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MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

銘源醫療發展有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 0233)

DISTRIBUTION AGREEMENT

WITH

上海醫藥分銷控股有限公司

(Shanghai Pharmaceuticals Co., Ltd.)

The Board of the Company is pleased to announce that the Company entered into a three-year Distribution Agreement with SPC today. Under the Distribution Agreement, the Company and SPC mutually agreed on sales and distribution coverage targets for SPC in the next three years with a mutual intention for SPC to become the sole and exclusive distributor of the bio-medical products of the Company in China.

BACKGROUND

On 2 November 2010, Mingyuan Medicare Development Company Limited (the “Company”) entered into a strategic co-operation agreement (the “Co-op Agreement”) with Shanghai Pharmaceuticals Co., Ltd. (“SPC”) under which SPC intended to be a principal distributor of the Company’s bio-medical products in China. The Co-operation Agreement will give mutual benefits through the synergy achieved through combining the bio-medical products and services of the Company and the extensive distribution network of SPC.

DISTRIBUTION ARRANGEMENTS

Based on the framework of the Co-op Agreement, the board of directors (the “Board”) of the Company is pleased to announce that the Company entered into a three-year distribution agreement (the “Distribution Agreement”) with SPC today. Under the Distribution Agreement, the Company and SPC mutually agreed on sales and distribution coverage targets for SPC in the three years starting from the year 2011 with a mutual intention for SPC to become the sole and exclusive distributor of the Company’s bio-medical products.

Under the Distribution Agreement, SPC is required to meet the following milestone sales targets for C-12 chips and HPV testing kits:

1. In 2011, SPC will distribute a total of no less than 650,000 chips and testing kits of C-12 and HPV, and establish new distribution coverage targets of no less than 700 new hospitals and 2,000 pharmacy outlets;
2. In 2012, SPC will distribute a total of no less than 1.3 million chips and testing kits of C-12 and HPV, and establish new distribution coverage targets of no less than 1,000 new hospitals and 1,000 pharmacy outlets;

3. In 2013, SPC will achieve a sales volume growth rate of at least 25 percent over 2012 and will continue to expand its distribution coverage for the bio-medical products of the Company.

To date, the Company has sold more than 14 million chips and testing kits of C-12 and HPV. For the year ended 31 December 2009 and the six month ended 30 June 2010, the Company sold a total of 3.25 million chips and 1.76 million testing kits of C-12 and HPV respectively.

It is the intention of both the Company and SPC that the sales arrangements under the Distribution Agreement will firstly be conducted in three major provinces and the Shanghai Municipality, and thereafter expands to the rest of the national distribution network of SPC. Given the existing foundation of both parties, the Board is confident the sales targets under the Distribution Agreement will be exceeded. Finally, the Board believes that the Distribution Agreement marks the beginning of a mutually beneficial relationship which will allow the Company to launch new products more effectively and consequently will contribute significant value to shareholders.

ABOUT SPC

SPC is a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd., which is a Top 500 Enterprises in China and a A-Share listed company on the Shanghai Stock Exchange. SPC has one of the most prominent nation-wide distribution and retail network for a wide range of medical products. SPC has a sales network across 31 provinces, municipalities and autonomous regions in China and established more than 5,000 hospital distribution points in Eastern China with full coverage of third-level grade-A hospitals. From January to September 2010, SPC's distribution and retail business of medical products achieved a turnover of RMB21.7 billion, up 21.4% as compared with the same period of last year, ranking top 3 in the country and No.1 in Eastern China in terms of market share.

ABOUT THE COMPANY

The Company is one of the leading bio-medical companies in China that provides diagnostics and bio-pharmaceutical drugs for life threatening diseases including cancers, tuberculosis, etc. Presently, the Company engages in the research, manufacture and distribution of bio-medical products for diagnostics and bio-pharmaceutical drugs for life threatening diseases in China and internationally. The strategic co-operation with SPC is expected to boost the sales of the Company's bio-medical products in China by leveraging on the extensive national distribution network of SPC and to provide SPC with a full range of bio-medical products.

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

Hong Kong, 14 January 2011

As at the date of this announcement, the executive directors are Mr. Yao Yuan (Chairman), Mr. Chien Hoe Yong, Henry (CEO), Mr. Iu Chung, 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 and Mr. Lee Sze Ho, Henry.

* *For identification purposes only*