

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 contents of this announcement.

MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

銘源醫療發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0233)

DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTEREST IN WEIYI

On 16 June 2006, Shanghai HealthDigit entered into the Acquisition Agreement with the Vendors in respect of the sale and purchase of 51% of the equity interest in Weiyi at a cash consideration of RMB60,000,000 (equivalent to approximately HK\$58,252,000).

The Acquisition constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules as the assets ratio, profits ratio and revenue ratio of the Acquisition exceed 5% or more, but less than 25%. Circular containing further details of the Acquisition will be dispatched to the Shareholders as soon as possible.

On 16 June 2006, Shanghai HealthDigit, a wholly-owned subsidiary of the Company, as Purchaser, entered into the Acquisition Agreement with the Vendors in respect of the sale and purchase of 51% of the equity interest in Weiyi. The Directors wish to announce details of the Acquisition as follows:

THE ACQUISITION

Date of the Acquisition Agreement:

16 June 2006

Parties:

- (i) The Vendors : Mr. Tang and Mr. Yang, who together holds 100% of the equity interest in Weiyi. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, the Vendors 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 Vendors are individual private investors.

- (ii) The Purchaser : Shanghai HealthDigit, a wholly-owned subsidiary of the Company

The Asset acquired:

51% of the equity interest in Weiyi

Consideration:

The Consideration in the total amount of RMB60,000,000 (equivalent to approximately HK\$58,252,000) was arrived at after arm's length negotiation and references were made to (i) the business prospects of Weiyi and (ii) the valuation report of Weiyi prepared by Shanghai China Cheng Xin Enterprise Appraisals Co., Ltd., an independent asset appraisal company, dated 6 June 2006 which provides that the fair value of the net assets of Weiyi was RMB78,632,000 (equivalent to approximately HK\$76,342,000) as of 30 April 2006 (the book value of net assets of Weiyi as of 30 April 2006 was RMB14,768,000 (equivalent to approximately HK\$14,338,000)). The difference between the book value and the fair value of net assets of Weiyi as of 30 June 2006 is due to revaluation of property to the market value. The Consideration will be payable by the Purchaser to the Vendors in cash upon Completion as follows:

- (a) RMB36,470,585 (equivalent to approximately HK\$35,408,000) to Mr. Tang; and
- (b) RMB23,529,415 (equivalent to approximately HK\$22,844,000) to Mr. Yang.

The Consideration represents a premium of 49.6% over the fair value of the net asset of Weiyi as of 30th April, 2006.

Condition:

The Acquisition Agreement is conditional upon due registration of the transfer of the Asset in the name of Shanghai HealthDigit with the relevant PRC government authorities.

Completion:

Completion will take place on the date falling 7 Business Days from the date of fulfillment of the Condition.

INFORMATION OF WEIYI

Founded in July 2003, Weiyi is a domestic company incorporated in the PRC. The existing shareholders of Weiyi are free to transfer their equity interests in Weiyi to any third parties.

Weiyi is principally engaged in two major business activities, namely (1) the operation of 上海市虹口區婦幼保健院 (Shanghai Woman and Child Healthcare Hospital of Hong-Kou District), an established woman and infants specialty hospital in Shanghai founded in November 1982, and (2) the distribution of HPV Detection Products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region for a period of 20 year from 7 June 2006 to 6 June 2026 through an exclusive agency agreement (the "Agency Agreement") with Genetel Pharmaceuticals Limited ("Genetel"). Founded in 2000, Genetel is a subsidiary of the City University of Hong Kong and it is principally engaged in the research, technology transfer and commercialization of innovative molecular diagnostics and therapeutics for early diagnosis, prevention and treatment of common diseases.

Shareholding structure of Weiyi immediately before the Acquisition is that Mr. Tang and Mr. Yang holds 51% and 49% of the equity interest in Weiyi respectively. Pursuant to the Acquisition Agreement, Mr. Tang will transfer 31% and Mr. Yang will transfer 20% of the shareholding interest in Weiyi respectively to Shanghai HealthDigit. In addition, Consent had been obtained from Genetel whereby Weiyi will assign its entire rights and interests in the Agency Agreement with Genetel to Shanghai HealthDigit. Following the Acquisition, Shanghai HealthDigit would hold a total of 51% of the equity interest in Weiyi and would assume all the rights and interests in the distribution of HPV Detection Products in the Asia Pacific region for the next 20 years.

Under the Agency Agreement, Shanghai HelathDigit would be required to achieve following minimum yearly sales quantities (“Targeted Quantity”) of HPV Detection Products:

Second year: 150,000 sets;
Third year: 200,000 sets, and
Fourth year: 250,000 sets.

Under the Agency Agreement, there is no minimum Targeted Quantity requirement for the first year and for the fifth year onwards. Should Shanghai HealthDigit fail to achieve the Targeted Quantity, Genetel has the option to terminate the Agency Agreement and Shanghai HealthDigit would be required to compensate Genetel for the financial losses incurred due to shortfall on sales of HPV Detection Products.

According to the valuation report dated 6 June 2006, the fair value of net assets of Weiyi as of 30 April 2006 was RMB78,632,000 (equivalent to approximately HK\$76,342,000) (the book value of net assets of Weiyi as of 30 April 2006 was RMB14,768,000 (equivalent to approximately HK\$14,338,000)). Based on the unaudited management account of Weiyi, the unaudited net profit for the years (all generated from the operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District) ended 31 December 2005 and 31 December 2004 were RMB4,746,000 (equivalent to approximately HK\$4,608,000) and RMB2,035,000 (equivalent to approximately HK\$1,975,000) respectively.

INFORMATION OF SHANGHAI HEALTHDIGIT

Shanghai HealthDigit is a wholly-owned subsidiary of the Company and its principal business activities are in the areas of research, manufacture and sale of biochips, including the supply of protein chips for cancer screening, and related equipment for early screening, detection and prevention of diseases.

REASONS AND BENEFIT OF THE ACQUISITION

The Group’s corporate mission of developing innovative bio-medicare solutions for the early detection and prevention of diseases could be traced back to the founding of Shanghai HealthDigit in 2000 and since then the Group has become the leading supplier of protein chips for the early screening of cancerous tumors for asymptomatic population in China. In 2005, the Group sold more than 1.18 million protein chips in China.

The Group believes that its unique experience in China drives the Group to find cost effective and innovative bio-medical solutions to service the population at large in the areas of early screening and detection of diseases, particularly for life threatening diseases like cancers.

As part of the Group’s KM2003 Objectives, the Group continues to expand its nationwide distribution network particularly for corporate and institutional customers that provide higher profit margin per protein chip, to cooperate with established research institutions on new bio-medical technology and to diversify its product ranges both horizontally and vertically. The Acquisition meets these objectives perfectly within the Group’s overall corporate strategy and the Group believes that this Acquisition will yield respectable returns to the shareholders of the Company both in the short and long term.

The Acquisition provides an opportunity to the Group to transform part of the existing hospital facilities into a bio-medical diagnostic laboratory for promotion and distribution of protein chips and HPV Detection Products. The Directors believe that this strategy will greatly enhance the Group’s marketing and sales efforts for corporate and institutional sales market and to provide better after sales service in Shanghai, and the Group intends to leverage on the experience of the existing medical staff to provide on site training for new laboratory personnel from other parts of the PRC.

At the same time, the Acquisition provides the Group with a strategic and a synergistic opportunity to further strengthen its cancer screening product series into the area of cervical cancer screening and to optimize its sales efforts in the established distribution network, particularly in the PRC.

Cervical cancer is the second biggest cause of female mortality worldwide and in the PRC, accounting for about 50,000 deaths each year. Cervical cancer is caused by HPV and early detection of high-risk HPV infection can provide early treatment and reduce cervical cancer development and death rate. Virtually all cervical cancer cases are preventable if detected early. WHO and FDA recommend use of advance DNA diagnostic tests for sensitive and specific detection of HPV infection as conventional Pap Smear test is generally believed to have large false negative rate. Following the Acquisition, Shanghai HealthDigit will become the sole distribution agent of HPV Detection Products in the Asia Pacific region for next 20 years and the Directors believe that the Acquisition will allow the Group to expand its leadership in early detection and prevention of diseases in the Asia Pacific region, particularly in the PRC.

The Directors consider that the terms of the Acquisition Agreement are determined at arm's length and the terms are normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules as the assets ratio, profits ratio and revenue ratio of the Acquisition exceed 5% or more, but less than 25%. Circular containing further details of the Acquisition will be dispatched to the Shareholders as soon as possible.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of a 51% equity interest in Weiyi by Shanghai HealthDigit under the Acquisition Agreement
“Acquisition Agreement”	the agreement for the sale and purchase of the 51% equity interest in Weiyi dated 16 June 2006 , between the Vendors and Shanghai HealthDigit.
“Asset”	51% of the equity interest in Weiyi
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Completion”	completion of the sale and purchase of the Asset in accordance with the terms and conditions of the Acquisition Agreement
“Company”	Mingyuan Medicare Development Company Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange

“Condition”	the condition precedent to Completion, as more particularly set out under the Section headed “Condition” of this announcement
“Consideration”	the consideration payable by Shanghai HealthDigit to the Vendors under the Acquisition Agreement in the amount of RMB60,000,000 (equivalent to approximately HK\$58,252,000)
“Directors”	directors of the Company
“DNA”	Deoxyribonucleic Acid, the basic constituent of the gene
“FDA”	the Food and Drug Administration of United States of America
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HPV”	Human Papillomavirus
“HPV Detection Products”	PCR Fluorescence Detection Kit for Human Papillomavirus and PCR Micro-plate Hybrid Capture Detection Kit for Human Papillomavirus developed by Genetel
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“Mr. Tang”	唐洪明先生 (Mr. Tang Hong Ming)
“Mr. Yang”	楊興先生 (Mr. Yang Xing)
“PRC”	The People’s Republic of China, for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Shanghai HealthDigit
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai HealthDigit”	上海數康生物科技有限公司 (Shanghai HealthDigit Company Limited), a wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weiyi”	上海唯依醫院投資管理有限公司 (Shanghai Weiyi Hospital Investment & Management Co., Ltd.)
“Vendors”	Mr. Tang and Mr. Yang, existing shareholders of Weiyi

“WHO”

World Health Organization

%

Percentage

The Directors of the Company as at the date of this announcement are as follows:

Mr. Yao Yuan, *Executive Chairman*

Mr. Chien Hoe Yong, Henry, *Executive Director*

Mr. Hu Jun, *Executive Director*

Mr. Yu Ti Jun, *Executive Director*

Dr. Lam Lee G., *Independent Non-Executive Director*

Mr. Hu Jin Hua, *Independent Non-Executive Director*

Mr. Lee Sze Ho, Henry, *Independent Non-Executive Director*

By Order of the Board

Mingyuan Medicare Development Company Limited

Mr. Henry Chien

Executive Director

19 June, 2006, Hong Kong

* *For identification purposes only*

“Please also refer to the published version of this announcement in The Standard”