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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

The Directors hereby confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the Company and connected persons of the Company.

**If you have sold or transferred** all your shares in **SHANGHAI MING YUAN HOLDINGS LIMITED**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**SHANGHAI MING YUAN HOLDINGS LIMITED**

**上海銘源控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0233)**

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF  
GIANT POWER INTERNATIONAL LIMITED  
AND  
FIELDCROWN INVESTMENTS LIMITED**

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\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Company”	Shanghai Ming Yuan Holdings Limited
“Directors”	the directors of the Company
“Disposal”	the disposal by Fun Area to the Purchaser the entire issued share capital of Fieldcrown and Giant Power pursuant to the Share Transfer Agreement
“Fieldcrown”	Fieldcrown Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Fun Area”	Fun Area Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Giant Power”	Giant Power international Limited, a company incorporated in the British Virgin islands with limited liability
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	19 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property I”	level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC
“Property II”	Heng King International commercial Tower located at 40 Jiang Su Lu, Chang Ning Qu, Shanghai
“Purchaser”	China Group Investment Limited, an independent third party not connected with the Directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)

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## DEFINITIONS

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“Share(s)”	ordinary shares of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Share Transfer Agreement”	the agreement dated 14 December 2004 entered into between Fun Area as vendor and the Purchaser as the purchaser in relation to sale and purchase of the entire issued share capital of Fieldcrown and Giant Power
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

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## LETTER FROM THE BOARD

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# SHANGHAI MING YUAN HOLDINGS LIMITED

上海銘源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0233)**

*Executive Directors:*

Mr. Yao Yuan (*Chairman*)

Mr. Chien Hoe Yong, Henry

Mr. Hu Jun

Dr. Hu Geng Xi

Mr. Yu Ti Jun

*Registered office:*

Cannon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and*

*principle place of business:*

Room 1801-03

Hutchison House

10 Harcourt Road

Central

Hong Kong

21 January 2005

*Independent non-executive Directors:*

Dr. Lam Lee G.

Mr. Xiao Chuan Guo

Mr. Lee Sze Ho, Henry

*To the Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

## DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF GIANT POWER INTERNATIONAL LIMITED AND FIELDCROWN INVESTMENTS LIMITED

### INTRODUCTION

On 15 December 2004, the Directors announced that Fun Area, a wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement with the Purchaser on 14 December 2004 whereby the Purchaser agreed to purchase and Fun Area agreed to sell the entire equity interest in Giant Power and Fieldcrown, both are investment holding companies incorporated in the British Virgin Islands with limited liability, for a cash consideration of HK\$80,000,000 (the "Disposal").

The Disposal constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules as the assets ratio and consideration ratio of the Disposal exceed 5% or more, but less than 25%. The purpose of this circular is to provide you with further information on the Disposal.

\* *For identification purpose only*

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# LETTER FROM THE BOARD

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## THE DISPOSAL

### Date of the Share Transfer Agreement

14 December 2004

### Parties

Vendor: Fun Area, a wholly-owned subsidiary of the Company

Purchaser: China Group Investment Limited, whose shares are 100% owned by Mr. Qin Hai Ding. To the best of the Directors' knowledge, information and belief, the Purchaser and Mr. Qin Hai Ding are independent third parties not connected with the Directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)

According to the Directors' understanding, the Purchaser is an investment holding company.

### Terms of the Share Transfer Agreement

Fun Area agreed to sell and the Purchaser agreed to purchase its beneficially owned 1 ordinary share of US\$1.00 each in Fieldcrown and Giant Power, representing the entire issued share capital of Fieldcrown and Giant Power, pursuant to the terms and conditions of the Share Transfer Agreement.

Fieldcrown is an investment holding company incorporated in the British Virgin Islands which holds the entire 100% equity interest in the Property I (which consist of level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC). The audited book value and valuation of the Property I as at 31 December 2003 was HK\$53 million. Revenue attributable to the Property I from the date of acquisition of the Property I to 31 December 2003 was approximately HK\$3.15 million, which represent the rental income generated from leasing out the Property I. The audited net profit before and after taxation of Fieldcrown for the year ended 31 December 2003 was approximately HK\$2.55 million and HK\$2.21 million respectively. The audited net asset value of Fieldcrown as at 31 December 2003 was approximately HK\$54.97 million.

Giant Power is an investment holdings company incorporated in the British Virgin Islands which holds the entire 100% equity interest in the Property II (which consist of Heng King International commercial Tower located at 40 Jiang Su La, Chang Ning Qu, Shanghai, PRC). The audited book value and valuation of the Property II as at 31 December 2003 was HK\$49 million. Revenue attributable to the Property II from the date of acquisition of the Property II to 31 December 2003 was approximately HK\$2.73 million, which represent the rental income generated from leasing out the Property II. The audited net profit before and after taxation of Giant Power for the year ended 31 December 2003 was approximately HK\$2.16 million HK\$1.94 million respectively. The audited net asset value of Giant Power as at 31 December 2003 was approximately HK\$52.50 million.

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## LETTER FROM THE BOARD

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Fieldcrown was acquired by the company in February 2003 at a consideration of HK\$38,000,000, and Giant Power was acquired by the Company in May 2003 at a consideration of HK\$40,000,000 for strengthening and diversifying the Group's investment in the property sector in the PRC.

On Completion, Fieldcrown would have the Property I as its only asset and Giant Power would have the Property II as its only asset.

### Consideration

The consideration for the Disposal is HK\$80,000,000 (HK\$39,000,000 for Fieldcrown and HK\$41,000,000 for Giant Power), which is to be settled as follows:

- (a) a refundable deposit of HK\$5,000,000 shall be paid to Fun Area within 3 days after signing of the Share Transfer Agreement;
- (b) HK\$15,000,000 shall be paid to Fun Area on Completion;
- (c) HK\$30,000,000 shall be paid to Fun Area within 90 days after the signing of the Share Transfer Agreement; and
- (d) the remaining balance of HK\$30,000,000 shall be paid to Fun Area on or before 30 June 2005

The Consideration of HK\$80,000,000 was determined after arm's length negotiation between Fun Area and the Purchaser by reference to the prevailing market condition of the relevant properties held by Fieldcrown and Giant Power respectively. The Consideration represents a discount of 21.57% over the aggregate book value of the Property I and Property II as at 31 December 2003.

Based on the total cost of acquisition of Fieldcrown and Giant Power, the Directors estimate that the Group will record a gain of approximately HK\$2 million from the Disposal. Such gain, upon review by the Company's auditors, will be recognized in the profit and loss account of the Group for the year ending 31 December 2004 or 31 December 2005. Completion of the Disposal will give rise to the following effects on the financial position of the Group:

- (i) the consolidated investment properties of the Group will be reduced by the book value and valuation of Property I and Property II (total amount of HK\$102 million);
- (ii) the consolidated cash balance of the Group will be increased by HK\$20 million;
- (iii) the consolidated trade and other receivables of the Group will be increased by HK\$60 million; and
- (iv) the consolidated investment revaluation reserve will be reduced by HK\$29.5 million.

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## LETTER FROM THE BOARD

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### **Completion**

Completion of the Disposal will take place on the earlier of (i) within 5 business days following the completion of the due diligence exercise to be conducted on Fieldcrown and Giant Power by the Purchaser or (ii) 13 January 2005.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

#### **Strategic Prioritization of Resources**

Leveraging on the methodology of investment holding, the Group is principally engaged in three business units, namely, IT products and services, protein chips and property investment.

Currently, the Group's protein chip business unit manufactures and distributes protein chips and related systems ("C12 products") to hospitals and life insurance companies in the PRC and the C12 products are capable of detecting up to twelve tumor markers simultaneously and assists in the early diagnosis of ten prevalent cancer tumor types.

During the year, the Group has experienced a significant improvement in both order and sales of C12 products. Being a proven and leading supplier of protein chips in the PRC, the Group began to supply C12 products to the life insurance companies based in China with C12 for the pre screening and general health appraisal of life policies applicants and therefore the Group expects the overall growth for the sales of protein chips to be significant.

Therefore, the Group intends to shift the commitment of resources in the other business units, namely, IT products and services and property investment to the high growth market for protein chips for early detection of diseases. The Directors believes that the strategic prioritization of resources based on market potential, profitability margin and risk management will further clarify and strengthen the Group's long term corporate strategy to develop into a global supplier of protein chips for the early detection of diseases. The Group believes that early diagnosis of potentially fatal diseases significantly improves the chances of successful treatment and raises the survival rate of the patients.

#### **Reasons for and Benefits of the Disposal**

Property I and Property II were held by the Group for investment purpose with a view of generating a stable source of rental income at an acceptable rate of return. But the high profit margin and market potential of the Group's protein chip business unit no longer justify the continual holding on the investment properties.

With the successful disposal of the investment properties in Shanghai, the Group will be able to allocate additional resources to further strengthen the Group's commitment in the protein chip business operations which are enjoying rapid growth and a higher margin of profitability. Accordingly, the Directors have decided to dispose of the properties for the long term benefit of the Group.



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## LETTER FROM THE BOARD

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With the additional resources, the Directors believes that the Group is in the right direction towards the implementation of key milestones stated in the 2003 annual report, and including the expansion of production capacity for protein chips.

### USE OF PROCEEDS

Proceed from the Disposal will be applied to further strengthen the Group's commitment in the protein chip business.

### INFORMATION ON THE PURCHASER

To the best knowledge and belief of the Directors, the Purchaser is an investment holding company engaged in property investment.

### GENERAL

The Disposal constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules as the assets ratio and consideration ratio of the Disposal exceed 5% or more, but less than 25%.

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Shanghai Ming Yuan Holdings Limited**  
**Chien Hoe Yong, Henry**  
*Director*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**DISCLOSURE OF DIRECTORS' INTERESTS**

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies contained in the Listing Rules, were as follows:

**Directors' interests and short positions in the shares of the Company**

Name of Director	Capacity	Number of ordinary Shares				Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests	
Yao Yuan	Interest of controlled corporation	-	-	1,394,469,075 (Note (a))	-	1,394,469,075 51.88%
Hu Geng Xi	Interest of controlled corporation	-	-	90,000,000 (Note (b))	-	90,000,000 3.35%

*Notes:*

- (a) These shares were beneficially owned by Ming Yuan Investments Group Limited of which Mr. Yao Yuan and his brother Mr. Iu Chung, each owns 50% of the entire issued share capital respectively.
- (b) These shares were beneficially owned by Regal Legend Group Limited of which Mr. Hu Geng Xi owns 95% of the entire issued share capital.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short position which they

were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange. None of the Directors and their respective associates has any competing interests with the Group.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date and so far as is known to the Directors and chief executive of the Company, there were no other persons who has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member if the Group or had any option in respect of such capital:

Name of Shareholder	Number of Ordinary Shares	Approximate % of Shareholding
Ming Yuan Investments Group Limited ( <i>Note (1)</i> )	1,394,469,075	51.88%
Mr. Yao Yuan ( <i>Note (2)</i> )	1,394,469,075	51.88%
Mr. Iu Chung ( <i>Note (3)</i> )	1,394,469,075	51.88%

*Notes:*

- (1) Ming Yuan Investments Group Limited, a company which Mr. Yao Yuan and Mr. Iu Chung own 50 per cent. of its entire issued share capital respectively.
- (2) These shares are attributable to Mr. Yao Yuan in respect of his 50 per cent. interests in Ming Yuan Investments Group Limited.
- (3) These shares are attributable to Mr. Iu Chung in respect of his 50 per cent. interests in Ming Yuan Investments Group Limited.

## SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

## LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

**GENERAL**

- (a) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.
- (b) The registered office of the Company is at Cannon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The share registrars of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Mr. Poon Kwong Wai, Kenny, fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, is the chief financial officer and company secretary of the Company.
- (d) The head office and principal place of business of the Company in Hong Kong is at Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong.