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 2011

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 2011, together with the comparative figures for year 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	3	**301,559**	370,723
Cost of sales		**(52,496)**	(48,118)
Gross Profit		**249,063**	322,605
Other income	4	**22,090**	17,485
Other gains and losses	5	**(23,543)**	(592)
Distribution and selling expenses		**(67,368)**	(55,146)
Administrative expenses		**(63,893)**	(63,106)
Other expenses		**(43,264)**	(30,010)
Share of result of a jointly controlled entity		**2,466**	(10,760)
Finance costs	6	**(12,194)**	(23,303)
Profit before tax		**63,357**	157,173
Income tax expense	7	**(17,158)**	(37,063)
Profit for the year from continuing operations		**46,199**	120,110
Discontinued operation			
Profit for the year from discontinued operation		**312**	3,412
Profit for the year	8	**46,511**	123,522
Other comprehensive income			
Exchange differences arising on translation		**86,623**	49,249
Total comprehensive income for the year		**133,134**	172,771

* *For identification purposes only*

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company			
– from continuing operations		**49,503**	120,698
– from discontinued operation		**159**	1,740
		49,662	122,438
(Loss) profit for the year attributable to non-controlling interests			
– from continuing operations		**(3,304)**	(588)
– from discontinued operation		**153**	1,672
		(3,151)	1,084
		46,511	123,522
Total comprehensive income attributable to:			
Owners of the Company		**136,285**	171,687
Non-controlling interests		**(3,151)**	1,084
		133,134	172,771
Earnings per share			
From continuing and discontinued operations			
Basic	*9*	**1.24 HK cents**	3.41 HK cents
Diluted	*9*	**1.24 HK cents**	3.37 HK cents
From continuing operations			
Basic	*9*	**1.23 HK cents**	3.36 HK cents
Diluted	*9*	**1.23 HK cents**	3.32 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 *HK$'000*	2010 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**349,192**	467,002
Prepaid lease payments		**43,670**	70,094
Goodwill		**511,334**	420,982
Other intangible assets		**1,149,318**	312,867
Interest in a jointly controlled entity		**13,650**	9,514
Interest in an associate		**98,554**	–
Available-for-sale investments		**–**	1,192
Deposits paid for the acquisition of property, plant and equipment		**101,851**	1,955
Deposits paid for acquisition of intangible assets		**40,000**	–
Loan receivable		**118,000**	–
		2,425,569	1,283,606
Current Assets			
Inventories		**23,511**	16,740
Prepaid lease payments		**1,020**	1,617
Trade and other receivables, deposits and prepayments	*10*	**188,420**	207,663
Amounts due from related companies		**7,597**	3,279
Amounts due from subsidiaries of a jointly controlled entity		**36,672**	35,904
Held for trading investments		**17**	62
Bank balances and cash		**144,819**	742,837
		402,056	1,008,102
Assets classified as held for sale		**246,131**	–
		648,187	1,008,102

	Note	2011 HK$'000	2010 HK$'000
Current Liabilities			
Trade and other payables	*11*	**43,116**	40,986
Amount due to a related company		**–**	33,740
Amount due to a subsidiary of a jointly controlled entity		**4,129**	–
Bank borrowings – due within one year		**172,033**	202,086
Amount due to a shareholder		**61,596**	–
Taxation payable		**18,554**	24,992
		299,428	301,804
Liabilities associated with assets classified as held for sale		**64,250**	–
		363,678	301,804
Net Current Assets		**284,509**	706,298
Total Assets less Current Liabilities		**2,710,078**	1,989,904
Capital and Reserves			
Share capital		**219,211**	187,417
Reserves		**2,068,586**	1,613,009
Equity attributable to owners of the Company		**2,287,797**	1,800,426
Non-controlling interests		**206,235**	43,072
Total equity		**2,494,032**	1,843,498
Non-Current Liabilities			
Deferred tax liabilities		**216,046**	122,966
Bank borrowings – due after one year		**–**	23,440
		216,046	146,406
		2,710,078	1,989,904

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 HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The application of new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKAS 12	Disclosure of Interests in Other Entities[2]
HKAS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. Currently, 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.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the directors of the Company anticipate that the adoption of HKFRS 9 in the future is not expected to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

3. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, Being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specially, the Group's reportable and operating 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 HPV detection products and related equipments
Medical centres management	–	Provision of medical diagnostic, health check and medical appraisal services
Individualised target therapy division	–	Research, development and trading of individualised molecular diagnostic products
Bio-drugs division	–	Research, development and trading of specialized monoclonal antibody drugs

In the prior year, the Group had only three operating segments (i.e. protein chips division, health care division and medical centres management). During the year ended 31 December 2011, two more businesses (i.e. individualized target therapy division and bio-drugs division) were newly acquired by the Group and the Hospital operation has been disposed of by the Group.

Segment revenues and results

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

	Protein chips division *HK$'000*	Health care division *HK$'000*	Medical centres management *HK$'000*	Individualised target therapy division *HK$'000*	Bio-drugs division *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2011								
REVENUE								
External sales	**247,558**	**66,221**	**35,842**	**1,603**	**–**	**351,224**	**–**	**351,224**
Inter-segment sales	**10,700**	**–**	**2,897**	**–**	**–**	**13,597**	**(13,597)**	**–**
Total	**258,258**	**66,221**	**38,739**	**1,603**	**–**	**364,821**	**(13,597)**	**351,224**
Segment profit (loss)	**106,724**	**(12,841)**	**3,523**	**(2,949)**	**–**	**94,457**	**(195)**	**94,262**
Unallocated expenses								**(9,385)**
Interest income								**14,434**
Share of result of a jointly controlled entity								**2,466**
Change in fair value of held for trading investments								**(45)**
Impairment loss on goodwill								**(22,300)**
Finance costs								**(13,040)**
Profit before tax from discontinued operation								**(3,035)**
Profit before tax from continuing operations								**63,357**
For the year ended 31 December 2010								
REVENUE								
External sales	308,873	63,855	48,058	–	–	420,786	–	420,786
Inter-segment sales	9,354	–	2,380	–	–	11,734	(11,734)	–
Total	318,227	63,855	50,438	–	–	432,520	(11,734)	420,786
Segment profit (loss)	200,512	(6,210)	10,003	–	–	204,305	280	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 from discontinued operation								(6,211)
Profit before tax from continuing operations								157,173

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.

Inter-segment sales are charged at cost-plus basis.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011	2010
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
– protein chips division	**683,459**	578,756
– health care division	**192,811**	149,047
– medical centres management	**39,546**	36,435
– individualized target therapy division	**10,419**	–
– bio-drugs division	**1,706**	–
	927,941	764,238
Goodwill	**568,459**	420,982
Other intangible assets	**1,151,669**	312,867
Unallocated assets	**425,687**	793,621
Consolidated total assets	**3,073,756**	2,291,708
LIABILITIES		
Segment liabilities		
– protein chips division	**23,801**	24,610
– health care division	**33,337**	9,908
– medical centres management	**6,490**	4,008
– individualized target therapy division	**1,288**	–
– bio-drugs division	**1,901**	–
	66,817	38,526
Unallocated liabilities	**512,907**	409,684
Consolidated total liabilities	**579,724**	448,210

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments, other than goodwill, interest in an associate, interest in a jointly controlled entity, other intangible assets, available-for-sale investments, loan receivable amounts due from related companies, amounts due from subsidiaries of a jointly controlled entity, bank balances and cash and other unallocated corporate assets; and

– segment liabilities included trade and other payables allocated to operating segments.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Protein chips division HK$'000	Health care division HK$'000	Medical centre management HK$'000	Individualised target therapy division HK$'000	Bio-drugs division HK$'000	Segment Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2011								
Additions to non-current assets *(Note)*	**772**	**27,980**	**4,320**	**3,930**	**957**	**37,959**	**–**	**37,959**
Depreciation of property, plant and equipment	**33,712**	**2,648**	**2,360**	**102**	**–**	**38,822**	**7**	**38,829**
Loss on disposal of property, plant and equipment	**–**	**68**	**6**	**–**	**–**	**74**	**–**	**74**
Amortisation of prepaid lease payments	**997**	**–**	**–**	**–**	**–**	**997**	**–**	**997**
Amortisation of other intangible assets	**4,247**	**20,183**	**7,204**	**3,844**	**–**	**35,478**	**–**	**35,478**
Impairment loss on goodwill	**–**	**–**	**22,300**	**–**	**–**	**22,300**	**–**	**22,300**
For the year ended 31 December 2010								
Additions to non-current assets *(Note)*	41,100	6,696	285	–	–	48,081	–	48,081
Depreciation of property, plant and equipment	20,649	2,820	2,195	–	–	25,664	19	25,683
Gain on disposal of property, plant and equipment	423	11	–	–	–	434	–	434
Amortisation of prepaid lease payments	952	–	–	–	–	952	–	952
Amortisation of other intangible assets	–	18,588	6,598	–	–	25,186	–	25,186

Note: Non-current assets excluded goodwill, other intangible assets and financial instruments.

There is no analysis for amounts not included in the measure of segment profit or loss or segment assets but regularly reviewed by the chief operating decision maker for both years.

Geographical information

Around 99% (2010: 99%) of the Group's revenue are derived from the operation in the PRC and around 99% (2010: 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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest income		
– on bank deposits	**10,810**	6,229
– on loan receivable	**3,608**	–
Government subsidy	**2,907**	9,225
Others	**4,765**	2,031
	22,090	17,485

5. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Loss (gain) on disposal of property, plant and equipment	**6**	(296)
Loss on disposal of interest in a subsidiary	**–**	638
Changes in fair value of held for trading investments	**45**	250
Impairment loss on available-for-sale investments	**1,192**	–
Impairment loss on goodwill	**22,300**	–
	23,543	592

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**12,194**	11,419
Effective interest expenses on convertible bonds	**–**	12,485
Total borrowing costs	**12,194**	23,904
Less: amount capitalised (capitalised in buildings under construction of property, plant and equipment at a capitalisation rate of 5.58% per annum)	**–**	(601)
	12,194	23,303

7. INCOME TAX EXPENSE

	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
PRC Enterprise Income Tax		
– Current year	**21,331**	32,220
– Overprovision in prior years	**(1,955)**	(834)
	19,376	31,386
Deferred tax		
– Current year	**(2,218)**	5,677
	17,158	37,063

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.

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 for the PRC subsidiaries is 25% from 1 January 2008 onwards.

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 2011 is 12.5% (2010: 12.5%).

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 until 2014.

8. PROFIT FOR THE YEAR

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year has been arrived at after charging:		
Continuing operations		
Depreciation of property, plant and equipment	**36,845**	23,516
Amortisation of prepaid lease payments	**997**	952
Amortisation of other intangible assets (included in other expenses)	**35,261**	25,005
Staff costs		
– directors' emoluments	**4,235**	5,721
– other staff costs	**24,847**	23,245
– retirement benefits scheme contributions, excluding directors	**452**	385
Total staff costs	**29,534**	29,351
Auditor's remuneration	**2,375**	2,541
Cost of inventories recognised as expenses	**52,496**	48,118
Research and development expenditure (included in other expenses)	**8,003**	5,269

9. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2011	2010
	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)	**49,662**	122,438

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,013,454,783**	3,590,871,850
Effect of dilutive potential ordinary shares:		
– Share options	**167,142**	14,431,545
– Warrants	**–**	26,728,648
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,013,621,925**	3,632,032,043

For the year ended 31 December 2011, no adjustment for convertible bonds was made in calculating diluted earnings per share as the conversion of convertible bonds would result in an increase in earnings per share. The convertible bonds was fully converted in 2010.

From continuing operations

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company	**49,662**	122,438
Less: profit for the year from discontinued operation	**(159)**	(1,740)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**49,503**	120,698

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company from discontinued operation for the purposes of basic and diluted earnings per share	**159**	1,740
Earnings per share	**Nil**	Nil

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**171,668**	197,074
Bills receivable	**1,355**	–
Less: Allowance for doubtful debts	**(2,587)**	(2,297)
	170,436	194,777
VAT recoverable	**164**	541
Prepayments	**1,333**	1,616
Others	**19,522**	10,729
	191,455	207,663
Reclassified as held for sale	**(3,035)**	–
	188,420	207,663

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 and bills receivables (including trade receivables reclassified as held for sale of HK$1,805,000), net of allowance for doubtful debts presented based on the invoice date at the end of reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**68,079**	133,293
61 – 90 days	**66,393**	30,123
91- 180 days	**20,075**	31,232
181 – 270 days	**15,889**	129
	170,436	194,777

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. The Group has provided fully for all receivables over 270 days because historical experience is such that receivables that are past due beyond 270 days are generally not recoverable. Other than these, the Group has not identify any credit risk on other trade receivables.

11. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**9,153**	7,059
Receipts in advance	**10,357**	8,600
Accrued expenses	**7,772**	7,392
Payable for construction in progress	**–**	1,758
Other tax payable	**10,263**	6,342
Others	**32,710**	9,835
	70,255	40,986
Reclassified as held for sale	**(27,139)**	–
	43,116	40,986

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

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**5,617**	5,348
61 – 90 days	**1,470**	370
Over 90 days	**2,066**	1,341
	9,153	7,059

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 9.2 percent in 2011 from a year ago to RMB47.16 trillion (US$7.49 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 77 percent with an average annual growth of 10.5 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 Fifth Session of the 11th National People's Congress, the China Government has reaffirmed its commitment to a steady economic growth with emphasis on quality and efficiency of the growth and the type of growth based on domestic demand and forecast its GDP growth to 7.5 percent in 2012 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 472 million in 2011, representing an increase of over 428.7 million participants with annual averages of 25.6 percent. Under the 12th Five Year Plan, it is estimated that at the end of 2015 the urban population in China will increase to 51.5 percent of total population, and at the end of 2011, the urban population reached 51.3 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 three business units, namely the Product Manufacturing and Distribution ("PMD") unit, the Medical Centres Management ("MCM") unit, and the Bio Drugs unit. PMD 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 represents the business of health screening and management. MCM also provides a new and direct sales channel for the Company's IVD products. The Bio Drugs unit was established in early 2010 for the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products.

In August 2011, the Group acquired 70 percent equity interest in Shanghai Yuanqi Bio-Pharmaceutical Company Limited ("Shanghai Yuanqi"). Leveraging on its strength as a leading supplier of early screening and diagnostic bio-medical products, the acquisition enables the Group to further strengthen its cancer related testing kits from general cancer screening which is offered by the C12 protein chips, the highest profit earning product of the Group, to specific testing kits for various specific cancers, leukemia and lymphoma.

In December 2011, the Group acquired 80 percent equity interest in Shanghai Huipu Bio-Pharmaceutical Company Limited ("Shanghai Huipu"). The acquisition would enable the Group to get into the specialized monoclonal antibody drug industry without the risk of wasting lots of resources in the research and development of specialized monoclonal antibody drug without any success. The acquisition will also strengthen the research and development capability of the Group by merging the existing research and development team with expertise from Shanghai Huipu.

Major Events and Issues in 2011:

Major corporate activities undertaken in 2011 were summarised as follows:

March	The Group completed placing of existing shares of the Company. The net proceeds from the subscription to be approximately HK$259,200,000 was utilised by the Group for acquisitions and investments, and general working capital of the Group.
August	The Group acquired 70 percent equity interest in Shanghai Yuanqi at a consideration of RMB354,000,000 which is payable as to RMB225,000,000 by cash and as to RMB129,000,000 by the issue of new shares of the Company.
December	The Group acquired 80 percent equity interest in Shanghai Huipu at a consideration of RMB245,000,000.
December	The Group announced the disposal of 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd.. The Group had expanded its early screening and detection products to bio-drugs for providing biological therapies for life threatening diseases. The Group demonstrate its commitment to expand its product line into bio-drugs by acquiring Shanghai Yuanqi and Shanghai Huipu during the year. The disposal is a continuing effort of the Group to shift all the resources of non-core business to the core business which is enjoying higher margin of profitability.

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 18 million protein chips for cancer screening.

Founded in 2000, the Group is a pioneer that dedicates itself for the provision of low cost, noninvasive, 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.

PMD

Protein Chips Division

Currently, the Group manufactures and distributes its C-12 products to hospitals, medical centres 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, 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 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.

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.

Bio Drugs

This unit is principally engaged in the development, production and commercialization of a new generation of non-specific nanotechnology immunomodulatory drugs known as non-cell corynebacterium pavum products. The unit is further expand by the acquisition of Huipu by the Group in December 2011. The unit is still in its early stage of development and is not expected to make significant contribution to the Group in the next couple years.

FINANCIAL PERFORMANCE

The profit for the year amounted to HK$46.5 million (2010: HK$123.5 million), representing a decrease of 62.3 percent over that of last corresponding year. Earnings per share was 1.24 HK cents (2010: 3.41 HK cents), representing a decrease of approximately 63.6 percent.

Protein Chips Division

Turnover contributed by the sale of the proprietary C-12 products amounted to HK$258.3 million (2010: HK$318.2 million), representing a decrease of 18.8 percent over that of last year. Segment profit of this division amounted to HK$106.7 million (2010: HK$200.5 million), representing a decrease of approximately 46.8 percent over that of last year.

The Group sold a total of 1.73 million protein chips (2010: 3.13 million), a decrease of 44.7 percent over last year. During the year, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization 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$66.2 million (2010: HK$63.9 million). The division incurred a loss of HK$12.8 million for the year (2010: loss of HK$6.2 million). The loss was due to the amortisation of technical know-how arising on acquisition of Genetal BVI in the amount of HK$20.0 million.

Cervical Cancer Care Unit

In 2011, the Group sold more than 305,000 kits (2010: 294,000 kits), slightly over last year.

Hospital Unit

The Company had disposed off its 51 percent equity interest in Shanghai Weiyi Hospital Investment & Management Co., Ltd. in December 2011. The disposal is a continuing effort of the Group to shift all the resources of non-core business to the core business which is enjoying higher margin of profitability.

Medical Centres Management

Turnover contributed by this division amounted to HK$38.7 million (2010: HK$50.4 million). Segment profit of this division amounted to HK$3.5 million (2010: HK$10.0 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 2012.

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

	2011	2010
	HK$'000	*HK$'000*
Prepaid lease payments	**44,690**	43,486
Buildings	**282,020**	285,194
	326,710	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 31 December 2011 the Group had cash and bank balances of HK$144.8 million (2010: HK$742.8 million). The Group's gearing ratio as at 31 December 2011 was 7.6 percent (2010: 12.5 percent), based on bank and other borrowings of HK$172.0 million (2010: HK$225.5 million) and shareholders' fund of HK$2,287.8 million (2010: HK$1,800.4 million).

The Group's bank borrowings were denominated in Hong Kong Dollars and Renminbi. Bank borrowings totaling HK$172.0 million were outstanding as at 31 December 2011 (2010: HK$225.5 million). The range of effective interest rates on the bank borrowings as at 31 December 2011 was approximately 1.55 percent to 7.59 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 2011 and 31 December 2010, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 19 December 2011, the Group entered into an agreement to dispose of its 51% equity interest in上海唯依醫院投資管理有限公司(Shanghai Weiyi Hospital Investment & Management Co., Ltd.) which is engaged in the provision of woman and child health care services, to an independent third party at a consideration of approximately RMB65 million (equivalent to approximately HK$80 million). The disposal was completed on 4 January 2012 and Shanghai Weiyi Hospital Investment & Management Co., Ltd. ceased to be a subsidiary of the Company upon the completion of the disposal and its financial result will be deconsolidated from the Group. Details of the transaction are included in the announcements of the Company dated 19 December 2011 and 4 January 2012.

DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2009 final dividend of HK$0.01 per share	–	35,158

The Directors does not recommend the payment of a final dividend for 2010 and 2011.

EMPLOYEES

At 31 December 2011, the Group had a total of 1,089 employees (2010: 1,097 employees) in Hong Kong and the PRC. 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 PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the year ended 31 December 2011, the Company has applied the principles and complied with the requirements of the Code of Corporate Governance Practices (the "Code") listed out in appendix 14 of the rules governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for following deviation:

Under Code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. The existing non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company. The Board does not believe that arbitrary term limits on the Directors' services are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders.

The board is reviewing the situation and will, where appropriate, take necessary steps including amendment of the Company's bye laws to ensure compliance with the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2011.

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 2011 in conjunction with the Group's auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect 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 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements 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.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (http://www.mymedicare.com.hk) and the Hong Kong Exchanges and Clearing Limited's website (http://www.hkexnews.hk). The 2011 annual report will be dispatched to the shareholders of the Company and will be made available on the aforesaid websites in due course.

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

Hong Kong, 29 March 2012

As at the date of this announcement, 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.

* *For identification purposes only*