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

(incorporated in Bermuda with limited liability)

(Stock Code: 0233)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Directors") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31December 2008, together with the comparative figures for year 2007 are as follows:

CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	3	**326,066**	256,474
Cost of sales		**(62,070)**	(42,992)
Gross Profit		**263,996**	213,482
Other income	4	**20,702**	30,748
Selling and distribution expenses		**(23,250)**	(15,921)
Administrative expenses		**(53,735)**	(49,502)
Other expenses		**(18,534)**	(19,068)
Finance costs	5	**(12,894)**	(9,624)
Gain on disposal of a subsidiary		**–**	178
Profit before taxation		**176,285**	150,293
Taxation	6	**(25,440)**	(23,411)
Profit for the year	7	**150,845**	126,882
Attributable to:			
Equity holders of the parent		**150,102**	125,282
Minority interests		**743**	1,600
		150,845	126,882
Dividends recognised as distribution during the year	8	**29,346**	56,214
Earnings per share			
Basic	9	**5.13 HK cents**	4.48 HK cents
Diluted	9	**5.06 HK cents**	4.30 HK cents

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**358,175**	326,351
Prepaid lease payments		**71,150**	69,945
Goodwill		**104,240**	104,240
Intangible asset		**2,274**	2,088
Available-for-sale investments		**528**	528
Deposits paid for acquisition of subsidiaries		**56,410**	–
Deposits paid for the acquisition of property, plant and equipment		**21,670**	23,297
		614,447	526,449
Current Assets			
Prepaid lease payments		**1,569**	1,509
Inventories		**18,585**	14,222
Trade and other receivables, deposits and prepayments	*10*	**124,436**	80,809
Investments held for trading		**2,467**	25,189
Pledged bank deposits		**16,923**	–
Bank balances and cash		**602,917**	453,514
		766,897	575,243
Current Liabilities			
Trade and other payables	*11*	**58,104**	47,714
Amount due to a related company		**29,217**	6,209
Bank borrowings – due within one year		**87,077**	68,229
Taxation payable		**10,135**	16,783
		184,533	138,935
Net Current Assets		**582,364**	436,308
		1,196,811	962,757
Capital and Reserves			
Share capital		**146,731**	144,904
Reserves		**868,193**	682,535
Equity attributable to equity holders of the parent		**1,014,924**	827,439
Minority Interests		**5,106**	4,363
Total equity		**1,020,030**	831,802
Non-Current Liabilities			
Bank borrowings – due after one year		**112,820**	69,916
Convertible bonds		**37,268**	54,761
Deferred tax liabilities		**26,693**	6,278
		176,781	130,955
		1,196,811	962,757

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention, except for the financial instruments, which are measured at fair values. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 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 ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfer on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

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

Principal operating divisions are as follows:

Protein chips division – Manufacturing and trading of protein chips and related equipments

Health care division – Provision of cervical cancer care services and operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, PRC (上海市虹口區婦幼保健院)

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

	Protein chips division *HK$'000*	**Health care division** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2008			
REVENUE			
External sales	290,512	35,554	326,066
RESULTS			
Segment results	207,478	2,722	210,200
Unallocated expenses			(13,237)
Interest income			6,538
Change in fair value of investment held for trading			(14,322)
Finance costs			(12,894)
Profit before taxation			176,285
Taxation			(25,440)
Profit for the year			150,845
For the year ended 31 December 2007			
REVENUE			
External sales	219,031	37,443	256,474
RESULTS			
Segment results	183,401	581	183,982
Unallocated expenses			(19,387)
Interest income			5,217
Change in fair value of investment held for trading			(10,073)
Finance costs			(9,624)
Gain on disposal of a subsidiary			178
Profit before taxation			150,293
Taxation			(23,411)
Profit for the year			126,882

Geographical segments

Over 90% 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.

4. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**6,538**	5,217
Gain on disposal of property, plant and equipment	**6,565**	17,764
Government subsidy	**4,970**	6,301
Others	**2,629**	1,466
	20,702	30,748

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**10,494**	6,843
Effective interest expenses on convertible bonds	**2,400**	3,567
Total borrowing costs	**12,894**	10,410
Less: amounts capitalised	**–**	(786)
	12,894	9,624

6. TAXATION

	2008	2007
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**13,312**	25,735
– Overprovision in prior year	**(8,287)**	–
Deferred tax	**20,415**	(2,324)
	25,440	23,411

No provision for Hong Kong Profits Tax has been made since the group entities operating in Hong Kong had no assessable profit for the year.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax applicable for the year is 16.5% (2007: 17.5%).

Pursuant to the relevant laws and regulations in the PRC, the major 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 Holidays"). The Tax Holidays continue to be applicable for the major PRC subsidiaries after the New Law implemented (as described below) and will expire 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 other 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 other subsidiaries for the year ended 31 December 2008 since these PRC subsidiaries were either inactive or the operation was not significant to the Group.

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$20,555,000 has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

7. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**18,716**	6,261
Impairment loss on intangible asset (included in other expenses)	**–**	3,343
Amortisation of prepaid lease payment	**1,564**	1,473
Amortisation of intangible assets (included in other expenses)	**146**	121
Staff costs		
– directors' remuneration	**5,650**	6,198
– other staff costs	**28,204**	27,224
– share-based payments, excluding directors	**1,308**	4,151
– retirement benefits scheme contributions, excluding directors	**270**	115
Total staff costs	**35,432**	37,688
Auditors' remuneration	**1,800**	1,600
Change in fair value of investments held for trading (included in other expenses)	**14,322**	10,073
Cost of inventories recognised as an expense	**62,070**	42,992
Allowances for bad and doubtful debts (included in other expenses)	**–**	1,122
Loss on disposal of available-for-sale investment	**–**	167
Research and development expenditure (included in other expenses)	**4,066**	4,409
Net exchange gain	**(5)**	(28)

8. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
Final, paid – HK$0.01 per share for 2007 (2006: HK$0.01 per share)	**29,346**	27,124
Interim – Nil per share for 2008 (2007: HK$0.01 per share)	**–**	29,090
	29,346	56,214
Dividend proposed		
Final – Nil per share for 2008 (2007: HK$0.01 per share)	**–**	29,258

The Directors do not recommend the payment of a final dividend in respect of the year (2007: HK$0.01 per share).

9. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to the equity holders of the parent)	**150,102**	125,282
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**2,400**	3,567
Earnings for the purpose of diluted earnings per share	**152,502**	128,849

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,928,747,984**	2,797,888,233
Effect of dilutive potential ordinary shares:		
– share options	**35,081,213**	28,697,405
– convertible bonds	**51,406,886**	170,751,722
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,015,236,083**	2,997,337,360

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**103,559**	78,355
Less: allowance for doubtful debt	**(2,211)**	(3,261)
	101,348	75,094
Consideration receivable for disposal of property, plant and equipment	**12,433**	–
VAT recoverable	**243**	525
Prepayments	**8,534**	2,993
Others	**1,878**	2,197
	124,436	80,809

The Group normally allows a credit period of 30 to 270 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:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**77,044**	68,766
61 – 90 days	**16,987**	6,328
91 – 180 days	**6,049**	–
181 – 270 days	**1,268**	–
	101,348	75,094

At 31 December 2008, all trade receivables were neither past due nor impaired (2007: HK$75,094,000) and the Group has assessed the credit quality of the trade receivables by using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade customers and has not identified any credit risk on these trade receivables.

11. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**7,616**	6,215
Receipts in advance	**7,407**	3,833
Accrued expenses	**21,302**	17,022
Payables for construction in progress	**13,511**	13,299
Other tax payable	**4,263**	5,076
Others	**4,005**	2,269
	58,104	47,714

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

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**6,831**	6,014
61 – 90 days	**295**	9
Over 90 days	**490**	192
	7,616	6,215

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2008, China has experienced an exceptional year with the occurrence of some historic events including the catastrophic May 12 earthquake in the Sichuan Province and the Beijing 2008 Olympic Games. The world, however, would remember 2008 as the year that the global economy entered into the most severe downturn since the Great Depression in the 1930s following the collapse in the confidence of the international financial system. While the severity of the effects are still being unfolded, many of the developed economies have already entered into recession and growth in many emerging countries has been slowed down already.

Although the China economy has maintained double-digit growth for years, fixed-asset investment and exports have dwarfed consumption as the two pillars of expansion. With global recession clearly in view, the China government has acknowledged that the strategic and historic need of establishing a self sustaining domestic demand to offset weak demand abroad by way of loosening credit conditions, cutting taxes and approving a historic RMB4 trillion stimulus package to embark on a massive infrastructure program.

During this year of turbulence in the global financial industry and economy, China has managed to achieve a respectable growth rate of 9.0 percent, remaining one of the few countries in the world still manages a positive GDP growth rate. In the last five years, the China economy have grown over 88.1 percent with an average annual increase of 10.8 percent and the China economy is currently the third largest economy in the world. Confronting economic complexity both home and abroad, the China Government has switched from a prudent fiscal policy and a tight monetary policy to control inflation to a major economic policy change by adopting a flexible and prudent macro-economic policies to introduce more timely measures to expand domestic demand, speed up the construction of public facilities and improve living standards of the poor to achieve steady and relative fast economic growth.

Nevertheless, the China Government is committed to a steady and fast economic growth with emphasis on quality and efficiency of the growth and the type of growth based on domestic demand. Most recently at the Second Session of the 11th National People's Congress, the China Government announced its plan to maintain its GDP growth to approximately 8 percent in 2009 while at the same time committed its efforts to reform the health care sector with an eventual goal of establishing a basic medical and health care system to provide safe, effective, convenient and affordable service for the society. With the global financial crisis still unfolding, the China Government engages on strategic and fundamental changes in the economic structure of the country and holds the view that 2009 will be the most difficult year for China's economic development since the beginning of the 21st century.

The China Government has approved a landmark healthcare reform plan of RMB850 billion to be spent before 2011 to provide universal medical service to all Chinese citizens and to pave the road for further medical reforms. According to the reform plan, authorities would take measures within three years to provide basic medical security to all Chinese in urban and rural areas, improve the quality of medical services, and make medical services more accessible and affordable for ordinary people.

With the healthcare reform in full momentum, the healthcare industry In China will continue to be modernized and has already become one of the fastest growing healthcare markets in the world over the last decade. Total healthcare expenditure and per capita healthcare 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.

Since the introduction of the new rural cooperative medical care system, a total of 2,729 counties have already launched the program and that over 814 million farmers, which represented a participation rate of 91.5 percent, have participated.

From 2001 to 2008, the per capita income of urban and rural residents in China grew at annual averages of 9.9 percent and 6.4 percent respectively. In 2008 the per capita income of urban and rural residents per year was approximately RMB15,781 and RMB4,761 respectively, representing a growth of 8.4 percent and 8.0 percent respectively over that of last year. The improved standard of living and the increase in healthcare consciousness have led to an increase on spending on healthcare products and services.

According to the World Health Report 2008 published by the World Health Organization, China lagged behind other developed countries on spending on healthcare services. Medical and healthcare services in the developed countries accounted for approximately 11.0 percent of the GDP on average in 2004. Medical and healthcare services in the US represented 15.4 percent of the GDP, while the figure for PRC was only 4.7 percent in 2004. It is widely expected that demand for medical and healthcare services will continue to grow as consumers become more affluent. The Group expects both the percentage and the GDP base to expand, making the healthcare industry to be a high growth sector in the economy.

Equally important is the increase in State Basic Medical Insurance population for urban residents. According to the National Bureau of Statistics of the PRC, the eligible participants have grown from 37.8 million in 2000 to 317.0 million in 2008, representing an increase of over 279.2 million participants with annual averages of 29 percent. Under the 11th Five Year Plan, it is estimated that the urban population in China will increase from 43 percent of total population to 47 percent of total population between 2005 and 2010, and the continual increase in urban population will bring an increasing awareness of quality healthcare services that include early screening and detection of diseases.

BUSINESS REVIEW

In this first extraordinary year of global financial crisis, the outlook for the Chinese economy remained uncertain and healthcare spending in both private and corporate sectors has becoming more conservative. In an increasingly difficult and challenging operating environment, the Group has resolved to be more prudent in its business development agenda and financial management approach 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.

Protein Chips Division continues to be the significant contributor to the Group's revenue and profitability and the Group is making progress in establishing sustainable revenue sources from new product including the HPV DNA testing kits for cervical cancer. This year the Group has allocated most of its resources in the following major areas to further strengthen sales – including the continual implementation of its distribution arrangement with China Life Insurance Company Limited, Shanghai Branch ("CLS") on the cancer care insurance policy in Shanghai, the expansion of the availability of the cancer care insurance policy to other branches of China Life Insurance Company Limited ("China Life"), the registration of C-12 product under Basic Medical Insurance Scheme (the "BMIS") of individual provinces/cities, the promotion of C-12 to be used for clinical applications and the promotion and registration of the HPV DNA testing kits with hospitals nationwide.

Major corporate activities undertaken in 2008 were summarized as follows:

Major Events and Issues in 2008:

May	The Company in conjunction with the Tuberculosis Research Laboratory of Second Affiliated Hospital of the PLA General Hospital in Beijing has successfully developed a protein chip for the rapid screening of tuberculosis referred to as "TBS Chip" and has submitted a formal application to the State Food and Drug Administration ("SFDA") in China for certification on medical device in vitro diagnosis.
June	The appointment of two prominent non-executive directors, namely, Mr. Yang Zhenhua, a prominent industry expert on laboratory medicine and clinical chemistry, and Mr. Ma Yongwei, a prominent expert on banking and insurance industry, to further strengthen the corporate governance of the Company particularly in the areas of industry risk management.
July	The signing of a strategic co-coperation memorandum between the Company and GE (China) Co., Ltd. to jointly exploit the possibility of developing medical and diagnostic centres in China.
	Tthe Company participates in a national research project in China for the standardization of CEA tumor marker for inclusion in vitro diagnostic kits in conjunction with guidelines set by the Chinese National Institute for the Control of Pharmaceutical and Biological Products. The objective of the project is to establish a national standard for quality assurance for all in vitro diagnostic ("IVD") kits and the project is funded by the SFDA and the Ministry of Finance.
August	The Company's C-6 Protein Chip was approved by the SFDA as a medical device for in vitro diagnosis and the cost effective chip is designed to serve the rural population with screening focus on at least four common tumor types, including lung, liver, gastric and colorectal.
October	The appointment of the Company by Luminex Corporation, a Delaware corporation listed on NASDAQ to be the exclusive distributor of a series of newborn screening products based on its proprietary multiplexing xMAP technolpogy for the diagnosis of genetic diseases in China and Hong Kong.
	The Company acquired 75 percent equity interest in Shanghai Kang Pei Bio-Medical Company Limited ("Shanghai Kang Pei"). Shanghai Kang Pei is principally engaged in the business of providing comprehensive medical diagnostic, health check, medical management and medical appraisal services to both private and corporate clients in China and is currently managing twelve medical centres with existing customer base of over 400,000 in cities including Shanghai, Tianjin, Chengdu and Taiyuan.
December	The Company was awarded "Hong Kong Outstanding Enterprises Parade 2008" by the Economic Digest, a popular business and economic magazine in Hong Kong, and the award was based on a number of criteria including financial performance growth, quality of corporate governance and popularity among retail investors.

Mission Statement – Innovative Medicare Solutions Partnership

The Group is a leading pioneer in commercializing new diagnostics technologies and is a leading supplier of biomedical solutions in China and has sold more than 8.8 million protein chips to date for cancer screening from its own proprietary intellectual property ("PIP") protein chip platform.

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

The Group will expand its role as a promoter of affordable and effective IVD solutions in health screening and diagnosis by working closely with independent medical centres and health appraisal departments at hospitals nationwide.

Protein Chips Division

Currently, the Group manufactures and distributes C-12 products to hospitals and life insurance companies in China. The C-12 products are capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. During the year, the Group continued to experience fast growth in sales of C-12 products. As a proven and leading supplier of protein chips in China, the Group has been supplying C-12 products to life insurance companies in China for the pre-screening and general health appraisal of life and cancer policy applicants. More recently, C-12 products are listed on the BMIS as a reimbursable drug in the provinces of Hunan, Sichuan and Jiangsu, and the Group believes that more provinces and municipalities will include C-12 products on their BMIS. Despite a deteriorating global economy, the Group expects the overall growth for the protein chips sales based on domestic demand to be promising and sustainable in the future.

The Group continued to experience fast growth in its protein chips business operations and sold a total of 2.8 million protein chips (2007: 2.2 million), representing an increase of approximately 27.3 percent over that of last year.

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

Sales Strategy

The Group's sales strategy involves the setting up of sales' channels, the establishment of a comprehensive pricing structure for the different sales' channels, the strengthening of technical support structures, the building up a sustainable distribution network and the ongoing promotion of the effectiveness of IVD testing for life threatening diseases.

The Group's sales strategy has been implemented successfully with increases in both turnover and number of chips sold. The Group will review its strategy continuously and is prepared to make revisions from time to time. Recently the Group is promoting it protein chip as a potential clinical application kit which may further expand the commercial use in addition to its traditional screening role.

Following the successful licensing of C-6 product, the Group intends to develop a new sales revenue source targeting the rural population that are most susceptible to cancer diseases. The Group intends to formulate affordable IVD products for both urban and rural population in China.

Sales channels

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

China Life – The Pursuit

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

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

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

The Cancer Care Insurance Policy is successful in Shanghai, and both China Life and the Group are promoting the cancer care policy in other branches of China Life. In the fourth quarter of 2008, the Group has successfully expanded the coverage to Chengdu, Changsha and Shenyang branches of Chia Life. The Group intends to add at least another four China Life cities each year until a total coverage of twenty five locations and the Group is working alongside with China Life personnel to expand the coverage progressively and methodically.

The Directors believes that the extensive insurance distribution network of China Life would further the promotion of cancer care policy thereby providing a sustainable sales of the C-12 products. The cooperation with China Life will further strengthening the Company's position as a leading supplier of biomedical chips and could eventually significantly increase the Company's sales of its proprietary protein chips and systems in coming years. While the momentum of the sales to China Life is in motion, the Group is patient in building a cooperation infrastructure for growth and providing education to the general employees regarding the advantages and reliability of IVD products.

Basic Medical System – A New Dawn Under The Healthcare Reform Spending

The Group has successfully applied C-12 products as a partially reimbursable drug under the “BMIS” in three provinces of Hunan, Jiangsu and Fujian. In 2008, sales increased at an average of over 40 percent at hospitals of these three provinces.

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.

The Group believes that its experience and the cost competitiveness of its other products such as C-6 Protein Chip, TBS Chip and HPV DNA testing kit are potential products for qualification for drug catalogue status.

Chipreader optimization plan

As at 31 December 2008, the Group had 435 (2007: 406) chipreaders in the market. The Group has successfully increased the utilization rate per chipreader per month by promoting the sharing of chipreaders among hospitals in the same location, reallocating some existing chipreaders to newly signed up hospitals and insurance companies, and increasing the production of chipreaders to meet new demands. During the year, the implementation of the optimization plan for chipreaders also contributed significantly to the increase in sales volume for the C-12 products. The utilization rate per chipreader will be further increased should sales on C-12 products continue to experience growth in the future and other new products were introduced.

Chipset packaging diversification

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

After sales service

The Group continues to strengthen after sales service to its customers and in house procedure has been developed to track down details of subsequent therapeutic treatments in hospitals for cancer patients being diagnosed. The Group places great emphasis on the after sales services and is hosting regular sales review with distributors and relevant hospital personnels to gather comments for further improvement in both products and services. The after sales services not only indicate that our customers are actually being cared for. It also embeds in our employees a sense of mission to assist our customers and their patients.

Healthcare Division

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

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

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

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

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

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

According to the World Health Organization, cervical cancer is fully preventable and curable if pre-cancerous lesions are detected and treated early. Cervical cancer is caused by a common virus called human papilomavirus ("HPV"). High-risk, cancer-causing types of HPV can be detected using DNA technology. Women above age 18 are recommended to take annual examination to screen cervical disease or cancer.

FINANCIAL PERFORMANCE

The net profit attributable to shareholders amounted to HK$150.1 million (2007: HK$125.3 million), representing an increase of 19.8 percent over that of last corresponding year. The significant digit increase was due to the increase in sales from principally the existing distributors' network and the CLS. Earnings per share was 5.13 HK cents (2007: 4.48 HK cents), representing a significant increase of approximately 14.5 percent.

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

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$290.5 million (2007: HK$219.0 million), representing an increase of approximately 32.6 percent over that of last year. Segment profits of this division amounted to HK$207.5 million (2007: HK$183.4 million), representing an increase of approximately 13.1 percent over that of last year.

The Group continued to experience strong growths and sold a total of 2.8 million protein chips (2007: 2.2 million), representing an increase of 27.3 percent over that of last year. The Group continued to enlarge its sales and related after sales support to life insurance companies, particularly the China Life group of branches in China. Based on the proven servicing and logistical model in Shanghai, the Group plans to support the launch of the relevant China Life's Cancer Care Insurance Policy in other major cities in China and the Group has expanded its coverage to three additional cities including Changsha City in Hunan Province, Chengdu City in Sichuan Province and Shenyang City in Liaoning Province.

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

Healthcare Division

This division currently consists of two units, namely the Hospital Unit and the Cervical Cancer Care Unit.. Turnover contributed by this division amounted to HK$35.6 million (2007: HK$37.4 million). The segment profits of this division amounted to HK$2.7 million (2007: HK$581,000).

Cervical Cancer Care Unit

The Group officially launched its new HPV DNA diagnostic kits in 2007 with the successful appointment of distributors in nine provinces and two municipalities including Tianjin, Beijing and Shanghai. In 2008, the Group sold more than 38,000 kits (2007: 25,000 kits) and the HPV DNA diagnostic kits are already approved to sell in over 118 hospitals in China.

Medical Care Unit

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

PROSPECTS

The international financial crisis created new challenges in 2008 and the year ahead is likely to be equally demanding and challenging. The global downturn in economy will inevitably lead to a deterioration in consumer and corporate confidence which in turn leads to a more prudent spending approach and agenda including healthcare spending. The PRC's massive RMB4 trillion economic stimulus package and the RMB850 billion healthcare reform are very encouraging news to soften the effects of a slowdown in global economy.

In 2009, the Group will adopt a prudent approach towards the management of its business operations and will exercise tighter controls on financial management. The Group will further strengthen its communication with its customers including distributors, hospitals, medical centres and life insurance companies to provide closer technical and customer support while establishing a better understanding of their needs in these challenging times.

The Group maintains its belief that early screening and diagnosis of potentially fatal diseases would significantly improve the chances of successful treatment and raises the survival rate of the patients. Therefore, the Group is committed to develop internally by way of its proprietary protein chip platform and externally with established biomedical research institutions to bring effective screening and diagnostic tools for life threatening diseases that would be targeting both the urban and rural segment of the population.

In pursuit of its KM2003 Objectives, the Group is pleased with the progress on the implementation of its business plans that are largely focused on product series diversification, sales channel diversification, production expansion, technology partnerships, technology promotion, etc. This has led to the successful listing of C-12 products on the Drug Catalogue of three major provinces including Hunan, Sichuan and Jiangsu, the launch of the HPV DNA testing kits for cervical cancer in over 118 hospitals, and the set up of the unique sales arrangement with CLS for its Cancer Care Insurance Policy which has now been extended to four cities including Shanghai, Changsha, Chengdu and Shenyang.

Being the leading biomedical company in the area of early screening and detection of diseases in the PRC, the Group understands that there are many challenges and risks associated with the industry ahead. While the PRC represents one of the largest and rapidly growing markets in healthcare products and services, it is a very unique market that requires a comprehensive understanding of the existing medical industry, regulations and operational mechanism.

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

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

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

Since 2003, the Group has since been implementing business plans and strategies in accordance with the KM2003 Objectives with an intention to strengthen its leading position as a protein chip supplier in China which is one of the most promising healthcare markets in the world. Despite many challenges ahead, the outlook for the Group is promising and is optimistic about its future and role in the healthcare reform.

In order to further strengthen the Group's position as a market leader in the IVD sector, the Group intends to expand beyond its traditional principal business unit of low turnover and high margin sector of IVD testing kits, refers to as "Product, Manufacturing and Distribution ("PMD")", to a new business unit of high turnover and moderate margin sector of health screening and management, refers to as "Medical Centres Management ("MCM")".

Details of PMD and MCM are illustrated below:

Product, Manufacturing and Distribution ("PMD")

Key Milestones Progress

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

(1) Production management for the protein chips.

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

The existing plant at the Huzhou Economic & Technological Development Zone in the Zhejiang Province (the "Huzhou Plant") is currently operating at its full production capacity of 1.5 million C-12 protein chips per annum.

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

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

The successful arrangement with CLS to support the cancer evaluation process on the Cancer Care Insurance Policy in Shanghai is contributing greatly to the sale of C-12 products and the Group expects more branches of China Life will start making the policy program available to their customers across China shortly. Being the premier life insurance company in the PRC, China Life's products and services include life insurance, group life insurance, accident and health insurance. Leveraging on the existing distribution network of China Life in China, the Directors is confident that the Group's revenue base will grow rapidly following more China Life branches joining as distribution points for the cancer care policy.

In addition to the three provinces where C-12 products are listed on the individual BMIS as partially reimbursable drug items, the Group believes that C-12 products will be qualified in more provinces and municipalities as a partially reimbursable item.

(3) *Commit resources in marketing and promotional activities.*

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

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

In 2008, the department successfully organized a high level review of the potential value of C-12 products for clinical applications which are currently served by single markers with an estimated market size of over RMB4 billion per annum. The results of the comparative study were very encouraging and the Group intends to supply C-12 products for clinical applications at hospitals in Shanghai on a trial basis.

An independent study on the Group's HPV DNA testing kit which is based on Multiplex PCR Fluorescence Technique was conducted during the period from October 2007 and June 2008 on approximately 2,000 samples in Beijing and Shenzhen. Results of this independent study were very encouraging and it demonstrated that the Group's HPV DNA testing kit achieved a higher clinical value when compared with other existing HPV detection methods and the traditional smear methods. The study will further strengthen the Group's HPV DNA testing kit as a technologically advanced and reliable product to be used for cervical cancer screening and diagnosis.

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 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 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 WHO as a "World Health Organisation Drug Quality Centre" and in February 2008 at the invitation of the United States Pharmacopeia Convention ("USP Convention") and under the approval of the SFDA, has formally become a member of USP Convention. NICPBP and USP Convention 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 China 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.

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

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

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

Under the LIP product platform, the Group has a 20-year exclusive distribution and production agreement for the distribution of the ***SNIPER™ HPV DNA*** product series for cervical cancer screening in the Asia Pacific region since 2006. The Group is confident that the partnership will be mutually beneficial and provide a new direction in product development for new revenue source and a model for further cooperation. The Group will continue to seek opportunities to work with established scientific research institutions and laboratories on the discovery and research of new product and applications. The Group will over time increase its library of products and will launch them as and when the market condition is ready.

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 "TBS Chip") for the rapid diagnosis of tuberculosis ("TB"). The TBS 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 mass population. The Group believes that this kind of rapid test could contribute more positively towards an effective management of TB. The application process to the SFDA for the granting of drug license is underway with final approval expected in 2009.

The TBS 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 "PLA Hospital"). In August 2007, Healthdigit signed a long-term strategic partnership agreement with the PLA Hospital for the collaboration in scientific research and commercialization of technologies developed by the PLA Hospital, and participating in the various development programs of the PLA Hospital. In addition, the PLA Hospital has given Healthdigit exclusivity and priority to commercialize technologies developed by the PLA Hospital.

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

(5) Establish global platform for the biomedical chips and testing kits.

While the major market for the Group is China, the Group has commenced feasibility studies on various markets outside China and intends to work with partners and regulators in their respective native countries for the distribution of "HealthDigit" protein chips and systems. The Group believes that the TBS Chip for tuberculosis and HPV DNA Testing Kits for cervical cancer have export potentials and could contribute effectively globally towards the management of the two diseases.

The Group is currently also exploring ways whereby overseas IVD products and healthcare services could be introduced in China and working closely with international healthcare providers to further strengthen the Group's corporate branding and capability.

On 25 July, the Company entered into a strategic co-operation memorandum with GE (China) Co., Ltd. Healthcare to begin a feasibility study to 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 an important business unit at 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

On 2 October 2008, the Company entered into a distribution agreement with Luminex Corporation (“Luminex”), a Delaware corporation listed on NASDAQ, to be the exclusive distributor of a series of newborn screening products (“NSPs”) for the diagnosis of genetic diseases in China and Hong Kong. The NSPs are developed by Luminex utilizing its proprietary multiplexing xMAP technology.

Genetic disorders such as phenylketonuria (commonly known as PKU), congenital hypothyroidism (commonly known as CH), congenital adrenal hyperplasia (commonly known as CAH) and glucose-6-phosphate dehydrogenase (commonly known as G6PD) deficiency affect the development of thousands of newborns each year in China. If these disorders are not found and detected early, the affected newborns may experience significant cognitive development delays and ongoing health complications. There are about 20 million newborns each year in China and newborn screening of genetic disorders are mandated by the Chinese government. When genetic disorders are detected in babies early, doctors can monitor the babies for health complication and begin treatments quickly. This will improve the infants quality of life and life expectancy. Instead of detecting each genetic disorder one at a time, Luminex’s proprietary multiplexing xMAP technology can simultaneously analyze up to 100 unique assays within a single sample, making large scale screening more efficient, accurate and less costly.

Luminex develops, manufactures and markets innovative biological testing technologies with applications throughout the life science and diagnostic industries. Luminex’s proprietary multiplexing xMap technology delivers fast, accurate and cost effective bioassay results and is sold worldwide to leading clinical laboratories as well as major pharmaceutical, diagnostic and biotechnology companies.

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

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

- C-6 Protien Chip – Product for the rural population and the health screening packages

  The C-6 product is developed using the proprietary protein chip technology of the Company. C-6 quantitatively measures six different kinds of tumor markers including CA19-9, AFP, CEA, CA125, SCC and CK19 simultaneously and is suitable for clinical screening of major cancer types including liver cancer, gastric cancer, lung cancer, colorectal cancer.

  The C-6 product has lower production cost and is suitable for the vast market in the rural regions in China. In recent years, the Chinese government is striving to build a harmonious society and is investing heavily in healthcare including the treatment and prevention of cancers in those rural regions. For example, the China Primary Health Care Foundation had set up a special fund for the prevention and treatment of cancer in 2006, and the plan was to provide free tumor screening for one million people. This project is currently under way in China. The C-6 product has a low product cost, is effective for the screening of most devastating cancer types in China, and thus is in line with the trend of cancer prevention and management in China. The Company is confident about the market potential of the C-6 product.

  The C-6 product has been successfully approved during the year by the SFDA.

- Tuberculosis Screening Chip (referred to as "TBS Chip") – Rapid Detection of Tuberculosis

  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 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 to be over RMB1.0 billion.

  The Group has completed the development of a TBS Chip for the rapid detection of TB which is intended to be sold domestically and internationally. The TBS Chip is able to detect multiple TB specific antibodies in the bold serum of the patient without special laboratory settings rapidly and efficiently, and is capable of conducting TB screening for the mass population.

The TBS Chip will contribute very effectively towards a better national management of tuberculosis leading to better control of the disease from spreading. Besides the TB Screening Chip, the Group will continue to develop the TB series including diagnostic chip, vaccine and drug. The TBS Chip is currently under review by the SFDA for certification as a medical device for in vitro diagnosis.

- Second Generation of C12 Protein Chip (referred to as "C12A")

  The C-12A product is developed using the proprietary protein chip technology of the Company. C-12A quantitatively measures twelve different kinds of tumor markers and is an improved version of the flagship C-12 product of the Company. Four of the 12 markers in C-12 are replaced in C12A and, as a result, the C12A shows significant improvement in its sensitivity and specificity over C-12. The twelve markers will include AFP, CEA, CA19-9, CA125, CA242, CA15-3, HCG, NSE, SCC, CK19, CA72-4 and c-PSA. C-12A is useful for assisting cancer diagnosis and for clinical screening for cancers for people who are cancer suspects or at high risk for cancer.

  The C-12A is currently under review by the SFDA for certification.

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

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

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

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

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

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

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

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

Medical Centres Management ("MCM")

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 medical centers (the "MCM") by mergers and acquisition of existing independent medical centers, and forming business alliances with regional medical centers 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.

Shanghai Kang Pei and its three (3) subsidiaries and two (2) jointly controlled entities are principally engaged in the business of providing medical diagnostic, health check and medical appraisal services to clients inChina. Shanghai Kang Pei currently has a network of 12 medical centers in Shanghai, Tianjin, Chengdu and Taiyuan in China. Total number of clients served by Shanghai Kang Pei and its subsidiaries exceeds 400,000 per annum.

The acquisition of Shanghai Kang Pei would provide to the Company a readily established MCM network to begin the above mentioned objectives and benefits.

Conclusion

In most of the major developed countries, there is a trend that an increasing number of hospitals are reporting a decline in patient visits and hospitals are struggling with shrinking revenue as the global recession is spreading spirally downwards. It is becoming a reality that healthcare is no longer recessionary proof as more people are losing their jobs and consumer confidence is severely affected.

Unlike the developed countries where healthcare spending is more than ten percent of GDP, China's healthcare spending accounts for only approximately 4.6 percent of GDP, considered low when compares to international standards. While still expecting to register positive GDP growth rate, China is clearly committed to invest more of its GDP on its healthcare for its citizens and more recently has announced a huge cavalry budget of RMB850 billion to be spent on its healthcare reform in the next three years.

The China Government has already referred 2009 to be possibly the most difficult year for China's economic development since the beginning of the 21st century and it was evident that individuals and corporations in China are becoming more prudent on their healthcare spending. The Management of the Group is ready to face the challenges ahead and is adopting a flexible, prudent and conservative approach towards the implementation of its business development strategies while maintaining a sustainable growth rate for its turnover and profitability.

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

Being a leading supplier of protein chips and solutions for early detection of diseases in the high growth healthcare industry in China, the Group appreciates the many challenges and risks that are associated with the high growth industry and believe that the Group is reasonably well placed to respond to the risks and challenges accordingly.

The Group is working closely with an increasing number of healthcare institutions including hospitals, medical centres, clinical laboratory testing centres, etc. to understand better testing needs of the patients in order to introduce innovative and effective screening and diagnostics methods. The Group also understands the constant evolution of biomedical science and its applications, and will continue to expedite its business growth by actively pursuing new medical related opportunities through alliances, licensing and acquisitions. The Group is optimistic about its future and is in a state of readiness to face the many new challenges in 2009.

PLEDGE OF ASSETS

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

	2008	2007
	HK$'000	*HK$'000*
Prepaid lease payments	**43,728**	42,500
Buildings	**172,464**	169,721
Buildings under construction	**81,160**	–
Investments held for trading	**2,385**	14,429
Pledged bank deposits	**16,923**	–
	316,660	226,650

LIQUIDITY AND FINANCING

The Group adopts a prudent approach in managing its liquidity and treasury function and sets out guidelines to achieve these objectives. These guidelines cover the Group's debt profile, financing horizon and interest rate risks management.

At 31 December 2008 the Group had cash and bank balances of HK$619.8 million (2007: HK$453.5 million). The Group's gearing ratio as at 31 December 2008 was 23.4 percent (2007: 23.3 percent), based on bank and other borrowings of HK$237.2 million (2007: HK$192.9 million) and shareholders' fund of HK$1,014.9 million (2007: HK$827.4 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$199.9 million were outstanding as at 31 December 2008 (2007: HK$138.1 million). The range of effective interest rates on the bank borrowings as at 31 December 2008 was approximately 1.85 percent to 6.34 percent per annum.

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

CONTINGENT LIABILITIES

As at 31 December 2008 and 31 December 2007, the Group did not have any significant contingent liabilities.

POST BALANCE SHEET EVENTS

On 28 October 2008, 湖州數康生物科技有公司, a wholly owned subsidiary of the Group, entered into a conditional agreement with 上海銘康商務信息諮詢有限公司 to acquire a 75% equity interest in Shanghai Kang Pei Bio-Medical Company Limited ("Shanghai Kang Pei") for a consideration of RMB310,000,000 (equivalent to HK$349,742,000). As at 31 December 2008, a deposit of RMB50,000,000 (equivalent to HK$56,410,000) was paid upon entering into the conditional agreement.

Shanghai Kang Pei is a domestic limited liability company established in the PRC on 11 January 2000. Shanghai Kang Pei and its subsidiaries and jointly controlled entities 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. The directors are of the view that it is impracticable to disclose the financial information of Shanghai Kang Pei as at the date of these financial statements are approved since the assessment of the financial information of Shanghai Kang Pei is still in progress.

On 18 March 2009, the Company announced that it had entered into a subscription agreement with CCB International Asset Management Limited (an independent third party) in relation to the issue and subscription of convertible bonds at an aggregate principal amount of HK$232,572,000, which will be issued in conjunction with nil-paid warrants with a principal sum of HK$60,136,000. Conversion and exercise in full of the convertible bonds and the warrants will result in the issue of a total of 571,231,780 ordinary shares of HK$0.05 each in the Company, representing approximately 16.3% of the enlarged share capital.

Details of the principal terms of the bonds and warrants are set out in the Company's announcement dated 18 March 2009.

The subscription had been completed at the date of this announcement.

On 16 April 2009, the Company announced that the Group entered into a conditional sales and purchase agreement to acquire 95% interest in Genetel Biotech (BVI) Limited ("Genetel BVI") for a consideration of HK$280,000,000. Genetel BVI and its subsidiary is engaged in research and development of DNA technology and products. Details of the terms of the acquisition are set out in the Company's announcement dated 17 April 2009. The acquisition has not been completed at the date of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (2007: HK$0.01 per share) for 2008.

EMPLOYEES

At 31 December 2008, the Group had a total of 502 employees (2007: 452 employees) in Hong Kong and the PRC. The increase in the number of employees of the Group was due to the fact that various sales and support teams were built to strengthen the distribution channels and after-sales support services of the operation. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its 5,250,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$5,962,500 with the highest and lowest prices per share at HK$1.19 and HK$1.05 respectively.

All the repurchased shares were effectively cancelled subsequent to 31 December 2008. The issued share capital of the Company was reduced by the par values thereof subsequent to 31 December 2008. The premium paid on the repurchase of shares and related expenses, in the amount of HK$5,700,000, was charged to the share premium account.

The repurchase of shares during the year was effected by the Directors pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting held on 2 June 2008, with a view to benefiting the shareholders of the Company as a whole by enhancing the earnings per share of the Group.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased or sold the shares in the Company during the year.

CORPORATE GOVERNANCE

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

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

Provision A.4.1 of the CGP Code requires that non-executive director should be appointed for a specific term, and subject to re-election. 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 provision of the Company's Bye-laws.

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

Based on the number of directors as at 31 December 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 year ended 31 December 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 consolidated financial statements for the year ended 31 December 2008 in conjunction with the Group's auditors.

INVESTOR RELATIONS AND COMMUNICATION

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the preliminary announcement of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31 December 2008 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amount set out in the Group's audited consolidated financial statement for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

As at the date of this announcement, the executive directors of the Company are Mr. Yao Yuan (Chairman), Mr. Chien Hoe Yong, Henry (CEO), Mr. Iu Chung, Mr. Hu Jun, and Mr. Yu 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 and Executive Director

20 April 2009