



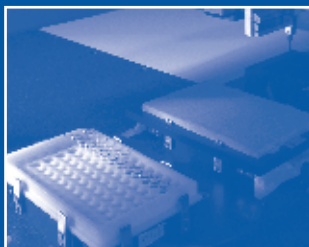
MINGYUAN MEDICARE

DEVELOPMENT COMPANY LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE : 00233

INNOVATIVE
MEDICARE



OUR VISION

Interim Report 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2011

	Notes	Unaudited Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Revenue	2	206,453	233,943
Cost of sales		(48,939)	(48,005)
Gross Profit		157,514	185,938
Other income	3	3,722	1,545
Other gains and losses	4	–	45
Selling and distribution expenses		(27,011)	(17,673)
Administrative expenses		(36,765)	(29,459)
Other expenses		(12,593)	(12,581)
Share of result of a jointly controlled entity		1,192	(1,096)
Finance costs	5	(3,579)	(13,875)
Profit before taxation		82,480	112,844
Income tax expense	6	(14,207)	(19,509)
Profit for the period	7	68,273	93,335
Other comprehensive income for the period			
Exchange differences arising on translation		78,926	2,623
Total comprehensive income for the period		147,199	95,958
Profit for the period attributable to:			
Owners of the Company		66,531	91,274
Non-controlling interests		1,742	2,061
		68,273	93,335

		Unaudited	
		Six months ended 30 June	
		2011	2010
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>			
Total comprehensive income for the period attributable to:			
Owners of the Company		145,457	93,897
Non-controlling Interests		1,742	2,061
		<hr/> 147,199 <hr/>	<hr/> 95,958 <hr/>
Earnings per share			
Basic		1.69 HK cents	2.63 HK cents
Diluted	8	1.69 HK cents	2.62 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Non-Current Assets			
Property, plant and equipment		475,571	467,002
Prepaid lease payments		70,789	70,094
Goodwill		420,982	420,982
Other intangible assets		300,469	312,867
Interest in a jointly controlled entity		10,650	9,514
Available-for-sale investments		1,235	1,192
Deposit paid for the acquisition of property, plant and equipment		1,878	1,955
		1,281,574	1,283,606
Current Assets			
Inventories		14,249	16,740
Prepaid lease payments		1,652	1,617
Trade and other receivables, deposits and prepayments	9	154,058	207,663
Amount due from related companies		–	3,279
Amount due from subsidiaries of a jointly controlled entity		35,841	35,904
Held for trading investments		22	62
Bank balances and cash		1,185,839	742,837
		1,391,661	1,008,102
Current Liabilities			
Trade and other payables	10	43,454	40,986
Amount due to related companies		–	33,740
Bank borrowings – due within one year		224,165	202,086
Taxation payable		20,064	24,992
		287,683	301,804
Net Current Assets			
		1,103,978	706,298
		2,385,552	1,989,904

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Capital and Reserves		
Share capital	202,867	187,417
Reserves	1,993,184	1,613,009
Equity attributable to owners of the Company	2,196,051	1,800,426
Minority Interests	44,824	43,072
Total equity	2,240,875	1,843,498
Non-Current Liabilities		
Deferred tax liabilities	120,597	122,966
Bank borrowings – due after one year	24,080	23,440
	144,677	146,406
	2,385,552	1,989,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital	Share premium	Convertible bonds equity reserve	Share option reserve	Assets revaluation reserve	Contributed surplus	Translation reserve	Accumulated profits	Total	Minority Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2009	170,525	584,498	5,721	42,419	10,354	12,804	122,763	469,976	1,419,060	41,988	1,461,048
Profit for the year	-	-	-	-	-	-	-	122,438	122,438	1,084	123,522
Other comprehensive income for the year	-	-	-	-	-	-	49,249	-	49,249	-	49,249
Total comprehensive income for the year	-	-	-	-	-	-	49,249	122,438	171,687	1,084	172,771
Conversion of											
convertible bonds	5,709	90,451	(6,851)	-	-	-	-	-	89,309	-	89,309
Exercise of warrants	5,117	55,019	-	-	-	-	-	-	60,136	-	60,136
Exercise of share options	6,066	124,353	-	(35,027)	-	-	-	-	95,392	-	95,392
Lapse of share options	-	-	-	(1,067)	-	-	-	1,067	-	-	-
Release of deferred tax liability upon conversion of convertible bonds	-	(1,130)	1,130	-	-	-	-	-	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	-	(35,158)	(35,158)	-	(35,158)
At 31 December 2010	187,417	853,191	-	6,325	10,354	12,804	172,012	558,323	1,800,426	43,072	1,843,498
Profit for the period	-	-	-	-	-	-	-	66,531	66,531	1,742	68,273
Exchange realignment	-	-	-	-	-	-	78,926	-	78,926	10	78,936
Total recognised income for the period	-	-	-	-	-	-	78,926	66,531	145,457	1,752	147,209
Exercise of share options	750	11,279	-	-	-	-	-	-	12,029	-	12,029
Placement of shares	14,700	223,439	-	-	-	-	-	-	238,139	-	238,139
At 30 June 2011	202,867	1,087,909	-	6,325	10,354	12,804	250,938	624,854	2,196,051	44,824	2,240,875

Note: The contributed surplus of the Group represents an amount due to a former holding company waived upon the change of the substantial shareholders in 2002.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated from operating activities	192,294	135,624
Net cash (used in) investing activities	(38,335)	(7,096)
Net cash from financing activities	268,749	73,642
Net increase (decrease) in cash and cash equivalent	422,708	202,170
Cash and cash equivalents at beginning of period	742,837	457,406
Effect of foreign exchange rate changes	20,294	918
Cash and cash equivalents at end of period	1,185,839	660,494

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The accounting policies adopted for the preparation of the condensed consolidated financial statements are consistent with those used in the Group's annual audited financial statements for the year ended 31 December 2010.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 i

The adoption of these new HKFRSs has no material effect on the consolidated financial statements.

2. SEGMENT INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods and services delivered or provided.

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

Protein chips division	– Manufacturing and trading of protein chips and related equipments
Health care division	– 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) ("Hospital Operation")
	– Manufacturing and trading of HPV detection products and related equipments
Medial centres management	– Provision of medical diagnostic, health check and medical appraisal services

2. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

	Protein chips division <i>HK\$'000</i>	Health care division <i>HK\$'000</i>	Medical centres management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the six months ended 30 June 2011</i>				
REVENUE				
External sales	<u>154,912</u>	<u>35,716</u>	<u>15,825</u>	<u>206,453</u>
Segment profit (loss)	<u>100,922</u>	<u>360</u>	<u>194</u>	<u>101,476</u>
Unallocated expenses				(20,331)
Interest income				3,722
Share of result of a jointly controlled entity				1,192
Finance costs				<u>(3,579)</u>
Profit before tax				82,480
Income tax expense				<u>(14,207)</u>
Profit for the period				<u>68,273</u>

2. SEGMENT INFORMATION (Continued)**Segment revenues and results** (Continued)

	Protein chips division <i>HK\$'000</i>	Health care division <i>HK\$'000</i>	Medical centres management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>For the six months ended 30 June 2010</i>				
REVENUE				
External sales	<u>184,731</u>	<u>30,332</u>	<u>18,880</u>	<u>233,943</u>
Segment profit	<u>132,162</u>	<u>(3,814)</u>	<u>233</u>	128,581
Unallocated expenses				(2,103)
Interest income				1,545
Share of result of a jointly controlled entity				(1,096)
Change in fair value of held for trading investments				(208)
Finance costs				<u>(13,875)</u>
Profit before tax				112,844
Income tax expense				<u>(19,509)</u>
Profit for the period				<u>93,335</u>

Geographical segments

Over 99% of the Group's turnover are derived from the operation in the PRC and around 99% of the Group's assets are substantially located in the PRC, therefore, no geographical segment is presented.

3. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	<u>3,722</u>	<u>1,545</u>

4. OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	–	253
Change in fair value of held for trading investments	–	(208)
	–	45

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	3,579	3,282
Effective interest expenses on convertible bonds	–	10,593
	3,579	13,875

6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
PRC Enterprise Income Tax	16,577	18,270
Deferred tax	(2,370)	1,239
	14,207	19,509

No provision for Hong Kong profits tax has been made since the Group entities operating in Hong Kong had no assessable profit for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

6. INCOME TAX EXPENSE (Continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Pursuant to the relevant laws and regulations in the PRC, the Group's major PRC subsidiaries 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 EIT Law was implemented and will expire in 2009 to 2012.

7. PROFIT FOR THE PERIOD

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	13,162	12,340
Amortisation of prepaid lease payments	656	623
Amortisation of other intangible assets (included in other expenses)	12,593	12,581
Staff costs		
– directors' remuneration	2,866	2,686
– other staff costs	24,122	17,624
– retirement benefits scheme contributions, excluding directors	250	155
Total staff costs	27,238	20,465
Auditors' remuneration	1,556	1,000
Cost of inventories recognised as expenses	48,939	48,005
Research and development expenditure	2,965	3,347

8. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share and diluted earnings per share	66,531	91,274
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,947,269,010	3,476,769,124
Effect of dilutive potential ordinary shares: – share options	68,342	11,404,809
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,947,337,352	3,488,173,933

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	137,521	197,074
Less: allowance for doubtful debt	(2,297)	(2,297)
	135,224	194,777
VAT recoverable	–	541
Prepayments	1,856	1,616
Others	16,978	10,729
	154,058	207,663

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
0 – 60 days	98,040	133,293
61 – 90 days	20,738	30,123
91 – 180 days	15,569	31,232
181 – 270 days	877	129
	135,224	194,777

10. TRADE AND OTHER PAYABLES

	30 June 2011 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables	11,126	7,059
Receipts in advance	7,724	8,600
Accrued expenses	6,631	7,392
Payables for construction in progress	–	1,758
Other tax payable	6,364	6,342
Others	11,609	9,835
	43,454	40,986

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
0 – 60 days	9,190	5,348
61 – 90 days	1,506	370
Over 90 days	430	1,341
	11,126	7,059

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Market Review

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. Confronting economic complexity both at home and abroad, the China Government had 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.

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. 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.

According to the National Bureau of Statistics of China, the eligible participants in State Basic Medical Insurance program 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. 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 operates two business segments, namely the PMD business segment and the MCM business segment respectively. Both business segments offer strong cashflows and they provide synergy to one another and are complimentary to the development of the Group's new and pioneering IVD testing kits.

The PMD Business Segment:

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

Protein Chips Division

The Group manufactures and distributes its C-12A products to hospitals, medical centres and life insurance companies in China. The C-12A product is 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 steady demand for C-12A products. As a proven and leading supplier of protein chips in China, the Group has been supplying C-12A products to China Life Insurance Company, Shanghai Branch, for the pre-screening and general health appraisal of life and cancer policy applicants. C-12A 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.

Turnover contributed by the sale of the C-12A products amounted to HK\$154.9 million (2010: HK\$184.7 million), representing a decrease of approximately 16.1 percent over that of last corresponding period. During the period, the Group sold a total of 1.21 million protein chips (1H2010: 1.64 million), representing a decrease of 26.2 percent over that of last corresponding period. The year 2011 was the first year that most of the distributors shift to sell the up-graded C-12A products instead of the old C-12 products. There will definitely be a learning period to get acquainted with this new up-graded C-12A products before the hospitals and medical centres could get back their momentum to increase sales on the C-12A products. At the same time, the tightened funding policies that the banks in China is adopting also put some pressure on the distributors and the distributors would be more careful in placing their orders on the C-12A products. Despite the decrease in the quantity of sales of C-12A products when compared with the sales of C-12 products over the same period of last year, the average selling price achieved by C-12A products was much higher than that of C-12 products. The average selling price of C-12A products was HK\$127.8 (1H2010: average selling price of C-12 products was HK\$112.6).

The Group is confident that sales of the up-graded C-12A products would pick up again in the near future and that the Group would continue to expand its sales network to further increase its sales of the C-12A products.

Business Review *(Continued)*

The PMD Business Segment: *(Continued)*

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 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 specialized equipment.

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 papillomavirus ("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.

The Group officially launched its HPV DNA diagnostic kits with the successful appointment of distributors in 18 provinces and sold more than 195,000 kits (1H2010: 142,000) in the first half of 2010, representing an increase of 37.3 percent over last corresponding period.

Business Review *(Continued)***The PMD Business Segment:**

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

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

The 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.

Turnover contributed by this division for the 6 months ended 30 June 2011 amounted to HK\$15.8 million (1H 2010: 18.9 million), representing a decrease of approximately 16.4 percent.

PROSPECTS

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

The Group believes that immunotherapy offers an innovative and attractive approach for treating life threatening diseases as the therapy often have fewer side effects, including less potential for creating resistance in microbial diseases and the new generation of non-specific nanotechnology immunomodulatory drugs provides a more effective and dynamic immunotherapeutic solution, than existing drugs.

On 5 January 2010, the Company set up a new business segment based on biomedical drugs by announcing that the Company had entered into a milestone Technology Transfer Agreement (the "TT Agreement") with the National Institute for the Control of Pharmaceutical and Biological Products (the "NICPBP") for the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products (the "NCPD Drugs").

In August 2011, the Group made further steps into the bio drugs area by acquiring 70 equity interest in 上海源奇生物醫藥科技有限公司(Shanghai Yuanqi Bio-Pharmaceutical Company Limited). Shanghai Yuanqi Bio-Pharmaceutical Company Limited was established on 28 January 2010 in Shanghai, PRC, and is principally engaged in the research and development of individualized molecular diagnostic products. At the present moment, Shanghai Yuanqi Bio-Pharmaceutical Company Limited has successfully developed specialized molecular diagnostic kits for leukemia, lymphoma and individualized cancer therapy.

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 this 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 products. 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 to come.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by 11.8% to HK\$206.5 million for the six months ended 30 June 2011 from HK\$233.9 million in the same period last year. Total sales of our core operation, protein chips division decreased by 16.1% from HK\$184.7 million to HK\$154.9 million. Turnover of the Healthcare division increased by 17.8% to HK\$35.7 million from HK\$30.3 million in the same period of last year. Turnover of the medical centre management division decreased by 16.2% to HK\$15.8 million from HK\$18.9 million in the same period of last year.

Expenses

Total selling and distribution, and administrative expenses increased by 35.3% in the first half of 2011 to HK\$63.8 million (1H2009: HK\$47.1 million). This was mainly due to the general increase in sales promotion activities and staff costs over the period.

Finance Costs

Finance costs amounted to HK\$3.6 million during the six months ended 30 June 2011 (1H2010: HK\$13.9 million). The convertible bonds issued in March of 2009 was completely converted into shares of the Company in July 2010 and hence there was no adjustment for the effective interest expenses on convertible bonds in the year 2011.

Net Profit

Net profit for the period decreased by 26.9% to HK\$68.3 million compared to HK\$93.3 million for the same period last year.

Pledge of Asset

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Prepaid lease payments	44,176	43,486
Buildings	292,716	285,194
	336,891	328,680

Liquidity and Financing

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

At 30 June 2011, the Group had cash and bank balances of HK\$1,185.8 million (31 December 2010: HK\$742.8 million). The Group's gearing ratio as at 30 June 2011 was 11.3 percent (31 December 2010: 12.5 percent), based on bank and other borrowings of HK\$248.2 million (31 December 2010: HK\$225.5 million) and shareholders' fund of HK\$2,196.1 million (31 December 2010: HK\$1,800.4 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK\$248.2 million were outstanding as at 30 June 2011 (31 December 2010: HK\$225.5 million). The range of effective interest rates on the bank borrowings as at 30 June 2011 was approximately 1.92% to 9.0% per annum (31 December 2010: ranging from 1.73% to 9.0%).

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 30 June 2011 and 31 December 2010, the Group did not have any significant contingent liabilities.

Dividend

The Directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 5 August 2011, 上海銘源數康生物芯片有限公司(SHMY HealthDigit Biochips Co., Ltd.), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Yan Rong Rong (嚴榮榮) and Ms. Xiong Hui (熊慧), to acquire 70% equity interest in 上海源奇生物醫藥科技有限公司(Shanghai Yuanqi Bio-Pharmaceutical Company Limited), a limited liability company incorporated in Shanghai, PRC at a consideration of RMB354,000,000. A deposit of RMB50,000,000 had been paid and the acquisition is expected to be completed on or before 5 September 2011.

Shanghai Yuanqi Bio-Pharmaceutical Company Limited was established on 28 January 2010 in Shanghai, PRC, and is principally engaged in the research and development of individualized molecular diagnostic products. At the present moment, Shanghai Yuanqi has developed specialized molecular diagnostic kits for leukemia, lymphoma and individualized cancer therapy.

EMPLOYEES

At 30 June 2011, the Group had a total of 986 employees (31 December 2010: 1,097 employees) in Hong Kong and China. Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2011, the interests and short positions of the directors and chief executives or their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Position	Approximate % of shareholding
Mr. Yao Yuan	Held by controlled corporation	946,169,075 (Note (i))	Long	23.32%
Mr. lu Chung	Held by controlled corporation and beneficial owner	947,509,075 (Note (ii))	Long	23.35%

Notes:

- (i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. lu Chung respectively.
- (ii) Being the aggregate personal interest of 1,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 946,169,075 shares.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2011, had any interests or short positions in the shares of the Company or any of its associated corporations which were required to be recorded in the register required to be kept by the Company under Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES" above, at no time during the period was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the directors and the chief executives of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or its associated corporations, and neither the directors nor chief executives of the Company or any of their spouses or children under the age of 18 had any interest in, or had been granted, any right to subscribe for the shares in, or debentures of, the Company or its associated corporations, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Name	Capacity	Number of shares	Notes	Shareholding percentage
Ming Yuan Investments Group Limited	Beneficial owner	946,169,075	(i)	23.32%
Ming Yuan Holdings Limited	Held by controlled corporation	946,169,075	(i)	23.32%
Mr. Yao Yuan	Held by controlled corporation	946,169,075	(i)	23.32%
Mr. Lu Chung	Beneficial owner and held by controlled corporation	947,509,075	(i)&(ii)	23.35%

Notes:

- (i) The shares were held by Ming Yuan Investments Group Limited, a wholly-owned subsidiary of Ming Yuan Holdings Limited, which in turn is owned as to 50% and 50% by Mr. Yao Yuan and Mr. Lu Chung respectively.
- (ii) Being the aggregate of personal interest held by Mr. Lu Chung of 1,340,000 shares and the corporate interest held by Ming Yuan Investments Group Limited of 946,169,075 shares.

Other than as disclosed above, the Company has not been notified of any other relevant interests representing 5 percent or more in the issued share capital of the Company as at 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2011, the Company did not redeem any of its shares. Neither the Company, its subsidiary nor its jointly controlled entity has purchased or sold any of the list securities of the Company during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

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

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

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

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

Based on the number of directors as at 30 June 2011, 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 six months ended 30 June 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 , namely Dr. Lam Lee G. (Chairman), Mr. Lee Sze Ho, Henry and Mr. Hu Jin Hua, who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

The audit committee meets regularly to review the completeness, accuracy and fairness of the Company's financial statement. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control the Company has established to allow the board of directors to monitor the Group's overall financial position and to protect its assets.

The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011.

REMUNERATION COMMITTEE

The remuneration committee currently comprises two independent non-executive directors, namely Dr. Lam Lee G. (Chairman), Mr. Lee Sze Ho, Henry and the CEO, Mr. Chien Hoe Yong, Henry.

The remuneration committee is responsible for reviewing and evaluating the remuneration packages of Directors and senior management and making recommendations to the Board from time to time.

INVESTOR RELATIONS AND COMMUNICATION

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2011 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies of the interim report will be despatched to shareholders of the Company in due course.

As at the date of this report, the executive directors 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

Hong Kong, 30 August 2011