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 2010

The Board of Directors (the "Directors") of Mingyuan Medicare Development Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for year 2009 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

	Notes	**2010** **HK$'000**	*2009* *HK$'000*
Revenue	3	**420,786**	394,288
Cost of sales		**(83,060)**	(74,959)
Gross Profit		**337,726**	319,329
Other income	4	**17,758**	12,343
Other gains and losses	5	**(454)**	5,168
Distribution and selling expenses		**(55,146)**	(42,162)
Administrative expenses		**(71,982)**	(118,715)
Other expenses		**(30,455)**	(23,929)
Share of result of a jointly controlled entity		**(10,760)**	(5,981)
Finance costs	6	**(23,303)**	(48,990)
Profit before tax		**163,384**	97,063
Income tax expense	7	**(39,862)**	(21,420)
Profit for the year	8	**123,522**	75,643
Other comprehensive income			
Exchange differences arising on translation		**49,249**	5,085
Revaluation surplus arising from business combination achieved in stages		**–**	10,354
Other comprehensive income for the year		**49,249**	15,439
Total comprehensive income for the year		**172,771**	91,082

* *For identification purposes only*

	Notes	**2010** **HK$'000**	*2009* *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**122,438**	76,758
Non-controlling interests		**1,084**	(1,115)
		123,522	75,643
Total comprehensive income attributable to:			
Owners of the Company		**171,687**	92,198
Non-controlling interests		**1,084**	(1,116)
		172,771	91,082
Earnings per share			
Basic	*9*	**3.41 HK cents**	2.49 HK cents
Diluted	*9*	**3.37 HK cents**	2.48 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Property, plant and equipment		**467,002**	435,863
Prepaid lease payments		**70,094**	69,950
Goodwill		**420,982**	420,982
Other intangible assets		**312,867**	326,918
Interest in a jointly controlled entity		**9,514**	20,140
Available-for-sale investments		**1,192**	–
Deposits paid for the acquisition of property, plant and equipment		**1,955**	203
		1,283,606	1,274,056
Current Assets			
Inventories		**16,740**	13,751
Prepaid lease payments		**1,617**	1,577
Trade and other receivables, deposits and prepayments	10	**207,663**	165,955
Amount due from related companies		**3,279**	3,096
Amount due from subsidiaries of a jointly controlled entity		**35,904**	45,133
Held for trading investments		**62**	4,201
Pledged bank deposits		**–**	11,358
Bank balances and cash		**742,837**	457,406
		1,008,102	702,477
Current Liabilities			
Trade and other payables	11	**40,986**	81,338
Amount due to a related company		**33,740**	978
Bank borrowings – due within one year		**202,086**	139,444
Convertible bonds		**–**	79,627
Taxation payable		**24,992**	17,534
		301,804	318,921
Net Current Assets		**706,298**	383,556
Total Assets less Current Liabilities		**1,989,904**	1,657,612

	2010	2009
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**187,417**	170,525
Reserves	**1,613,009**	1,248,535
Equity attributable to owners of the Company	**1,800,426**	1,419,060
Non-controlling interests	**43,072**	41,988
Total Equity	**1,843,498**	1,461,048
Non-Current Liabilities		
Deferred tax liabilities	**122,966**	116,490
Bank borrowings – due after one year	**23,440**	80,074
	146,406	196,564
	1,989,904	1,657,612

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. 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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (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 new and revised standards, amendments and interpretations ("new and revised Standards and Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements.

(a) HKFRS 3 (as required in 2008) Business Combinations

The Group applies HKFRS 3 (as revised in 2008) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) is applicable, the application of HKFRS 3 (Revised 2008) had no effect on the consolidated financial statements of the Group for the current period. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

(b) Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The directors of the Company consider the application of amendments to HKAS 17 had no effect on the consolidated financial statements of the Group for the current or prior accounting period.

(c) HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. The Group disposed of 71.15% interest in 上海文中門診部有限公司 and interest of 28.85% was retained by the Group and there is no significant impact from such changes of accounting policy, since the amount involved is not significant.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities, the directors anticipate that the application of the new Standard is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The directors of the Company anticipate that the application of the other new and revised Standards or Interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Protein chips division	–	Manufacture and trading of protein chips and related equipments
Health care division	–	Operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, Shanghai, the PRC (上海市虹口區婦幼保健院) ("Hospital Operation")
	–	Manufacture and trading of Human Papilloma Virus ("HPV") detection products and related equipments ("Cervical Cancer Care Unit")
Medical centres management	–	Provision of medical diagnostic, health check and medical appraisal services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Protein chips division *HK$'000*	**Health care division** *HK$'000*	**Medical centres management** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2010				
REVENUE				
External sales	**319,440**	**63,855**	**37,491**	**420,786**
Segment profit (loss)	**204,385**	**(6,210)**	**6,410**	**204,585**
Unallocated expenses				**(12,490)**
Interest income				**6,240**
Share of result of a jointly controlled entity				**(10,760)**
Loss on disposal of interest in a subsidiary				**(638)**
Change in fair value of held for trading investments				**(250)**
Finance costs				**(23,303)**
Profit before tax				**163,384**

	Protein chips division HK$'000	Health care division HK$'000	Medical centres management HK$'000	Consolidated HK$'000
For the year ended 31 December 2009				
REVENUE				
External sales	319,241	44,835	30,212	394,288
Segment profit (loss)	217,555	(4,452)	3,623	216,726
Unallocated expenses				(71,460)
Interest income				5,025
Share of result of a jointly controlled entity				(5,981)
Change in fair value of held for trading investments				1,743
Finance costs				(48,990)
Profit before tax				97,063

For the purpose of assessment by chief operating decision maker, the amortisation of other intangible assets were included in segment profit (loss) while the corresponding other intangible assets have not included in the segment assets.

Geographical information

Around 99% (2009: 99%) of the Group's revenue are derived from the operation in the PRC and around 99% (2009: 99%) of the Group's non-current assets excluded financial instruments are located in the PRC, therefore, no geographical information is presented.

4. OTHER INCOME

	2010 *HK$'000*	2009 *HK$'000*
Interest income	**6,240**	5,025
Government subsidy	**9,285**	6,202
Others	**2,233**	1,116
	17,758	12,343

5. OTHER GAINS AND LOSSES

	2010 *HK$'000*	2009 *HK$'000*
Gain on disposal of property, plant and equipment	**434**	3,425
Loss on disposal of interest in a subsidiary	**(638)**	–
Changes in fair value of held for trading investments	**(250)**	1,743
	(454)	5,168

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**11,419**	11,712
Effective interest expenses on convertible bonds	**12,485**	37,569
Total borrowing costs	**23,904**	49,281
Less: amounts capitalised (capitalised in buildings under construction of property, plant and equipment at a capitalisation rate of 5.58% per annum)	**(601)**	(291)
	23,303	48,990

7. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year	**34,220**	19,759
– (Over)under provision in prior year	**(834)**	1,606
	33,386	21,365
Deferred tax		
– Current year	**6,476**	7,894
– Overprovision in prior year	**–**	(7,839)
	6,476	55
	39,862	21,420

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiary is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The first profit-making year is 2008 and the applicable tax rate for 2010 is 12.5% (2009: Nil).

The Group's another PRC subsidiary, 湖州數康生物科技有限公司 was approved as a "high-new technology enterprise" and became eligible to enjoy a preferential enterprise income tax rate of 15% for both years.

8. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**25,683**	23,730
Amortisation of prepaid lease payments	**1,593**	1,575
Less: amount capitalised (included in buildings under construction of property, plant and equipment)	**(641)**	(636)
	952	939
Amortisation of other intangible assets (included in other expenses)	**25,186**	17,493
Staff costs		
– directors' emoluments	**5,721**	5,173
– other staff costs	**44,251**	33,892
– share-based payments, excluding directors	**–**	38,805
– retirement benefits scheme contributions, excluding directors	**449**	298
Total staff costs	**50,421**	78,168
Auditor's remuneration	**2,541**	2,463
Cost of inventories recognised as expenses	**83,060**	74,959
Research and development expenditure (included in other expenses)	**5,269**	6,436

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**122,438**	76,758

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,590,871,850**	3,082,579,777
Effect of dilutive potential ordinary shares:		
– Share options	**14,431,545**	12,570,843
– Warrants	**26,728,648**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,632,032,043**	3,095,150,620

No adjustment for convertible bonds was made in calculating diluted earnings per share for both years as the conversion of convertible bonds would result in an increase in earnings per share.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**197,074**	153,576
Less: Allowance for doubtful debts	**(2,297)**	(2,226)
	194,777	151,350
Consideration receivable for disposal of property, plant and equipment	**–**	2,590
VAT recoverable	**541**	–
Prepayments	**1,616**	2,427
Others	**10,729**	9,588
	207,663	165,955

The Group normally allows a credit period of 30 to 270 days to its trade customers. The following is an aged analysis of the trade receivables net of allowance for doubtful debt presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**133,293**	110,964
61 – 90 days	**30,123**	31,151
91 – 180 days	**31,232**	6,477
181 – 270 days	**129**	2,758
	194,777	151,350

At 31 December 2010 and 31 December 2009, all trade receivables were neither past due nor impaired. 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

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**7,059**	8,936
Receipts in advance	**8,600**	7,444
Accrued expenses	**7,392**	25,442
Payable for construction in progress	**1,758**	13,603
Other tax payable	**6,342**	7,922
Others	**9,835**	17,991
	40,986	81,338

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0 – 60 days	**5,348**	8,054
61 – 90 days	**370**	20
Over 90 days	**1,341**	862
	7,059	8,936

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

With the economic stimulus package in effect to drive investments and domestic spending, the gross domestic product in China rose 10.3 percent in 2010 from a year ago to RMB39.80 trillion (US$6.07 trillion) and became the first few countries in the world to record a strong economic growth. Nevertheless, the National Bureau of Statistics of China most recently issued a note of caution that the China's economy will continue to face difficulties and challenges, and that the economy recovery has yet to achieve long term sustainability.

In the last five years, the China economy have grown over 80 percent with an average annual growth of 11.2 percent and the China economy is currently the third largest economy in the world, behind the US and Japan. Confronting economic complexity both at home and abroad, the China Government successfully engaged 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.

Most recently at the Fourth Session of the 11th National People's Congress, the China Government has reaffirmed its commitment 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 and to maintain its GDP growth to at least 8 percent in 2010 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. While the global economy is slowly recovering, the China Government continue to engage on strategic and fundamental changes in the economic structure of the country and to place more emphasis on building a sustainable domestic economy based on heavy investments and strong domestic spending.

In pursuit of its landmark healthcare reform plan backed by a significant budget of RMB850 billion to be spent before 2011, the China Government is committed to provide basic medical security to all Chinese in both urban and rural areas, improve the quality of medical services, and make medical services more accessible and affordable for ordinary people and to pave the road for further medical reforms in the healthcare industry.

With the healthcare reform in full momentum, the healthcare industry in China will continue to be modernised 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 and will invariably drive up strong demands for medical products and services in the coming decade.

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 43.3 million in 2000 to 432 million in 2010, representing an increase of over 388.7 million participants with annual averages of 27.3 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 at the end of 2009, the urban population reached 46.6 percent of the total population. 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

The Group currently maintain two business units, namely the PMD and the MCM units. PMD stands for "Product, Manufacturing and Distribution" and is the traditional principal business segment of high margin sector of in vitro diagnostic products ("IVD"). This business segment consists of the Protein Chips Division and the Healthcare Division. MCM stands for "Medical Centres Management", and represents the business of health screening and management. MCM also provides a new and direct sales channel for the Company's IVD products.

On 5 January 2010, the Group established a new business unit named Bio Drugs ("BDS") business unit based on biomedical drugs by announcing that SHMY HealthDigit Biochips Company Limited, a wholly-owned subsidiary of the Company, had entered into a milestone Technology Transfer Agreement with the National Institute for the Control of Pharmaceutical and Biological Products for the development, production and commercialisation of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products.

During the year, the Group diversified its biomedical product series for the second generation of C-12 (referred to as "C-12A Protein Chip"), and Tuberculosis Screening Chip (referred to as "TBS Chip).

In November, the group strengthen its sales network significantly by entered into a strategic co-operation agreement with Shanghai Pharmaceuticals Co., Ltd ("SPC"), SPC becomes a principal distributor for the Company's bio-medical products in China.

Major Events and Issues in 2010:

Major corporate activities undertaken in 2010 were summarised as follows:

January	The Group established a new business segment named Bio Drugs business segment or to be referred more commonly as BDS business segment by announcing that it will engaged in the development, production and commercialisation of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products (the "NCPP Drugs") following the acquisition of the relevant intellectual property rights relating to the NCPP Drugs from the National Institute for the Control of Pharmaceutical and Biological Products which is a an affiliated agency of the State Food and Drug Administration in China (or more commonly referred to as "SFDA"). The Group believes that there is a huge therapeutic market for major diseases and that this business segment is a natural progression of the existing business operations.
March	The Company's C-12A Protein Chip, the second generation of C-12 Protein Chip was certified by the SFDA as a medical device for in vitro diagnosis which quantitatively measures twelve different kinds of tumor markers. The C-12A is an improved version of the flagship C-12 product and is useful for assisting cancer diagnosis and for clinical screening for cancers for people who are cancer suspects or at high risk for cancer.

November	The Group entered into a strategic co-operation agreement with SPC under which SPC would become a principal distributor of the Company's bio-medical products in China. SPC has one of the most prominent nation-wide distribution and retail network for a wide range of medical products.
December	In the third successive year, the Company was awarded "Hong Kong Outstanding Enterprises Parade 2010" 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 commercialising new diagnostics technologies and is a leading supplier of biomedical solutions in China and has sold cumulatively more than 15 million protein chips for cancer screening.

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 continue to 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.

Product Manufacturing and Distribution ("PMD")

Protein Chips Division

Currently, the Group manufactures and distributes its C-12 products to hospitals, medical centres and life insurance companies in China. The C-12 product is capable of detecting up to twelve tumor markers simultaneously and assisting in early detection of ten prevalent cancer tumor types. As a proven and leading supplier of protein chips in China, the Group has been supplying C-12 products to China Life Insurance Company, Shanghai Branch ("CLS"), for the pre-screening and general health appraisal of life and cancer policy applicants. C-12 products have been listed on the Basic Medical Insurance System ("BMIS") as a reimbursable drug in several provinces of China and on the BMIS of Shanghai Municipality in October 2009. The Group believes that more provinces and municipalities will include C-12 products on their BMIS. Despite a weak and unstable global economy and limited export sales, the Group expects the overall growth for the protein chips sales based on domestic demand to be promising and sustainable in the future.

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 hybridisation, and DNA microarray genotyping of amplified DNA products.

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

According to the World Health Organisation, 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.

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 centres by mergers and acquisition of existing independent medical centres, and forming business alliances with regional medical centres in China.

The division is principally 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 division 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.

FINANCIAL PERFORMANCE

The net profit attributable to shareholders amounted to HK$123.5 million (2009: HK$75.6 million), representing a increase of 63.4 percent over that of last corresponding year. Earnings per share was 3.41 HK cents (2009: 2.49 HK cents), representing a increase of approximately 36.9 percent.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$319.4 million (2009: HK$319.2 million), slightly over last year. Segment profit of this division amounted to HK$204.4 million (2009: HK$217.6 million), representing a decrease of approximately 6 percent over that of last year.

Despite an unstable year of economic circumstances, the Group sold a total of 3.13 million protein chips (2009: 3.10 million), slightly over last year. During the year, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimisation of chipreader utilisation 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$63.9 million (2009: HK$44.8 million). The division incurred a loss of HK$6.2 million for the year (2009: loss of HK$4.5 million). The loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$10.7 million.

Cervical Cancer Care Unit

In 2010, the Group sold more than 294,000 kits (2009: 155,000 kits), representing an increase of 89.6 percent over last corresponding year.

Hospital 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.

Medical Centres Management

Turnover contributed by this new division amounted to HK$37.5 million (2009: HK$30.2 million). Segment profit of this division amounted to HK$6.4 million (2009: HK$3.6 million).

PROSPECTS

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. 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.

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 BMIS of several provinces and the Shanghai Municipality, the continual expansion in the distribution of the HPV DNA testing kits for cervical cancer in over 160 hospitals, and the set up of the unique sales arrangement with China Life Insurance Company, Shanghai Branch, for its Cancer Care Insurance Policy which will continue to be expanded to other cities gradually.

Being a leading biomedical company in the area of early screening and detection of diseases in China, the Group understands that there are many challenges and risks associated with the industry ahead. While China 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 applies 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 weaker economy and tighter national budgets, 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 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.

Being a leading supplier of protein chips and solutions for early detection of diseases in the high growth healthcare industry in China, the Group has successfully expanded its business segments to include medical centres management and bio drugs to enable the Group to be a more self contained and diversified medicare solutions provider. Nevertheless, 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 2011.

The Group owes its success to its shareholders who have been truly supportive and patience during this challenging period and, having carefully considered its capital expenditure plans in the coming years, will establish a steady and progressive dividend policy to share its operational success with the shareholders based on past and existing dividend payout record. Besides engaging in a more direct way of rewarding the shareholders for their trust and loyalty, the Group also plans to cultivate a stronger base of shareholders who share the Group's corporate mission to be a leader in the biomedical industry in China.

PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure general banking and credit facilities granted to the Group:

	2010	*2009*
	HK$'000	*HK$'000*
Prepaid lease payments	**43,486**	43,083
Buildings	**285,194**	161,539
Buildings under construction	**–**	209,405
Held for trading investments	**–**	4,011
Pledged bank deposits	**–**	11,358
	328,680	429,396

At 31 December 2009, the Group's equity interests in certain subsidiaries have been pledged to secure the 2011 Bonds (on 8 April 2009, the Company issued HK$77,524,000 9% series A convertible bonds ("2011 Series A Bond") and HK$155,048,000 9% series B convertible bonds ("2011 Series B Bond") due 2011 both at par value of HK$232,572,000 in aggregate and issued in conjunction with detachable warrants of face value amounting to HK$60,136,000 (the "Warrants"), (2011 Series A Bond, 2011 Series B Bond and the Warrants are collectively known as "2011 Bonds").

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 2010 the Group had cash and bank balances of HK$742.8 million (2009: HK$468.8 million). The Group's gearing ratio as at 31 December 2010 was 12.5 percent (2009: 21.1 percent), based on bank and other borrowings of HK$225.5 million (2009: HK$299.1 million) and shareholders' fund of HK$1,800.4 million (2009: HK$1,419.1 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$225.5 million were outstanding as at 31 December 2010 (2009: HK$219.5 million). The range of effective interest rates on the bank borrowings as at 31 December 2010 was approximately 1.73 percent to 9.00 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 2010 and 2009, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2011, the Company, Ming Yuan Investments Group Limited (the "Vendor") and Pacific Foundation Securities Limited ("Placing Agent") entered into an agreement, pursuant to which the Placing Agent has agreed, as agent of the Vendor to sell up to 320,000,000 existing shares at placing price of HK$0.81 per share. In addition the Vendor also agreed to subscribe new shares equivalent to the number of placing shares at subscription price equivalent to the placing price of HK$0.81 per share. The subscription of 294,000,000 new shares representing approximately 7.2% of the issued share capital of the Company as enlarged by the subscription, at a total consideration of HK$238.1 million. The transaction was completed at the date of this announcement. Details of these are disclosed in an announcement of the Company dated 10 March 2011.

DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2009 final dividend of HK$0.01 per share	**35,158**	–

The Directors do not recommend the payment of a final dividend (2009: HK$0.01 per share) for 2010.

EMPLOYEES

At 31 December 2010, the Group had a total of 1,097 employees (2009: 951 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company, its subsidiaries nor its jointly controlled entities has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

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

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

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

Based on the number of directors as at 31 December 2010, a non-executive director will serve on the board for a term of about two years until he 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 2010.

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 2010 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 statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2010 have been agreed by the Group's auditors, 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. 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, Mr. Lee Sze Ho, Henry, and Mr. Tang Yan Qin.

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

31 March 2011