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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 70% EQUITY INTEREST IN SHANGHAI YUANQI

The Board is pleased to announce that on 5 August 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors pursuant to which the Purchaser agreed to acquire and the Vendors agreed to sell in aggregate 70% 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 Consideration Shares.

The Consideration Shares will be issued under the General Mandate of the Company. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date

5 August 2011

Parties

The Vendors: Mr. Yan Rong Rong (嚴榮榮) and Ms. Xiong Hui (熊慧) together, who own 51% and 49% equity interest in Shanghai Yuanqi respectively. 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 Director's understanding, the Vendors are individual private investors.

The Purchaser: 上海銘源數康生物芯片有限公司 (SHMY HealthDigit Biochips Co., Ltd.*), a wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire and the Vendors have agreed to sell in aggregate 70% equity interest in Shanghai Yuanqi (of which 51% to be transferred by Mr. Yan Rong Rong (嚴榮榮) and 19% to be transferred by Ms. Xiong Hui (熊慧)).

Consideration

The Consideration for the Acquisition is RMB354,000,000 was determined at arm's length negotiation between the parties to the Equity Transfer Agreement with reference to, among other things, (i) the business prospects of Shanghai Yuanqi and (ii) valuation prepared by Hua Yuan Assets Appraisal Co., Ltd. of certain intellectual properties owned by Shanghai Yuanqi. Based on current market situation, the Board is of the opinion the Consideration for Acquisition is fair and reasonable and comparable to other players in the industry.

The Consideration is payable as to RMB225,000,000 in cash and as to RMB129,000,000 by the issue of Consideration Shares. The Consideration is to be satisfied in the following manner:

1. RMB50,000,000 is payable within 3 working days after the signing of the Equity Transfer Agreement;
2. RMB75,000,000 is payable within 10 working days after completion of industry and commerce registration of the Purchaser as the new shareholder of 70% equity in Shanghai Yuanqi with relevant authorities in Shanghai, PRC;
3. The issue of Consideration Shares (representing RMB129,000,000 of the Consideration) to the Vendors within 15 working days after completion of industry and commerce registration of the Purchaser as the new shareholder of 70% equity in Shanghai Yuanqi with relevant authorities in Shanghai, PRC. The issue price is HK\$0.478 per Consideration Share, being the average closing price of Shares as quoted on the Stock Exchange over the last 5 trading days immediately prior to the date of the Equity Transfer Agreement; and
4. RMB100,000,000 is payable before 30 November 2011.

The cash component of the Consideration will be satisfied by internal resources of the Group.

Restriction on the transfer of Consideration Shares

Transfer of the Consideration Shares by the Vendors is subject to the following restrictions:

Periods	Percentage of Consideration Shares allowed to be disposed by the Vendors in the period (Notes)
1 July 2012 to 30 June 2013	30%
1 July 2013 to 30 June 2014	30%
1 July 2014 to 30 June 2015	40%

Notes:

- (i) The percentage is calculated on the basis of the number of Consideration Shares originally issued to the Vendors.
- (ii) The balance of Consideration Shares not being disposed for each period can be carried forward.

The Vendors shall give 10 days prior written notice to the Purchaser/Company for each transfer of 5% or above of the Consideration Shares originally issued to them. And, for each transfer of less than 5%, the Vendors shall give 1 day prior written notice to the Purchaser/Company.

Completion

The completion of the Acquisition is subject to industry and commerce registration in relation to the transfer of an aggregate of 70% equity interest from the Vendors to the Purchaser with relevant authorities in Shanghai, PRC. The Vendors shall coordinate with Shanghai Yuanqi to update the register of shareholders of Shanghai Yuanqi and to apply for and complete the said industry and commerce registration, which is expected to take place on or before 5 September 2011.

Upon completion of the Acquisition, Shanghai Yuanqi will become a subsidiary of the Purchaser.

ISSUE OF CONSIDERATION SHARES

The Consideration Shares will be issued under the General Mandate of the Company. The 326,871,967 Consideration Shares to be allotted and issued will utilise approximately 40% of the General Mandate of the Company and represent approximately 8% of the existing issued share capital of the Company as at the date of this announcement.

The issue price of HK\$0.478 per Consideration Share represents (i) a premium of approximately 5.05% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the trading day immediate prior to the date of the Equity Transfer Agreement; and (ii) a discount of approximately 2.65% to the average of the closing prices per Share of HK\$0.491 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Equity Transfer Agreement.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Consideration Shares, when allotted, issued and fully paid, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

INFORMATION OF SHANGHAI YUANQI

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

In recent years, targeted cancer therapies have become focus for treating cancer due to their efficacy. Targeted cancer therapies are agents that selectively destroy cancer cells, and leave normal cells alone, while producing less toxicity than traditional chemotherapy agents. Traditional chemotherapy agents do kill cancer cells but they also typically kill other normal cells. There are various hallmarks that drive the growth of cancer. Targeted cancer therapies are agents that involve monoclonal antibodies or small molecule drugs that block the growth and proliferation of cancer cells by altering their signaling pathway involved in growth and proliferation of cancer cells.

Patients that carry the same type of cancer do not necessarily have the same type of cancer cells. By identifying each specific “sub-type”, i.e. gene of individual cancer, the study will help doctors predict the response of patients to specific drugs. This kind of diagnosing mode is termed as individualized cancer therapy. Individualized cancer therapy could not only save time and money, but it can also greatly enhance the safety and efficacy of targeted cancer therapies.

Iressa and Tarceva are agents targeted for treating advanced or metastatic non-small cell lung cancer by blocking the epidermal growth factor receptor (EGFR) pathway through inhibition of tyrosine kinase. The application of Iressa was temporary suspended by FDA due to its inefficacy. Subsequent studies revealed that Iressa could be effective only for patients with mutated EGFR gene and wild type K-RAS gene. As such, FDA requires mandatory testing of EGFR and K-RAS gene prior to the application of Iressa and Tarceva. Other agents targeted for treating cancers, such as Erbitux and Vectibix (both are agents targeted for treatment of colorectal cancer) and Nexavar (targeted for renal cell carcinoma) are required to perform testing for gene mutation prior to their application.

Statistics published by the American Pharmaceutical Journal “Advances in Medicine and the Market” in July 2008 indicated that more than 30% of the 600 targeted cancer therapies, which are either at pre-clinical stage or at phase I to III clinical trial stage, require application of individualized cancer therapy prior to their application. These targeted cancer therapies will definitely replace traditional cancer drugs and play an important role in the cancer related drug market. At the same time, the market for individualized cancer therapy would increase as more and more testing for gene mutation would have to be carried out prior to the application of these targeted cancer therapies. At the present moment, individualized cancer therapy represents only about 2% of the total molecular therapy market. It is strongly believed that individualized cancer therapy would be the highest profit maker in the molecular therapy market in the future.

Individualized therapy, especially cancer related molecular therapy, is at its very initial development stage in China. At the present moment, various individualized cancer diagnostic kits were developed by domestic companies to test the gene mutation of individual cancer cell through cancer tissue sample obtained from surgery of tumor patient. The cancer tissue sample so obtained could only provide gene information of the cancer at the point of surgery. The sample could be unable to provide further information of gene mutation of the cancer patient after surgery as some new mutations of genes would only appear after the cancer patient has received targeted cancer therapies over a period of time. Early detection of new mutation of gene is vital as different targeted cancer therapies could be apply at early stage when gene mutation is identified.

Shanghai Yuanqi has successfully developed a new DNA sequencing and testing technique to provide accurate and updated information of gene mutation through analyzing the circulating tumor cells from peripheral blood of cancer patient. This new DNA sequencing and testing technique is a leading technique could be apply to provide accurate and updated information of gene mutation for those terminal cancer patients who would not be able to provide any physical cancer tissue sample as they are not fit for surgery. Patent application has been made to register this new DNA sequencing and testing technique in the PRC.

Detection and analysis of gene mutation for cancer require exquisite expertise. Shanghai Yuanqi has developed a system to integrate gene mutation, gene profile analysis, application of targeted therapies to assist medical personnel to analysis each individual cancer patient. At the present moment, most of the individualized cancer diagnostic kits are not supported by any form of database.

Shanghai Yuanqi has built up a database involving more than 4,000 cases of cancer patients by analyzing tumor associated gene profiles, mutation patterns, and successfulness of targeted cancer therapy. This database is the first of its kind in China and is continually updating. As the pioneer in China in individualized cancer therapy, this database possesses independent intellectual property rights and is very valuable. This database together with the leading DNA sequencing and testing technique greatly enhances the core competitiveness of the diagnostic products of Shanghai Yuanqi in the market.

Set out below is a summary of financial information on Shanghai Yuanqi based on the unaudited financial statements for the year ended 31 December 2010 prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December 2010 RMB
Revenue	872,600
(Loss) before taxation	(668,300)
(Loss) after taxation	(668,300)

As at 31 December 2010, the unaudited total assets and net assets of Shanghai Yuanqi amounted to RMB2,439,400 and RMB1,331,700 respectively.

INFORMATION OF THE VENDORS

The Vendors are the founders and general manager and executive director of Shanghai Yuanqi.

INFORMATION OF THE PURCHASER

The Purchaser 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

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.

Oncology is an important branch of medicine science that deals with tumors, including their origin, development, diagnosis, treatment, and prevention. Over the past decades, oncology is gradually changing from evidence-based therapy to mechanism-based therapy with a focus on therapy to be based on molecular analysis to find the right drug for the right patient. While it has already indicated that there are significant individual difference of drug sensitivity in cancer treatment, it is believed that individualized approach will greatly improve the safety and efficacy of treatment of patients with cancer. Therefore, the technology for predicting the patients most at risk of recurrence or most likely to respond to a particular therapy is going to become the norm for future development of cancer treatment. Based on a research published recently, it is projected that the individualized cancer drug market will double in value, from \$25 billion in 2008 to \$51 billion in 2015. Shanghai Yuanqi is one of the few leading companies in China in the area of research and development of individualized molecular diagnostic products. The Acquisition will enable the Group with ready access to the growing molecular therapy market. The Acquisition will also provide the Group with the ability to combine innovative and emerging technologies with its established sales and marketing resources.

The Acquisition will strengthen the research and development capability of the Group by merging the existing research and development team with expertise from Shanghai Yuanqi.

The Board considers that the terms of the Equity Transfer 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

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 70% equity interest in Shanghai Yuanqi by the Purchaser under the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Completion”	completion of the Acquisition
“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
“Consideration”	the consideration payable by the Purchaser to the Vendors under the Equity Transfer Agreement in the amount of RMB354,000,000
“Consideration Shares”	326,871,967 Shares to be issued at HK\$0.478 per Share by the Company to partly satisfy the Consideration for the Acquisition under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity interest transfer agreement date 5 August 2011 entered into between the Vendors and the Purchaser in relation to the Acquisition
“General Mandate”	the general mandate granted to the Board by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 May 2011, pursuant to which a maximum of 811,404,166 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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”	上海銘源數康生物芯片有限公司 (SHMY HealthDigit Biochips Co., Ltd.*), a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Shanghai Yuanqi”	上海源奇生物醫藥科技有限公司 (Shanghai Yuanqi Bio-Pharmaceutical Company Limited), a limited liability company incorporated in Shanghai, PRC, which is owned as to 100% by the Vendors
“Share(s)”	ordinary issued share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Yan Rong Rong (嚴榮榮) and Ms. Xiong Hui (熊慧) together, who own 51% and 49% equity interest in Shanghai Yuanqi respectively
“%”	per cent

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

Hong Kong, 5 August 2011

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*