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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 80% EQUITY INTEREST IN SHANGHAI HUIPU

The Board is pleased to announce that on 16 December 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 80% equity interest in Shanghai Huipu at a consideration of RMB245,000,000.

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

16 December 2011

Parties

The Vendor:

Mr. Tang Yan Yan (唐焱焱) who owns 98.875% equity interest in Shanghai Huipu. To the best of the Directors' knowledge, information and belief and after making all reasonable enquiries, the Vendor is 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). According to the Director's understanding, the Vendor is individual private investor.

The Purchaser:

上海數康生物科技有限公司 (Shanghai HealthDigit 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 Vendor has agreed to sell 80% equity interest in Shanghai Huipu.

Consideration

The Consideration for the Acquisition is RMB245,000,000 was determined on arm's length negotiation between the parties to the Equity Transfer Agreement with reference to, among other things, (i) the business prospects of Shanghai Huipu and (ii) valuation prepared by Hua Yuan Assets Appraisal Co., Ltd. of certain intellectual property ("Intellectual Property") owned by Shanghai Huipui. 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 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. RMB195,000,000 is payable within 10 working days after completion of industry and commerce registration of the Purchaser as the new shareholder of 80% equity in Shanghai Huipu with relevant authorities in Shanghai, PRC; and

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

The Board is pleased to provide further details relating to the valuation of the Intellectual Property as follows:

Valuation

According to the valuation report prepared by Hua Yuan Assets Appraisal Co., Ltd. on 17 November 2011, the value of the Intellectual Property was approximately RMB484,740,000 as at 31 October 2011 (the "Valuation"). The Valuation adopted the income-based approach using discounted cash flow method which involves projections of profits, earnings and cash flows and are regarded as profit forecasts under Rule 14.61 of the Listing Rules (the "Profit Forecast"). Pursuant to Rule 14.62(1) of the Listing Rules, certain specific assumptions have been adopted in the Valuation and the major ones are as follows:

- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which Shanghai Huipu operates or intends to operate would be officially obtained and renewable upon expiry;
- the projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- there will be sufficient supply of technical staff in the industry in which Shanghai Huipu operates, and Shanghai Huipu will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- there will be no major change in the current taxation laws in the localities in which Shanghai Hupui operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- there will be no major change in the political, legal, economic or financial conditions in the localities in which Shanghai Huipu operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Intellectual Property; and
- interest rates and exchange rates in the localities for the operation of Shanghai Huipu will not differ materially from those presently prevailing.

Pursuant to Rule 14.62(3) of the Listing Rules, the Board confirmed that they have reviewed the principal assumptions upon which the Profit Forecast is based and are of the view that the Profit Forecast has been made after due and careful enquiry. A letter from the Board is included in the appendix of this announcement.

A letter from Bentleys CPA Company Limited, the reporting accountants, is included in the appendix of this announcement for the purposes of Rules 14.60A and 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Hua Yuan Assets Appraisal Co., Ltd.	Professional valuer
Bentleys CPA Company Limited	Certified public accountants

As at the date of this announcement, each of Hua Yuan Assets Appraisal Co., Ltd., and Bentleys CPA Company Limited does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of Hua Yuan Assets Appraisal Co., Ltd., and Bentleys CPA Company Limited has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and all reference to its name in the form and context in which it appears.

Completion

The completion of the Acquisition is subject to industry and commerce registration in relation to the transfer of 80% equity interest from the Vendor to the Purchaser with relevant authorities in Shanghai, PRC. The Vendor shall coordinate with Shanghai Huipu to update the register of shareholders of Shanghai Huipu and to apply for and complete the said industry and commence registration, which is expected to take place on or before 23 December 2011.

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

INFORMATION OF SHANGHAI HUIPU

Shanghai Huipu was established on 31 July 2009 in Shanghai, PRC, with registered capital of RMB20 million and is principally engaged in the research and development of antibody drugs. At the present moment, Shanghai Huipu has developed specialized monoclonal antibody drugs (“CD3”) that works very effective against Aplastic Anemia.

Aplastic anemia is a blood disorder in which the body’s bone marrow does not make enough new blood cells. Bone marrow is a sponge-like tissue inside the bones. It makes stem cells that develop into red blood cells, white blood cells, and platelets.

Red blood cells carry oxygen to all parts of your body. They also carry carbon dioxide (a waste product) to your lungs to be exhaled. White blood cells help your body fight infections. Platelets are blood cell fragments that stick together to seal small cuts or breaks on blood vessel walls and stop bleeding.

It’s normal for blood cells to die. The lifespan of red blood cells is about 120 days. White blood cells live less than a day. Platelets live about 6 days. As a result, your bone marrow must constantly make new blood cells. If your bone marrow cannot make enough new blood cells, many health problems can occur. These problems include irregular heartbeats called arrhythmias, an enlarged heart, heart failure, infections, and bleeding. Severe aplastic anemia can even cause death.

A blood and marrow stem cell transplant replaces damaged stem cells with healthy ones from another person (a donor) is the best cure for aplastic anemia. This best cure, however, is limited by number of donors available, high cost for transplant, and subsequent high cost involved in immune suppressants.

Immune suppression is used in some aplastic anemia cases to allow the bone marrow to start making blood cells again. Medicines that suppress the immune system do not cure aplastic anemia. However, they can relieve its symptoms and reduce its complications. Three medicines, often given together, can suppress the body’s immune system. They are antithymocyte globulin, cyclosporine, and methylprednisolone. Medicines that suppress the immune system can have side effects. They also may increase the risk of developing leukemia or myelodysplasia. Leukemia is a cancer of the blood cells. Myelodysplasia is a condition in which the bone marrow makes too many faulty blood cells.

In 1986, US FDA approved the first monoclonal antibody drug, Orthoclone which is used for therapy of graft-versus-host disease, opened a new chapter in the history for biomedicine. Eight years later, US FDA approved the second monoclonal antibody drug. At the present moment, a total of 21 monoclonal antibody drugs is in the world market. The number of monoclonal antibody drugs that are under various stage of testing is well over 200.

Monoclonal antibody drug market in the PRC is still at its initial development stage. Total sales of monoclonal antibody drugs was only several ten million RMB, falling far behind the tens of billion dollars sales in European and American. Up till now, the SFDA in the PRC has approved 14 monoclonal antibody drugs, of which 7 of them are imported products, while the remaining 7 are domestic products. Currently, 6 monoclonal antibody drugs are under various stages of clinical trials. The CD3 is the only monoclonal antibody drug approved for the treatment of aplastic anemia. The mechanism of its efficacy on aplastic anemia is similar to that of antithymocyte globulin, and its high specificity and purity, i.e. no unrelated protein, greatly improved its efficacy and safety.

In 1996, CD3 received the second-class award of Science and Technology Progress Prize in Shandong Province. Phase I clinical study of CD3 was completed in 2003. The study revealed that no patients suffered from any serious side effects such as chest tightness and dyspnea, and that more than 60% of total patients showed positive effective rate which implied the safety and effectiveness of CD3 in treatment of aplastic anemia. CD3 is now under Phase II clinical study. It is optimistic that CD3 will be granted a new drug licence due to the predominant efficacy and good safety observed in large number of trials in the past years.

In addition to the treatment of aplastic anemia, recent clinical studies indicated CD3 showed positive therapeutic effects on diabetic nephropathy, idiopathic thrombocytopenic purpura and myelodysplastic. For the time being, there is no specialized monoclonal antibody drugs developed to treat these diseases, the potential application of CD3 for these diseases might open a new direction of development for Shanghai Huipu.

Set out below is a summary of financial information on Shanghai Huipu based on the unaudited financial statements for the year ended 31 December 2010 and for 11 months ended 30 November 2011 prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December 2010 <i>RMB</i>	11 Months ended 30 November 2011 <i>RMB</i>
Revenue	277,640	644,500
(Loss) before taxation	(254,131)	54,581
(Loss) after taxation	(254,131)	54,581

As at 31 December 2010, the unaudited total assets and net assets of Shanghai Huipu amounted to RMB3,157,286 and RMB45,868 respectively.

INFORMATION OF THE VENDOR

The Vendor is the founder and executive director of Shanghai Huipu.

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 of biochips for early screening, detection and prevention of diseases.

REASONS AND BENEFIT OF THE ACQUISITION

In March 2011, China's National People's Congress approved the 12th Five Year Strategy Plan for 2011 to 2015. Biotechnology has been selected as a strategic emerging industry with government funding of more than RMB12 billion for research and development of new drugs.

In November 2011, the Ministry of Science and Technology published the "12th Five Year Plan on Development of Biotechnology" (the "5 Y Bio Plan") to fully boost the rapid development of biotechnology and its industry in China. Specialized monoclonal antibody drug enhancement and development is one of the important aspect of development in biopharmaceuticals in the 5 Y bio Plan.

Monoclonal antibody drugs have grown fast in recent several years and monoclonal antibody products have become a large industry with global sales exceeding US\$40 billion. Currently, the sales of monoclonal antibody products account for more than 30% of those of biopharmaceuticals. Monoclonal antibody products will be a key aspect of development in the biopharmaceuticals field in the future. The launch of new drugs in the chemical pharmaceuticals industry has gradually slowed down, while monoclonal antibody drugs are likely to be a major source of new drugs in the future as the research and development of monoclonal antibody drugs is in full swing along with discovery of large quantities of new target points. Now, the majority of domestic curative monoclonal antibody product market remains dominated by imported products and home-made monoclonal antibody products are in their initial stage. Shanghai Huipu is one of the few entities in China that has the capability of developing specialized monoclonal antibody drug. The Acquisition would enable the Company and 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.

The Board considers 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

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 80% equity interest in Shanghai Huipu 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 Vendor under the Equity Transfer Agreement in the amount of RMB245,000,000
“Equity Transfer Agreement”	the equity interest transfer agreement date 16 December 2011 entered into between the Vendor and the Purchaser in relation to the Acquisition

“Group”	the Company and its subsidiaries
“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”	上海數康生物科技有限公司 (SHMY HealthDigit Co., Ltd.*), a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Huipu”	上海慧普生物醫藥科技有限公司 (Shanghai Huipu Bio-Pharmaceutical Company Limited), a limited liability company incorporated in Shanghai, PRC, which is owned as to 98.875% by the Vendor
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Tang Yan Yan (唐焱焱) who owns 98.875% equity interest in Shanghai Huipu
“%”	per cent

On behalf of the Board
Yao Yuan
Chairman

Hong Kong, 16 December 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

APPENDIX I
LETTER FROM THE BOARD

16 December 2011

To the Shareholders

Dear Sir/Madam,

Confirmation on Profit Forecast in Connection to Valuation of Specialized Monoclonal Antibody Drug (“CD3”) for Aplastic Anemia (the “Intellectual Property”)

We refer to the announcement of Mingyuan Medicare Development Company Limited dated 16 December 2011 in relation to the acquisition of 80% equity interest in Shanghai Huipu by the Purchaser under the Equity Transfer Agreement (the “Announcement”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We confirmed that we have reviewed the principal assumptions upon which the Profit Forecast in connection to valuation of the Intellectual Property is based and are of the view that the Profit Forecast has been made after due and careful enquiry.

Yours faithfully,

On behalf of the Board

Yao Yuan

Chairman

APPENDIX II
LETTER FROM THE REPORTING ACCOUNTANTS

16 December 2011

The Board of Directors
Mingyuan Medicare Development Company Limited
Room 1801-03, Hutchison House,
10 Harcourt Road, central,
Hong Kong

Dear Sirs,

Accountants' Report on Calculations of Discounted Future Estimated Cash Flows in Connection with the Valuation of Specialized Monoclonal Antibody Drug ("CD3") for Aplastic Anemia (the "Intellectual Property")

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Hua Yuan Assets Appraisal Co., Ltd. dated 17 November 2011, of the Intellectual Property owned by 上海慧普生物醫藥科技有限公司 (Shanghai Huipu Bio-Pharmaceutical Company Limited) ("Shanghai Huipu") as at 31 October 2011 (the "Valuation") is based. Shanghai Huipu is a company incorporated in Shanghai, the PRC, whose principal asset is the Intellectual Property. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in connection with the acquisition of 80% equity interest in Shanghai Huipu.

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Intellectual Property owned by Shanghai Huipu.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Bentleys CPA Company Limited
Certified Public Accountants (Practising)
Hong Kong, 16 December 2011
Lam Wing Yi, Jerry, Certificate number P01522