 million from HK$15.4 million in the same period of last year. Turnover of the new MCM Business Segment for the period was HK$16 million.

Expenses

Total selling and distribution, and administrative expenses excluding depreciation increased by 9.4% in the first half of 2008 to HK$45 million (1H2008: HK$41 million). This was mainly due to the acquisition of two groups of operation in the beginning of the period. The increase, however, was lower than the increase in sales achieved by these two new operations. Total selling and distribution expenses represented approximately 8.7% of total sales for the first half of 2009 (1H2008: 7.1%).

Finance Costs

Finance costs amounted to HK$10.0 million during the six months ended 30 June 2009 (1H2008: HK$4.6 million). The increase was due to the increase in bank borrowings and the issue of a convertible bonds of HK$232.6 million in March of 2009.

Net Profit

Net profit for the period increased by 10.3% to HK$92.1 million compared to HK$82.6 million for the same period last year.

Pledge of Asset

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepaid lease payments	**43,507**	43,728
Buildings	**164,704**	172,464
Building under construction	**82,376**	81,160
Investments held for trading	**–**	2,385
Pledged bank deposit	**17,019**	16,923
	307,606	316,660

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 2009, the Group had cash and bank balances of HK$366.0 million (31 December 2008: HK$619.8 million). The Group's gearing ratio as at 30 June 2009 was 38.4 percent (31 December 2008: 23.4 percent), based on bank and other borrowings of HK$448.6 million (31 December 2008: HK$237.2 million) and shareholders' fund of HK$1,168.5 million (31 December 2008: HK$1,014.9 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$207.8 million were outstanding as at 30 June 2009 (31 December 2008: HK$199.9 million). The range of effective interest rates on the bank borrowings as at 30 June 2009 was approximately 3.87% to 6.53% per annum (31 December 2008: ranging from 1.85% to 6.34%).

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

Contingent Liabilities

As at 30 June 2009 and 31 December 2008, the Group did not have any significant contingent liabilities.

Dividend

The Directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

EMPLOYEES

At 30 June 2009, the Group had a total of 1,122 employees (31 December 2008: 502 employees) in Hong Kong and China. The significant increase in the number of employees of the Group was due to the fact that Group acquired two groups of companies at the beginning of the year. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2009, the Company did not redeem any of its shares. Neither the Company, its subsidiary nor its jointly controlled entity has purchased or sold any of the list securities of the Company during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

The 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 30 June 2009, 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 six months ended 30 June 2009.

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 unaudited condensed consolidated financial statements for the six months ended 30 June 2009.

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.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2009 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies of the interim report will be despatched to shareholders of the Company in due course.

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

On behalf of the Board
Chien Hoe Yong, Henry
CEO

Hong Kong, 31 August 2009