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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)

INSIDE INFORMATION ANNOUNCEMENT

This announcement is made by Mingyuan Medicare Development Company Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

Reference is made to the announcements of the Company on 31 March 2015 (“**Suspension Announcement**”), on 16 April 2015, 8 May 2015, 1 June 2015, 17 June 2015 (collectively “**Progress Announcements**”), on 15 July 2015 (“**Resumption Condition Announcement**”), on 22 December 2015 (“**Auditors’ Resignation Announcement**”) and on 3 June 2016 (“**Appointment of Independent Forensic Accountant Announcement**”).

Shareholders are reminded of the following events that can be identified in the Suspension Announcement, Progress Announcements, Resumption Condition Announcement, Auditors’ Resignation Announcement and Appointment of Independent Forensic Accountant Announcement and are further informed of new developments and findings:

1. The Company failed to publish its Annual Report and the Statement of Account for the year ended 31 December 2014 and as a result, the shares of the Company have been suspended for trading since 1 April 2015;

** For identification purpose only*

2. Former auditors of the Company Deloitte Touche Tohmatsu (“**Deloitte**”) required the Company to appoint an independent forensic investigator to undertake the investigation of the “Unresolved Matter”, which concerned the funds in the amount of RMB 420,245,035.73 (“**RMB 420 Million**”). The then management informed Deloitte that the RMB420 Million was held in the bank account said to be in the name of the Company’s wholly owned subsidiary in the People’s Republic of China, whose name is Shanghai Mingyuan HealthDigit Biochips Company Limited (“**SHMY**”), with the Agricultural Bank of China, Beijing Branch (“**ABC Bank**”) numbered 6228483070778826818 (“**ABC Account**”). When Deloitte visited ABC Bank on 22 April 2015, it was told by the bank officer in charge that the bank confirmation provided by the then management to Deloitte in relation to the ABC Account was a scam (emphasis added). Deloitte subsequently called the ABC Bank hotline and confirmed that the ABC Account belonged to an Inner Mongolia branch of the bank, not that as represented by the then management a Beijing branch.
3. Deloitte held a subsequent meeting on 13 May 2015 with the then management of the Company comprising of Mr. Yao Yuan (“**Mr. Yao**”) and Mr. Kenny Poon Kwong Wai (“**Kenny Poon**”) to discuss Deloitte’s findings of its visit to ABC Bank. Mr. Yao was the former chairman and executive director of the Company’s board and Kenny Poon was the former chief financial officer of the Company.
4. The then management refused/failed to appoint the independent forensic accountant to investigate the Unresolved Matter.
5. Following the change of the composition of the management of the Company on 20 May 2016, Control Risks was appointed as independent forensic accountant on 3 June 2016.
6. During the course of Control Risks’ investigation, the current management discovered some documents suggesting that the ABC Account belongs to an individual called Liu Jing (“**Liu**”). Such documents were then passed to Control Risks. Liu gave certification to investors in the documents that she was the holder of the ABC Account having a total cash amount in excess of RMB 3 trillion. Kenny Poon was named by Liu as her translator in the documents. The documents were communicated by Kenny Poon to the Company’s former accountant Ms. Angel Lam, which unequivocally suggests that Kenny Poon was well aware that the ABC Account did not belong to SHMY.
7. Consequentially the information that the then management provided to Deloitte about the existence of the RMB 420 Million in the ABC Account was a fake.

8. Control Risks published its preliminary report of its findings on the Unresolved Matter on 26 August 2016 and concluded that the ABC Account and the RMB 420 Million were not legitimate. It has further revealed that a sum of RMB 420 million was transferred out from SHMY's bank account with First Sino Bank in October 2014 (“**the Outward Payment**”) and Control Risks could not be able to identify the recipient and the purpose of the Outward Payment.
9. The current management will continue to trace the Outward Payment once control of SHMY has been gained.

The Company will keep shareholders informed of any progress on the investigation.

Trading in shares of the Company will remain suspended pending satisfaction of the resumption condition imposed by the Stock Exchange.

By Order of the Board
Mingyuan Medicare Development Company Limited
LAM Ping Cheung
Chairman

Hong Kong, 29 August 2016

As at the date of this announcement, the Board comprises (i) Mr. Lam Ping Cheung and Mr. Hui Yip Wing as executive Directors; (ii) Ms. Lam Yan Fong Flora as non-executive Director; and (iii) Ms. Chan Mee Sze, Ms. Hui Wai Man Shirley, Mr. Lam Suk Ping and Mr. Wong Anthony Chi-ho as independent non-executive Directors.