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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

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 Company’s announcements dated 9 June 2014, 31 March 2015, 16 April 2015, 8 May 2015, 1 June 2015, 17 June 2015, 15 July 2015, 22 December 2015, 3 June 2016, 29 August 2016, 30 September 2016 and 18 October 2016 (“**the Announcements**”).

Insofar as applicable, the same abbreviations and descriptions used in the Announcements are adopted in this announcement.

Shareholders were informed in the Announcements in respect of the following matters:

- (1) The Company’s shares are suspended because of the “Unresolved Matter” in respect of the missing funds of RMB 420 million from the bank account of one of the Company’s indirectly wholly owned subsidiaries SHMY Biochips in the PRC resulting the Company’s failure in publishing an audited financial statement for FY2014;
- (2) The independent forensic investigator has confirmed that the bank confirmation that was produced by the then management to the former auditor of the Company Deloitte Touche Tohmatsu (“**Deloitte**”) is a fake, that the SHMY Biochips did not and does not hold the bank account number 6228483070778826818 in the Beijing branch of the Agricultural Bank of China purportedly had the deposit of RMB 420,245,035.73 in it;

** For identification purpose only*

- (3) SHMY Biochips entered into an agreement with a PRC company in Beijing called 北京農龍投資管理有限公司 (Beijing Nong Long Investment Management Company Limited) (“**Nong Long**”) on 23 December 2013 to exchange foreign currency whereby SHMY Biochips transferred RMB 396 million to Nong Long in turn for Nong Long agreeing to exchange the sum of Hong Kong currency HK\$505,849,212 within 3 months from the day of the agreement in Hong Kong. Nong Long failed to exchange the Hong Kong currency in Hong Kong but purportedly the whole of RMB 396 million was later recovered in May and June 2014.
- (4) The present management had discovered fraud or suspected fraud in two previous transactions undertaken by the Company through its indirectly wholly owned subsidiaries Shanghai HealthDigit and SHMY Biochips, which sold its 51% equity interest in Weiyi and acquired 70% equity interest in Shanghai Yuanqi respectively.

Deloitte was the former auditor of the Company and its subsidiaries in the relevant years of FY2010, FY2011, FY2012, FY2013 and FY2014.

The Company has taken legal advice from Hong Kong and London in respect of the auditor’s liability in its failure to detect, suspect and report fraudulent activity and/or other irregularities undertaken by the then management of the Company, causing loss to the Company:

- (1) the consideration in whole or part of the consideration for the sale of the Weiyi interest;
- (2) the difference resulting from the illegal transaction in respect of the foreign exchange from the transfer of RMB 396 million (HK\$507,197,000) to the purported recovery of HK\$494,410,000;
- (3) the sum of RMB420 million transferred from SHMY Biochips’s bank account to unknown third party with no or no proper consideration; and
- (4) the entire interest of Shanghai Yuanqi which the Company had paid for a total consideration of RMB354 million.

On 19 December 2016, a writ with indorsement of claim was issued by the Company and its subsidiaries Shanghai HealthDigit and SHMY Biochips against Deloitte. It is expected that a full statement of claim will be filed in due course.

Shareholders will be informed of further development.

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

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

Hong Kong, 21 December 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.