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 2008

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 2008, together with the comparative figures for the corresponding period of 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**154,082**	107,636
Cost of sales		**(28,512)**	(22,896)
Gross Profit		**125,570**	84,740
Other income	*3*	**15,435**	10,239
Selling and distribution expenses		**(10,909)**	(7,441)
Administrative expenses		**(40,253)**	(24,946)
Finance costs	*4*	**(4,599)**	(7,883)
Profit before taxation	*5*	**85,244**	54,709
Taxation	*6*	**(2,638)**	(727)
Profit for the period		**82,606**	53,982
Attributable to:			
Equity holders of the parent		**82,163**	52,901
Minority interests		**443**	1,081
		82,606	53,982
Interim dividend	*7*	**–**	27,351
Earnings per share (cents)			
Basic	*8*	**2.82**	1.96
Diluted	*8*	**2.80**	2.00

* *For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2008** *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Non-Current Assets			
Property, plant and equipment		**358,461**	326,351
Prepaid lease payment		**72,037**	69,945
Goodwill		**104,240**	104,240
Intangible asset	*9*	**2,368**	2,088
Available-for-sale investment		**528**	528
Deposit paid for the acquisition of property, Plant and equipment		**21,463**	23,297
		559,097	526,449
Current Assets			
Prepaid lease payment		**1,570**	1,509
Inventories		**14,426**	14,222
Trade and other receivables, deposits and prepayment	*10*	**81,664**	80,809
Investments held for trading		**18,667**	25,189
Pledged bank deposit		**10,000**	–
Bank balances and cash		**552,469**	453,514
		678,796	575,243
Current Liabilities			
Trade and other payables	*11*	**66,203**	47,714
Amount due to related companies		**11,287**	6,209
Bank borrowing – due within one year		**76,326**	68,229
Taxation payable		**14,389**	16,783
		168,205	138,935
Net Current Assets		**510,591**	436,308
		1,069,688	962,757
Capital and Reserves			
Share capital		**146,490**	144,904
Reserves		**802,790**	682,535
Equity attributable to equity holders of the parent		**949,280**	827,439
Minority Interests		**4,806**	4,363
Total equity		**954,086**	831,802
Non-Current Liabilities			
Bank borrowings – due after one year		**73,276**	69,916
Convertible bonds		**36,048**	54,761
Deferred tax liabilities		**6,278**	6,278
		115,602	130,955
		1,069,688	962,757

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 2007.

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on 1 January 2008. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs2
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & IAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

2. SEGMENT INFORMATION

Business segments

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

Principal operating divisions are as follows:

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

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

	Protein chips division *HK$'000*	Healthcare division *HK$'000*	Consolidated *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/(loss) before taxation			**85,244**
Taxation			**(2,638)**
Profit for the period			**82,606**
Six months ended 30 June 2007			
REVENUE			
External sales	89,568	18,068	107,636
RESULTS			
Segment results	62,575	3,060	65,635
Unallocated expenses			(9,261)
Interest income			3,390
Gain on disposal of property, plant and equipment	2,828		2,828
Finance costs			(7,883)
Profit/(loss) before taxation			54,709
Taxation			(727)
Profit for the period			53,982

Geographical segments

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

	Revenue by geographical market Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong	**7,618**	428
PRC	**146,464**	107,208
	154,082	107,636

3. OTHER INCOME

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Interest income	**3,296**	3,390
Gain on disposal of property, plant and equipment	**6,026**	2,828
Realized gain on investment in securities	**–**	2,020
Government grant	**6,113**	1,701
Others	**–**	300
	15,435	10,239

4. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**3,137**	1,946
Effective interest expenses on convertible bonds	**1,462**	5,937
	4,599	7,883

5. PROFIT BEFORE TAXATION

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation	**10,145**	3,533
Staff costs		
– directors' remuneration	**2,721**	2,250
– other staff costs	**12,852**	9,803
– share-based payments	**495**	789
– retirement benefits scheme contributions, excluding directors	**62**	82
Total staff costs	**16,130**	12,924
Auditors' remuneration	**700**	700

6. TAXATION

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	–
Taxation in other jurisdictions		
– Overprovision in prior years	**8,153**	7,341
Taxation in other regions in the PRC	**(10,791)**	(8,068)
	(2,638)	(727)

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 2008 (six months ended 30 June 2007: Nil).

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

7. DIVIDEND

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period	**–**	27,351

The Directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: HK$0.01 per share). In June 2008, a dividend of HK$0.01 (2007: HK$0.01) per share amounting to approximately HK$29,258,000 (2007: HK$27,124,000) in aggregate was paid to shareholders of the Company as the final dividend for 2007.

8. 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	
	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to the equity holders of the parent and earnings for the purpose of basic earnings per share	**82,163**	52,901
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**1,462**	5,937
Earnings for the purpose of diluted earnings per share	**83,625**	58,838
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,917,952,974**	2,697,313,684
Effect of dilutive potential ordinary shares:		
– share options	**29,264,594**	14,984,580
– convertible bonds	**41,408,840**	224,310,810
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,988,626,408**	2,936,609,074

9. INTANGIBLE ASSETS

	Distribution right	
	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
COST		
At beginning of period/year	**2,295**	5,190
Exchange adjustment	**341**	448
Impairment loss	**–**	(3,343)
At end of period/year	**2,636**	2,295
AMORTISATION		
At beginning of period/year	**207**	86
Provided for the period/year	**61**	121
At end of period/year	**268**	207
CARRYING VALUE		
At end of period/year	**2,368**	2,088

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

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$76,209,000 (31 December 2007: HK$75,094,000). The Group normally allows a credit period of 30 to 90 days to its trade customers. An aging analysis of the trade receivables at the balance sheet date is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**59,443**	68,766
61 – 90 days	**13,718**	6,328
Over 90 days	**3,048**	–
	76,209	75,094

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$9,009,000 (31 December 2007: HK$6,215,000). An aging analysis of trade payables at the balance sheet date is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**7,207**	6,014
61 – 90 days	**1,802**	9
Over 90 days	**–**	192
	3,755	6,215

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Market Review

According to the World Bank's 2008 outlook summary on global economy, the turmoil in financial markets, slower growth in high-income countries, and rising inflation have all adversely affected growth prospects for developing countries over the near term. Nevertheless, the continued strength of domestic demand and imports in developing countries particularly China is helping to cushion the global effects of the slowdown in high-income countries.

Despite the Chinese government's ongoing macro-economic measures to cool off its overheating economy and to manage inflationary risks, China manages to achieve fast and steady growth in its economy in the first half of 2008 with a double digit GDP growth rate of 10.4 percent thereby reaching RMB13.0 trillion. In 2007, the overall GDP growth rate was 11.4 percent.

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

The Chinese economy has enjoyed a period of unprecedented and sustainable growth from 2001 to 2007 with per capita income of urban and rural residents achieving annual growth averages of 10.1 percent and 6.2 percent respectively. In 2007, the per capita income annual growth averages of urban and rural residents was 12.2 percent and 9.5 percent respectively. This period of sustainable growth has led to a continual improvement in standard of living that led to a continual increase in expenditures on food, clothing, healthcare, transportation, telecommunications, education, entertainment and housing. The improved standard of living and the increase in healthcare consciousness have led to an increased spending on healthcare products and services.

Business Review

The net profit attributable to shareholders amounted to HK$82.2 million (2007: HK$52.9 million), representing an increase of 55.4 percent over that of last corresponding period. The double digit increase was due to the general increase in sales from principally the existing distributors' network particularly in the two provinces of Jiangsu and Hunan where C-12 products are listed on the provincial reimbursement drug list, and the sales to the China Life Insurance Company Limited, Shanghai Branch ("China Life Shanghai") for its Cancer Care Insurance Policy. Earnings per share was HK2.82 cents (2007: HK1.96 cents), representing a significant increase of approximately 43.9 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$138.6 million (2007: HK$89.6 million), representing an increase of approximately 54.7 percent over that of last corresponding period. More importantly, segment profits of this division amounted to HK$94.4 million (2007: HK$62.6 million), representing an increase of approximately 50.8 percent over that of last corresponding period.

The Group continued to experience strong growth in the first half of this year and the Group sold a total of 1.45 million protein chips (2007: 932,371), representing a significant increase of 55.6 percent over that of last corresponding period. The significant increase is attributable to the successful inclusion of C-12 products in provincial reimbursement drug list in both provinces of Jiangsu and Hunan, and the steady growth in sales by both new and renewal of cancer care insurance policies by China Life Shanghai. Based on the proven Shanghai business model, the Group has successfully conducted pilot tests of the model in a few other provinces including Hunan, Sichuan and Liaoning, and the Group plans to duplicate the Shanghai business model and to jointly support the launch of the relevant cancer care policy with China Life group of branches in the other major cities of China.

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

Healthcare Division

This division currently consists of two units, namely the cervical cancer care and medical care units. Turnover contributed by this division amounted to HK$15.4 million (2007: HK$18.1 million). The segment profits of this division amounted to HK$0.8 million (2007: HK$3.1 million).

Cervical Cancer Care Unit

The Group officially launched its new HPV DNA diagnostic kits with the successful appointment of distributors in 8 provinces and sold more than 11,960 kits in the first half of 2008. To date, the HPV DNA diagnostic kits are already approved to sell in over 102 hospitals in China.

Medical Care Unit

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

Corporate Review

Cancer Care Insurance Policy – Beyond Shanghai

In March 2007, the Group began to implement the milestone arrangement with China Life whereby the Group would supply the C-12 protein chips for use in the cancer policy evaluation process in Shanghai and over 300,000 C-12 protein chips was sold for this purpose in that year. 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 this additional cancer insurance coverage meets the expectation of the general insurance consumers.

During the pilot launch last year, the Group and China Life Shanghai identified many of the operational and logistical issues including agent's commission and internal profit sharing structure that are not uncommon during introduction of new insurance products. The Group has been working closely with China Life personnel to resolve most of these issues during the first half of 2008. System testings have been successfully conducted in three provinces of Hunan, Sichuan and Liaoning and the Group expects the sales of cancer policy would begin in these three provinces in the fourth quarter of this year.

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 in the Chinese insurance industry, comprising over 638,000 exclusive individual insurance agents and 13,000 direct sales representatives. The Group is pleased with the progress in Shanghai and the servicing model is ready for duplication in other cities where there are branches of China Life. The Group places this process of duplication as its top priority and is committed to invest the resources to support the cancer policy launch in other branches of China Life.

Basic Medical System A New Dawn

The Group has successfully applied C-12 products as a reimbursable drug under the Basic Medical Insurance Scheme (the "BMIS") in three provinces of Hunan, Jiangsu and Fujian. In the first half of 2008, preliminary sales indicate an average of over 40 percent increase at hospitals of these three provinces where reimbursements are made to C-12 screenings as part of health appraisal for patients.

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.

Equally important is the increase in State Basic Medical Insurance population for urban residents. According to the National Bureau of Statistics of China, 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.

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 China 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.

Licensed Intellectual Property Platform – Rapid Detection Kits for Tuberculosis Screening

Tuberculosis (referred to as "TB") is the number one infectious disease both in incidence and in death rate, causing about 2 million deaths globally and over 200,000 deaths in China each year. The disease is also making a comeback in recent years because of the emergence of AIDS, the abuse uses of antibiotics that result in TB drug resistance, and the lack of progress in recent years on new diagnostic and therapeutic technology to overcome the disease. That is why institutions such as the World Health Organization (referred to as "WHO") and the Bill & Melinda Gates Foundation have put up major efforts into fighting TB. The China government has also put high emphasis on the importance of the prevention of TB in its 11th Five Year Plan. According to WHO, the world market potential for TB diagnosis is over US$1.0 billion and the Chinese market potential for TB diagnosis is estimated would be over RMB1.0 billion.

On 15 May, the Company announced that SHMY Healthdigit Biochips Company Limited ("Healthdigit"), a wholly owned subsidiary of the Company, has completed the development of a protein chip product (the "TB Chip") for the rapid diagnosis of TB. The TB Chip is able to detect multiple TB specific antibodies in the blood serum of the patient without special laboratory settings rapidly and efficiently, and is capable of conducting TB screening for the mass population. The Group believes that this kind of rapid test could contribute more positively towards a better management of tuberculosis. The application process to State Food and Drug Administration (referred to as "SFDA") for the granting of drug license is underway with final approval expected in 2009.

The TB Chip is the first product completed by Healthdigit with the technology developed at the Tuberculosis Research Laboratory of Second Affiliated Hospital of the PLA General Hospital in Beijing (the "Hospital"). In August 2007, Healthdigit signed a long-term strategic partnership agreement with the Hospital for the collaboration in scientific research and commercialization of technologies developed by the Hospital, and participating in the various development programs of the Hospital. In addition, the Hospital has given Healthdigit exclusivity and priority to commercialize technologies developed by the Hospital.

Formerly known as the PLA 309 Hospital, the Second Affiliated Hospital of the PLA General Hospital was founded in 1958. The Hospital was affiliated to the PLA General Hospital and became its second affiliated hospital in May 2004. In its 50 years of development, the Hospital has become one of the AAA ranked comprehensive hospital (the highest hospital ranking) in PRC and is highly reputable in treatment of respiratory infections and organ transplantation.

The Institute of Tuberculosis Research of the Hospital is the only PLA medical institution that is dedicated to the treatment, prevention, research, and education of TB. Throughout the years, the Institute is reputable in developing a series of treatment and diagnosis of TB which are being widely adopted by major hospitals in China.

Corporate Governance and Investors Relation Strategy

As part of the Group's continuous measures to strengthen corporate governance and to further build professionalism at the Board, the Company has appointed two new non-executive directors to the Board on June 27, namely, Mr. Yang Zhen Hua ("Mr. Yang") and Mr. Ma Yong Wei ("Mr. Ma").

Mr. Yang is a highly recognized professional who has devoted his career to the field of laboratory medicine and clinical chemistry in China. He is currently the President of the Chinese Committee for Clinical Laboratory Standards and Professorship at the Clinical Laboratory Centre at the Ministry of Health in China. Mr. Yang also holds positions as Honorary President of Chinese Society of Laboratory Medicine, the Honorary President of Chinese Association of Clinical Laboratory Management and the Honorary Chief Editor for the Chinese Journal of Laboratory Medicine. Mr. Yang has published more than 100 articles and books related to laboratory medicine and clinical chemistry. Mr. Yang is a pioneer for representing China's interests in international laboratory medicine and clinical chemistry and more notably as a national representative for China to the International Federation of Clinical Chemistry. Most recently, Mr. Yang was the Chairman for the Organization Committee of the 11th Asia Pacific Conference of Clinical Biochemistry which was successfully held in Beijing in October 2007.

Mr. Ma is a highly respected executive in both the financial and insurance industry in China and has over 35 years of experience in China. Mr. Ma is currently an independent non-executive director of China Life Insurance Company Limited, whose shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ma started his banking career with the People's Bank of China since 1968. Mr. Ma was the Vice President of Agricultural Bank of China in 1984 and was the President of the Bank between 1985 and 1994. From 1994 to 1996, Mr. Ma was the Chairman and General Manager of the People's Insurance Company (Group) of China. Between 1996 and 1998, Mr. Ma was the Chairman and General Manager of China Insurance Group. Mr. Ma also had served Chairmanship for the China Insurance Regulatory Commission from 1998 to 2002. Mr. Ma was a member of the National Committee of the Chinese People's Political Consultative Conference from 2002 to March 2008.

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 157. By category, those who attended included fund managers (71%); analysts (12%); bankers (14%); media (1%) and others (2%). In addition, 2 roadshows and 4 investor forums were conducted with a total attendance of 102.

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

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

PROSPECTS

As part of its continual pursuit of its KM2003 Objectives, 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 China Life group of branches in other major cities in China, the successful inclusion of the C-12 products on the provincial reimbursement drug list and the submission of an application to the SFDA for approval on the TB rapid screening test kits.

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

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

In an announcement on 17 July 2008, the Chinese National Institute for the Control of Pharmaceutical and Biological Products (referred to as "NICPBP") invited Healthdigit to participate in a national research project in China for the standardization of tumor makers for in vitro diagnostic kits (the "IVD kits"). The objective of the project is to establish a national standard for quality assurance for IVD kits. The project is organized and funded by the State Food and Drug Administration (the "SFDA") and the Ministry of Finance of the China. This is the first a national program to standardize various materials for IVD kits including establishing a national quality standard for existing and future tumor markers.

As an integral part of the SFDA's quality control and supervision organizational structure, the NICPBP is the statutory body and the highest technical arbitration body in respect of testing the quality of pharmaceutical and biological products. NICPBP principally conducts technical appraisals of pharmaceutical and biological products (whether domestically produced or imported) and assesses quality standards with respect to new pharmaceutical and biological products, etc. Besides, the NICPBP has established a standard for IVD reagents and carries out regular market spot checks on IVD reagents sold in the domestic market.

NICPBP has been designated by WTO as a "World Health Organisation Drug Quality Centre" and in February 2008 at the invitation of the United States Pharmacopeia Convention (USP) and under the approval of the SFDA, has formally become a member of USP Convention. NICPBP and USP will collaborate on a few areas, including the strengthening of documentary and physical standards for maintaining the quality of medicines and the setting up of review, testing, and audit procedures on manufacturers of ingredients imported into China and those manufacturing for export from the China to the United States.

This program is essential for quality control of IVD products in clinical applications. Currently, the standards and written guidelines for quality control of IVD kits or tumor maker detection kits have not been fully established in the Chinese market. The objectives of this program is to establish a national standard to allow both NICPBP and manufacturers to assure the quality of the IVD products or tumor marker detection kits more systematically, reliably and effectively. This program will also lay the framework for future programs on standardization of other pharmaceutical and biological products.

Under the project, the Healthdigit will conduct calibrating procedures on the CEA tumor marker. While the NICPBP is responsible for providing research methods, research plan, and funding, Healthdigit will undertake the execution of the research plan according to specific guidelines. CEA is one of the most commonly used tumor markers in clinical practice. It is also an integral part of the C-12 protein chip products.

NICPBP is part of the SFDA's positive efforts to modernize its existing approving and supervisory procedures and to adopt a more uniform and global approach for the strengthening of quality standards on all drugs and medical devices that are distributed in China.

By participating in this project at the exclusive invitation of the NICPBP, we believe that our long-standing experience would make the necessary contribution towards the quality standard settings for tumor marker. Our participation in this project will invariably also allow us to gain an in-depth knowledge on the national requirements on existing and future applications governing markers and, on sample and quality testing and verification procedures and will allow us to develop other series of multi-markers IVD testing kits.

The Group maintains its belief that early screening and diagnosis of potentially fatal diseases would significantly improve the chances of successful treatment and raises the survival rate of the patients. Therefore, the Group will continue to develop internally by way of its proprietary protein chip platform and externally with established bio-medical research institutions to bring effective screening and diagnostic tools for life threatening diseases.

On 25 July, the Company entered into a strategic co-operation memorandum with GE (China) Co., Ltd. Healthcare to begin a feasibility study to jointly establish medical and diagnostic centres jointly in the China. Under the strategic co-operation memorandum, the Company would build up a network of medical and diagnostic centres in the China with the help of GE Healthcare for the provision of "Early Health" services. The "Early Health" services would include an early screening for major diseases with the application of the advanced biomedical servicing kits provided by the Company and a combination of X-Ray, digital mammography, Computed Tomography, Magnetic Resonance and Molecular Imaging technologies provided by GE Healthcare. In addition, GE Healthcare would continue promoting the "Early Health" concept among the public worldwide.

GE (China) Co., Ltd. Healthcare is the arm of GE Healthcare in the China. Headquartered in Chalfont St. Giles, United Kingdom, GE Healthcare is a US$17 billion unit of General Electric Company. General Electric Company was ranked number 6 by Fortune magazine in ranking the America's largest corporations for 2008. GE Healthcare provides transformational medical technologies and services that are shaping a new age of patient care. Their expertise in medical imaging and information technologies, medical diagnostics, patient monitoring systems, performance improvement, drug discovery, and biopharmaceutical manufacturing technologies is helping clinicians around the world with new ways to predict, diagnose, inform and treat disease, so their patients can live their lives to the fullest. At the present moment, GE Healthcare has a workforce of over 3,000 employees in China and has set up service centres in various major cities in China.

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

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

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

FINANCIAL REVIEW

Turnover

The Group's turnover increased by 43.2% to HK$154 million for the six months ended 30 June 2008 from HK$108 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 54.8% to HK$139 million from HK$90 million in the same period last year. Turnover of the Healthcare division decreased by 14.9% to HK$15.4 million from HK18.1 million in the same period of last year.

Expenses

Total selling and distribution, and administrative expenses excluding depreciation increased by 55.2% in the first half of 2008 to HK$45 million (1H2007: HK$29 million). This was mainly due to an increase in staff cost as a result of expansion of operations and a change in fair value of investments held for trading. Total selling and distribution expenses represented approximately 7.1% of total sales for the first half of 2008 (1H2007: 6.9%).

Depreciation charges increased by 189% to HK$10.1 million for the first half of 2008 from HK$3.5 million in the same period of last year. The increase was due to additional depreciation charges on the new plant in Shanghai, China.

Finance Costs

Finance costs amounted to HK$4.6 million during the six months ended 30 June 2008 (1H2007: HK$7.9 million). The decrease was due to the decrease in effective interest expenses on convertible bonds as a majority of the convertible bonds had been converted into ordinary shares of the Company in 2007.

Net Profit

Net profit for the period increased by 53% to HK$82.6 million compared to HK$54.0 million for the same period last year while net profit margin increased to 53.6% from 50.2%.

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 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepaid lease payments	**42,087**	42,500
Buildings	**165,903**	169,721
Investments held for trading	**–**	14,429
Pledged bank deposit	**10,000**	–
	217,990	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 30 June 2008, the Group had cash and bank balances of HK$562.5 million (31 December 2007: HK$453.5 million). The Group's gearing ratio as at 30 June 2008 was 19.6 percent (31 December 2007: 23.3 percent), based on bank and other borrowings of HK$185.7 million (31 December 2007: HK$192.9 million) and shareholders' fund of HK$949.3 million (31 December 2007: HK$827.4 million)

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$148.6 million were outstanding as at 30 June 2008 (31 December 2007: HK$138.1 million). The range of effective interest rates on the bank borrowings as at 30 June 2008 was approximately 4.87 percent to 8.53 percent per annum (31 December 2007: ranging from 4.86% to 8.42%).

Revenue generated from protein chips division, healthcare division, 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 2008 and 31 December 2007, the Group did not have any significant contingent liabilities.

EMPLOYEES

At 30 June 2008, the Group had a total of 509 employees (31 December 2007: 452 employees) in Hong Kong and China. The increase in the number of employees of the Group was due to the fact that various sales and support teams were built to strengthen the distribution channels and after-sales support services of protein chips operation. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2008, the Company repurchased 4,820,000 shares on The Stock Exchange at an aggregate consideration of HK$5,525,797 with the highest and lowest prices per share at HK$1.19 and HK$1.10 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$5,284,797, 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 six months ended 30 June 2008.

POST BALANCE SHEET EVENT

Subsequent to the balance sheet date and up to the date of this announcement, the Company had repurchased 430,000 shares on the Stock Exchange. The highest and lowest prices paid for such purchases were HK$1.07 and HK$1.05 respectively. The total amount paid to repurchase these shares amounted to HK$456,500.

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 2008, 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 2008.

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 2008.

REMUNERTION 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 2008 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 (Executive Chairman), Mr. Chien Hoe Yong, Henry (CEO), Mr. Iu Chung, Mr. Hu Jun, and Mr. Yu Tin 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.

By order of the Board
Mingyuan Medicare Development Company Limited
銘源醫療發展有限公司*
Chien Hoe Yong, Henry
CEO and Executive Director

Hong Kong, 10 September 2008

* *For identification purposes only*