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CHINA RENJI MEDICAL GROUP LIMITED

中國仁濟醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

This announcement is made for the purpose of, among other things, providing further information and clarifying certain press articles published in October 2010, the 2010 Qualified Audit Opinion and the resumption of trading in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 10:00 a.m. on 18 October 2010. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 April 2013.

Reference is made to the announcements of the Company dated 18 October 2010 and 21 April 2011 regarding the suspension of trading in the Shares and the conditions for the resumption of trading in the Shares under the Resumption Conditions Letter, respectively.

BACKGROUND OF THE SUSPENSION AND CONDITIONS FOR RESUMPTION OF TRADING IN THE SHARES

On 18 October 2010, the Company announced that trading in the Shares had been suspended with effect from 10:00 a.m. on the even date pending the release of an announcement to clarify certain press articles published in certain local newspapers (the “Press”) on 18 October 2010 relating to the allegations about certain transactions of the Group.

On 18 April 2011, the Company received the Resumption Conditions Letter from the Stock Exchange setting out the following conditions for resumption of trading in the Shares:

- (i) having addressed the allegations in the complaints received by the Stock Exchange and those reported on the press articles on 18 October 2010 about certain transactions of the Company since 2007 and informed the market of all material information that is necessary to appraise the Group's position;
- (ii) having addressed any concerns raised by the Auditors through qualifications or emphasis of matters in their audit report; and
- (iii) having demonstrated that the Group has adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules.

As disclosed in the Company's announcements issued in late 2012 and early 2013, the Company has been taking steps to resume the trading of the Shares on the Stock Exchange, and on 26 March 2013, the Company received a letter from the Stock Exchange setting out the following conditions for resumption of trading in the Shares:

- (i) publication of this clarification announcement describing the Allegations (as defined below), the findings of Zhonglei's investigation and the assessment of the Special Investigation Committee on how the Allegations have been addressed, together with the basis thereof; and
- (ii) the publication of the 2012 Annual Results Announcement containing audit qualifications that will not adversely affect the Stock Exchange's assessment on the Company's suitability for resumption.

THE ALLEGATIONS AND THE SPECIAL INVESTIGATION COMMITTEE

During October and November 2010, the Stock Exchange received complaints (the "Complaints") containing allegations (collectively referred to as the "Allegations") made by Mr. Guo and Mr. Wang, two former Directors. The Allegations, some of which were already reported in the Press, were mainly against the former management of the Company (such as Mr. Yang and Mr. Li) in connection with the Group's acquisitions of certain medical assets during 2007 and 2008 and certain matters relating to the Group's operations and financial management. In this regard, in March 2012, the Company established the Special Investigation Committee comprising two independent non-executive Directors, namely, Mr. Kwok Chung On and Mr. Wu Chi Keung, to investigate the Allegations. In order to assist the Special Investigation Committee's investigation in the Allegations, the Special Investigation Committee appointed Zhonglei in March 2012 to perform an independent review in the Allegations (the "Allegation Review"). The Allegation Review is performed in accordance with the Hong Kong Standards on Related Services 4400 "Engagement to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the report prepared by Zhonglei (the “Allegation Review Report”), together with, among other things, the articles contained in the Press as well as the relevant published announcements and internal reports of the Company, the findings noted by the Special Investigation Committee are summarised as follows:

Allegation Number 1

“Mr. Yang was the ultimate beneficial owner of the 2.71 billion Shares held by Mr. Li issued under the China Renji Acquisition.”

Reference is made to the circular of the Company dated 18 June 2007 (the “China Renji Acquisition Circular”) containing the details regarding, among other things, the China Renji Acquisition.

The Special Investigation Committee noted that Mr. Guo and Mr. Wang presented a declaration (the “Declaration”) to the Press signed by Mr. Zhu which claimed that at the time of the China Renji Acquisition, the actual controller of Anping Medical was someone else other than Mr. Li. Although the Press had not specified such “actual controller” of Anping Medical, the Special Investigation Committee noted a photocopy of the Declaration was included in the Complaints which indicated that the actual controller and beneficial owner of Anping Medical was Mr. Yang rather than Mr. Li at the time of the China Renji Acquisition. In addition, the Special Investigation Committee has also noted that the Complaints also included a power of attorney (the “Power of Attorney”) signed by Mr. Yang and Mr. Li and an equity interest conformation (the “Equity Interest Confirmation”) signed by Mr. Yang whereby, Mr. Guo and Mr. Wang had alleged that the 2.71 billion new Shares (the “China Renji Consideration Shares”) issued under the China Renji Acquisition was beneficially owned by Mr. Yang rather than Mr. Li.

The Special Investigation Committee noted that, Zhonglei has attempted to contact Mr. Zhu by phone and by post but it could neither contact Mr. Zhu nor receive written confirmation from Mr. Zhu. However, Zhonglei has conducted telephone interviews with Mr. Yang and Mr. Li and has received written confirmations from Mr. Yang and Mr. Li, confirming that (i) Mr. Li was the then beneficial owner of the China Renji Consideration Shares and he had not signed the Power of Attorney and (ii) Mr. Yang was not the beneficial owner of the China Renji Consideration Shares and he had signed neither the Power of Attorney nor the Equity Interest Confirmation. Furthermore, the Special Investigation Committee has also observed that the Company received similar allegations from another former Director whereby an independent investigation committee (the “2010 Investigation Committee”) comprising two of the then independent non-executive directors and the then secretary of the Company had been established in 2010 to investigate such allegations. It is noted that the investigation report (the “2010 Investigation Report”) prepared by the 2010 Investigation Committee in May 2010 had also stated that Mr. Li confirmed in writing to the 2010 Investigation Committee that he was the beneficial owner of the China Renji Consideration Shares. Having considered the consistency of the confirmations provided by Mr. Yang and Mr. Li and the fact that only photocopies of the Power of Attorney and the Equity Interest Confirmation were presented by Mr. Guo and Mr. Wang, on the balance of probability and the overall evidence in front of the Special Investigation Committee, the Special Investigation Committee was not convinced that there was sufficient evidence supporting the allegation that the beneficial owner of the China Renji Consideration Shares was Mr. Yang rather than Mr. Li.

From the perspective of the Company, it is considered that greater focus should be placed on the entitlement of economic benefit generated from the medical centre network by the Group as a result of the China Renji Acquisition rather than the aforesaid allegation relating to the ownership of the China Renji Consideration Shares. As disclosed in the China Renji Acquisition Circular, the consideration under the China Renji Acquisition represented a discount to the then independent valuation of China Renji. In addition, following completion of the China Renji Acquisition, the financial statements underlying the medical centre network of China Renji were also included in the consolidated financial statements of the Company as disclosed in the 2007 Annual Accounts. Given the above, together with the findings and analysis relating to other Allegations as detailed below, the Special Investigation Committee was not convinced that the operations and financial position of the Group would be materially and adversely impacted by this Allegation.

Allegation Number 2

“The vendors of five acquisitions of medical assets by the Group during 2007 and 2008 were associated with Mr. Yang and Mr. Yang had obtained benefits through these transactions, whereby the vendors involved in these acquisitions were either relatives of Mr. Yang or parties associated with Mr. Yang to the effect that Mr. Yang bought these medical assets at lower prices and sold at higher prices to the Company.”

Although the Press did not specifically identify which five acquisitions of the Group involved in acquiring medical assets from the relatives of or parties associated with Mr. Yang which resulted in Mr. Yang being able to obtain benefits, the Company suspected that this Allegation was related to the Five Relevant Acquisition Transactions conducted by the Group in 2007 and 2008 when Mr. Yang was the chairman of the Board. Notwithstanding the above, the Allegation Review has included identity search on the vendors involved in all the acquisitions of the Group (including the Five Relevant Acquisition Transactions) following the China Renji Acquisition and up to 31 December 2011 (the “Relevant Period”). Based on the Allegation Review Report, the Special Investigation Committee has noted that Zhonglei has also sent confirmations to 9 underlying vendors of the relevant acquisitions during the Relevant Period and of which, 7 relevant vendors have subsequently confirmed that they were independent and not connected persons of the Group at the time when the relevant acquisitions were made. Moreover, Zhonglei has also received a written confirmation from Mr. Yang confirming that he is not related to the respective vendors under the Five Relevant Acquisition Transactions. After having reviewed the Allegation Review Report, the Special Investigation Committee noted that there were not any matters or circumstances which could lead to the conclusion that the respective vendors underlying the acquisitions conducted during the Relevant Period (including the Five Relevant Acquisition Transactions) were connected persons of the Company, despite the fact that Zhonglei was not able to obtain independent confirmations from certain parties during the course of the Allegation Review. In addition, the Special Investigation Committee also noted that the 2010 Investigation Report has also revealed similar findings in respect of the Group’s acquisitions made during 2007 and 2008.

The Special Investigation Committee has also noted in the Allegation Review Report that (i) at the time when the Five Relevant Acquisition Transactions were conducted, an independent valuation had been performed on the medical assets underlying each of the Five Relevant Acquisitions Transactions and the considerations of which, were found to be lower than the respective valuations; and (ii) save for the acquisition (the “Shijiazhuang Acquisition”) of the

medical assets located at the Shijiazhuang Hua Guang Tumour Hospital*(石家莊華光腫瘤醫院, the “Shijiazhuang Hospital”), the Group’s share of the net income derived from the medical assets underlying the remaining four of the Five Relevant Acquisition Transactions had met the warranted income during the relevant warranty period. Regarding the Shijiazhuang Acquisition, it is further noted that the Company’s annual report for the year ended 31 December 2010 has disclosed that, following the change in the owners of the Shijiazhuang Hospital in late 2009, Shijiazhuang Hospital has turned into a comprehensive hospital and would no longer be engaged in the diagnosis and treatment of cancer/tumour and the related business. As such, the Group’s medical equipment for use in the tumour radiotherapy centre located in the Shijiazhuang Hospital has ceased operations which resulted in the related net income shared by the Group being only able to meet the warranted amount during the first year of the warranty period but not the second year.

Based on the above, the Special Investigation Committee was not convinced that there was sufficient evidence supporting this Allegation that the vendors of the Five Relevant Acquisition Transactions were relatives or parties with close relationship with Mr. Yang to the effect that Mr. Yang had obtained benefits through buying these medical assets at lower prices and selling them at high prices to the Company.

Allegation Number 3

“Mr. Yang has included certain medical assets in Anping Medical owned by an independent third party such that under the China Renji Acquisition, these medical assets were sold to the Group without the actual owner’s prior consent and the Xinjiang Medical Asset Swap conducted in January 2009 was for the purpose of returning the medical assets to Mr. Zhu so as to quiet down the scandal.”

Reference of this Allegation was made to the announcement (the “Xinjiang Medical Asset Swap Announcement”) of the Company dated 1 January 2009 regarding, among other things, the Xinjiang Medical Asset Swap.

Although it was not detailed in the Press, the Company has suspected that this Allegation was stemmed from the Declaration which claimed that Mr. Zhu was interested as to 32% and 30% in the relevant gamma knife medical equipment used in the medical centres located at The People’s Liberation Army No. 411 Hospital* (中國人民解放軍第411醫院, the “Shanghai 411 Hospital”) and The People’s Liberation Army No. 455 Hospital* (中國人民解放軍第455醫院, the “Shanghai 455 Hospital”) in Shanghai, the PRC, respectively, to the effect that Mr. Zhu’s interests in these medical assets were included in the China Renji Acquisition without his prior consent. Mr. Guo and Mr. Wang have further alleged that in order to quiet down this “scandal”, the Group conducted the Xinjiang Medical Asset Swap in January 2009 so as to return Mr. Zhu’s interests in these medical assets to him, which also resulted in the Group having to record an impairment loss of approximately HK\$40 million in its consolidated income statement for the year ended 31 December 2008.

As mentioned above, the Special Investigation Committee noted that Zhonglei could neither contact Mr. Zhu by phone nor receive written confirmation from Mr. Zhu. However, the Special Investigation Committee has noted the commercial consideration from the Xinjiang Medical Asset Swap Announcement, including the established co-operation arrangement of Xinjiang Hospital of Cardio-Cerebral Vascular Diseases* (新疆心腦血管病醫院, the “Xinjiang Hospital”) with a number of renowned domestic and foreign hospitals and the huge

population of Urumqi (the capital city of the Xinjiang Autonomous Region in which the Xinjiang Hospital was located), would provide significant potential sources of patients to the Xinjiang Hospital. On one hand, the Board had considered that the Xinjiang Medical Asset Swap would allow the Group to expand its medical network into the northwest region of the PRC and enhance its overall competitive edge in the PRC and, on the other hand, the Board had also taken into account the adverse economic condition under financial tsunami during 2007 and 2008 and the tightening credit policy of various financial institutions, such that the Xinjiang Medical Asset Swap would not only enable the Group to acquire the medical equipment (hence the economic benefit) in the medical centre located at the Xinjiang Hospital without any cash payment, but would also enable the Group to retain controlling stakes in the relevant gamma knife medical equipment used in the Shanghai 411 Hospital and the Shanghai 455 Hospital. As such, the Company, at the relevant material time of the Xinjiang Medical Asset Swap, was of the view that such transaction was beneficial to the Group. Regarding the impairment loss as a result of the Xinjiang Medical Asset Swap, the Special Investigation Committee has noted in the 2008 Annual Accounts that, this non-cash impairment loss on the intangible assets of approximately HK\$40 million was mainly derived from the difference in the fair values of the medical equipment disposed of and acquired by the Group under the Xinjiang Medical Asset Swap, respectively, which represented a nominal amount for satisfying the applicable accounting standards, having no real cash outflow incurred by the Group and direct adverse impact on its daily operations.

Under the above circumstances, and after taking into account the Group's entitlement of net income (hence cash inflow) from the gamma knife medical equipment and its strategic consideration (such as the penetration of the Group's business in the northwest region of the PRC and enhancement of brand recognition) under the Xinjiang Medical Asset Swap, the Special Investigation Committee was not convinced that there was sufficient evidence supporting this Allegation that the Xinjiang Medical Asset Swap was for a purpose of returning the relevant medical assets to Mr. Zhu rather than enabling the acquisition of the medical assets in Xinjiang Hospital.

Allegation Number 4

“The transfer of the Bonds from Mr. Li to Mr. Guo Nai Kang (郭乃康) in or about July 2007 at a nominal consideration of HK\$1.00 was suspicious, which caused the Group to realize some of its non-core assets in order to repay the outstanding principal amount of the Bonds.”

As described in the China Renji Acquisition Circular, the Bonds, which would mature on three years from the date of the issue and born a coupon rate of 3% per annum, were transferable and could be transferred or assigned to any party other than a connected person of the Company. In addition, the Bonds also contained an early redemption provision such that the Company would have an option to redeem the Bonds at par during the date falling three months after the issue of the Bonds up to and including the day prior to the maturity date.

The Special Investigation Committee noted from the Allegation Review Report that Zhonglei has received a written confirmation from Mr. Li confirming that the transfer of the Bonds from Mr. Li to Mr. Guo Nai Kang was his personal decision. In any event, it was the contractual obligation on part of the Company to repay the outstanding principal amounts of the Bonds when they fall due and whom the Bonds were being transferred to were not the corporate affairs of the Group.

Allegation Number 5

“Mr. Yang might have misappropriated funds from the Company. The management of those companies engaged by the Group for the management and operations of the Group’s medical assets was chaotic resulting in the trade receivables of the Group as at 30 June 2010 being twice as much as the balance as at 31 December 2009 and problems in the Group’s accounts. Mr. Guo and Mr. Wang casted doubt on the recoverability of such outstanding accounts receivables.”

Although it was not clearly stated what problems had been encountered in the Group’s accounts in the Press, the Special Investigation Committee noted that the Complaints contained certain discussions and queries raised during the Company’s board meeting regarding the substantial increase in the trade receivable from approximately HK\$47.76 million as at 31 December 2009 to approximately HK\$94.37 million as at 30 June 2010. The Special Investigation Committee therefore suspected that the “problems” in the Group’s accounts as referred by Mr. Guo and Mr. Wang were related to the substantial increase in trade receivables.

The Special Investigation Committee noted that at the meeting of the then Company’s audit committee in August 2010, it was reported that such increase in the trade receivables was mainly due to the change of deans of certain hospitals which resulted in the delay in settlement of the outstanding receivables and such delays in settlement of trade receivables were not unusual within the PRC medical industry. The Special Investigation Committee also noted in the 2009 Annual Accounts and the 2010 Interim Accounts that during the year ended 31 December 2009 and the six months ended 30 June 2010, the Group generally allowed an average credit period of 90 days, respectively, whereby (i) majority of the trade receivables as at 31 December 2009 and 30 June 2010 were not past due and accounted for approximately 81.12% and 49.31% of the corresponding total trade receivables; (ii) trade receivables which were 4 to 6 months past due dates accounted for approximately 0.48% and 14.65% of the total trade receivables as at 31 December 2009 and 30 June 2010, respectively; (iii) no trade receivables as at 30 June 2010 were 7 to 12 months past due; and, more importantly, (iv) Zhonglei has reviewed the breakdown and the relevant supporting documents relating to the trade receivables as at 30 June 2010 and noted that over 80% of such trade receivables were subsequently settled during the period from 1 July to 31 December 2010 and, save for an immaterial written-off of approximately HK\$0.49 million, the remaining balance of the trade receivables as at 30 June 2010 were all settled within 2011. Based on the above, whilst the Special Investigation Committee understood the concerns of Mr. Guo and Mr. Wang at the time when the said board meeting of the Company was held, the Special Investigation Committee was not convinced that there was sufficient evidence for the above Allegation given the above facts.

Allegation Number 6

“The then members of the Board had rejected the request of Mr. Guo and Mr. Wang for their proposal to engage professional parties and/or PRC police force to perform investigation and/or to take follow up actions.”

The Special Investigation Committee noted that whilst the Allegations made by Mr. Guo and Mr. Wang contained in the Press had described that (i) the Board did not respond to the request of Mr. Guo and Mr. Wang for the appointment of professional parties to follow up on matters relating to the Group’s compliance matters; and (ii) Mr. Guo and Mr. Wang

demanded the Board twice to engage the police force in the PRC to conduct investigation in the relevant matters regarding the Group's accounts during July and August 2010 but were rejected by the then other members of the Board, the Complaints mainly focused on the rejection of the Board for the proposal of Mr. Guo and Mr. Wang regarding the engagement of professional parties to investigate on the overdue trade receivables and the potential misappropriation of funds by those companies engaged by the Group as well as the legal procedures for the compensation on the damages caused by the aforesaid matters.

As mentioned above, the Special Investigation Committee understood the concerns of Mr. Guo and Mr. Wang regarding the increase in trade receivables as at 30 June 2010. However, the Special Investigation Committee noted that during a board meeting held on 6 August 2010, Mr. Guo and Mr. Wang had concerns over the accounts receivables and other corporate governance related matters of the Group but there was no obvious objection of the then other members of the Board for the proposal to strengthen the financial systems and the corporate governance of the Group as well as to take actions on non-compliance operations which could damage the Group's interest (if any). During another board meeting held subsequently on 27 August 2010, whilst Mr. Guo raised his concerns as to the requirement to engage a professional party to investigate the trade receivables of approximately HK\$94.37 million as at 30 June 2010, the then independent non-executive Directors considered that a repayment term of 3 months was reasonable in the PRC medical industry but had agreed that an investigation in the trade receivables might be required. The then independent non-executive Directors also considered it necessary for the Board to be provided with more detailed understanding on the issues relating to the trade receivables (such as detailed breakdown and the corresponding ageing analysis on the trade receivables of each of the Group's medical centres, etc.). However, during the aforesaid board meeting, there had been no conclusion as to how the investigation should be performed.

The Special Investigation Committee noted that although there were differences in opinions as to how the investigation should be performed, the Board had taken actions in response to the requests of Mr. Guo and Mr. Wang rather than rejecting the requests of Mr. Guo and Mr. Wang. Furthermore, the Special Investigation Committee has also considered that the review performed by Zhonglei has also addressed the concerns of Mr. Guo and Mr. Wang as to the recoverability of the trade receivables.

The Special Investigation Committee has considered that these Allegations have not only damaged the reputation and credibility of the Group, but the prolonged suspension in the trading of Shares on the Stock Exchange has also hindered the development pace of the Group, for example, the Company's failure to conduct any fund raising exercise to obtain additional working capital to capture the potential investment/business opportunities available.

Others

During late 2009, the Stock Exchange received a complaint indicating that certain medical equipment of the Group have not possessed the large medical procurement licenses (the "Licenses") for operations. However, the Special Investigation Committee has noted that based on the legal opinion disclosed in the Allegation Review Report, the hospital partners of the Group (rather than the Group) are responsible for the application/obtaining of the Licenses. However, as disclosed in the Company's annual report for the year ended 31 December 2011, the Group has implemented a plan to dispose of the Non-licensed Medical

Assets and, as disclosed in the 2012 Annual Results Announcement, the Group has disposed of all the Non-licensed Medical Assets to the effect that as at 31 December 2012, all the medical equipment operated by the Group have possessed the Licenses for operations.

The Special Investigation Committee has noted that as at the date of this announcement, (i) the current directors, senior management and substantial shareholders of the Company have confirmed that they are not related to and not connected persons of Mr. Yang and Mr. Li and (ii) Mr. Yang and Mr. Li have also confirmed that they and their respective associates are not involved in the Group's operations.

Having considered the above, the Company has considered that the above details relating to the Allegations has fulfilled condition numbered one as stated in the Stock Exchange's letter dated 26 March 2013.

THE 2010 QUALIFIED AUDIT OPINION AND THE SUBSEQUENT MANAGEMENT EFFORT TO REMOVE FACTORS LEADING TO THE 2010 QUALIFIED AUDIT OPINION

Background of 2010 Qualified Audit Opinion

The Auditors issued the 2010 Qualified Audit Opinion as they considered that they were not able to obtain sufficient appropriate audit evidence or to carry out other satisfactory procedures to satisfy themselves in relation to the followings:

- (a) the amount of impairment loss on the Clear Smart Bond recognised in the group accounts; and
- (b) the assumption underlying the impairment review on the Group's cash-generating unit of medical network that the necessary licenses can be obtained for the Non-licensed Medical Assets and penalty will not be imposed by government authority on the Group due to the lack of the necessary licenses which have resulted in the Auditors not being able to determine the fairness of the followings in the 2010 Annual Accounts:
 - the amounts of impairment losses and the carrying values of goodwill, property, plant and equipment, other intangible assets, deposits on acquisition of property, plant and equipment and deferred tax liabilities (where appropriate) included in the group accounts;
 - the amount of provision or contingent liability for penalty (if any), due to lack of necessary licenses recognised or disclosed in the group accounts; and
 - the corresponding amounts of impairment losses and carrying values of investments in subsidiaries included in the company level accounts.

In view of the above factors which led to the 2010 Qualified Audit Opinion, the management of the Company has performed the following:

The Clear Smart Bond

As disclosed in the 2011 Annual Accounts, the Group disposed of the Clear Smart Bond in December 2011 and therefore the 2010 Qualified Audit Opinion in relation to the Clear Smart Bond is no longer applicable and had been removed for the 2011 Annual Accounts.

The Non-licensed Medical Assets

As further disclosed in the 2011 Annual Accounts and the 2012 Interim Accounts, the Group has commenced to implement a plan to dispose of the Non-licensed Medical Assets and, accordingly, the Non-licensed Medical Assets were re-classified as assets classified as held for sale as of 31 December 2011. As at 30 June 2012, the carrying amount of these assets classified as held for sale amounted to approximately to HK\$37.04 million (31 December 2011: approximately HK\$142.59 million). As disclosed in the 2012 Annual Results Announcement, the Group has disposed of all Non-licensed Medical Assets to the effect that as at 31 December 2012, all the medical assets underlying the Group's medical network have possessed the relevant licenses for operations. Accordingly, the relevant qualified audit opinion relating to the Non-licensed Medical Assets has been removed for the consolidated financial statements for the year ended 31 December 2012.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

As disclosed in the 2012 Annual Results Announcement, the Auditors' report has contained the following disclosures relating to the opinion on the Company's consolidated financial statements for the year ended 31 December 2012:

“Basis of Qualified Opinion

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of the inability to obtain sufficient appropriate audit evidence for our audit, details of which are set out in our audit report dated 28 February 2012. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net assets of the Group as at 31 December 2011 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Company and of the Group for the year ended 31 December 2011 were fairly stated. Any adjustment found to be necessary may affect the net assets of the Company and the Group as at 31 December 2011 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements. Therefore, the comparative figures may not be comparable and any adjustment to these figures that might have been found necessary in respect would have had a consequential impact on the opening balances of net assets of the Group and the Company as at 1 January 2012, the opening balances of the accumulated losses of the Group and the Company as at 1 January 2012, the Group's results for the year ended 31 December 2012 and the related disclosures thereof in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.”

Since the qualified audit opinion on the Company's consolidated financial statements for the year ended 31 December 2012 only relates to the financial information for the year ended 31 December 2011, and except for the possible effect related thereto, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance as mentioned above, the Company has considered that it has fulfilled condition numbered two as stated in the Stock Exchange's letter dated 26 March 2013.

INTERNAL CONTROL REVIEW

In light of the requirements under the Resumption Conditions Letter for the Company to demonstrate that there are adequate financial reporting procedures and internal control systems to meet the obligations under the Listing Rules, in February 2012, the Company engaged Shinewing to carry out an independent review (the "IC Review") on the financial reporting procedures and internal control systems of the Group.

The IC Review has been conducted in accordance with the COSO Framework and has covered the following specific aspects: (i) entity level review under COSO Framework; (ii) activity level review on selected area; (iii) review on information technology general controls; and (iv) corporate governance review with reference to Appendix 14 of the Listing Rules. In these regards, Shinewing has identified a number of deficiencies in the internal control system of the Group and made recommendations to the management of the Company for improvement. The Group has adopted and implemented those measures recommended in the IC Review Report and, subject to the further review by Shinewing on the implementation of these recommendations as well as the Group's relevant procedures with regards to its connected transactions, the Board expects that the Group will have adequately addressed the concerns as to whether there are sufficient financial reporting procedures and internal control systems in place to meet obligations under the Listing Rules. Further announcement will be made by the Company as and when appropriate regarding the results of the further review performed by Shinewing on the Group's internal control (which is expected to be completed by May 2013).

LATEST BUSINESS DEVELOPMENT OF THE GROUP

The Group is principally engaged in the provision of medical equipment and services for the operation of its medical centre network specialising in the diagnosis and treatment of tumours and/or cancer related diseases in the PRC.

As disclosed in the 2012 Annual Results Announcement, for the year ended 31 December 2012, the Group recorded a turnover of approximately HK\$134.44 million, a gross profit of approximately HK\$94.15 million and was able to turnaround from a net loss after taxation of approximately HK\$266.89 million for the financial year ended 31 December 2011 to a net profit after taxation of approximately HK\$61.26 million for the year ended 31 December 2012. The turnaround to profit after taxation for the year ended 31 December 2012 was attributable to, among other things, (i) the Group's completion of disposal of the Non-licensed Medical Assets during 2012 to the effect that the depreciation and amortisation expenses, as well as the deferred tax liabilities in connection with the Group's medical assets and other related intangible assets have been significant decreased; (ii) the exchange gain relating to a loan of the Group denominated in Japanese Yen; (iii) the reduction in operating cost due to the

continuous implementation of the Group's various cost control measures; and (iv) the significant decrease in impairment losses recorded by the Group when compared with the same period in previous year.

RESUMPTION OF TRADING

Based on the above, the Company has considered that it has fulfilled the conditions for resumption of trading in the Shares as mentioned above, and application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 April 2013.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2007 Annual Accounts”	the audited financial statements of the Group for the year ended 31 December 2007
“2008 Annual Accounts”	the audited financial statements of the Group for the year ended 31 December 2008
“2009 Annual Accounts”	the audited financial statements of the Group for the year ended 31 December 2009
“2010 Annual Accounts”	the audited financial statements of the Group for the year ended 31 December 2010
“2010 Interim Accounts”	the unaudited financial statements of the Group for the six months ended 30 June 2010
“2010 Qualified Audit Opinion”	the disclaimer opinion expressed by the Auditors on the 2010 Annual Accounts
“2011 Annual Accounts”	the audited financial statements of the Group for the year ended 31 December 2011
“2012 Annual Results Announcement”	the Company's announcement published on 28 March 2013 relating to its annual results for the year ended 31 December 2012
“2012 Interim Accounts”	the unaudited financial statements of the Group for the six months ended 30 June 2012
“Anping Medical”	Shanghai Anping Medical Treatment Technology Co., Ltd.* (上海安平醫療科技有限公司), a company incorporated in the PRC and a former indirect wholly-owned subsidiary of the Company
“Auditors”	the auditors of the Company
“Bonds”	the 3-year non-convertible bonds in the principal amount of HK\$320 million, which formed part of the consideration under the China Renji Acquisition

“Board”	the board of Directors
“China Renji”	China Renji Medical Group Limited (now renamed as China Renji Medical (BVI) Limited), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“China Renji Acquisition”	the acquisition of the entire equity interest of China Renji by the Group pursuant to a sale and purchase agreement dated 24 April 2007 entered into between the Group and Mr. Li for a consideration of HK\$641 million which was satisfied by cash, the issue of the Bonds and a total of 2.71 billion new Shares, details of which was disclosed in the circular of the Company dated 18 June 2007
“Clear Smart Bond”	the non-convertible bond of approximately HK\$81.45 million due 2010 from Clear Smart Enterprises Limited
“Company”	China Renji Medical Group Limited, a company with limit liability incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“COSO Framework”	Internal Control Integrated Framework issued by the Committee of Sponsoring Organisation of the Treadway Commission
“Directors”	the directors of the Company from time to time
“Five Relevant Acquisition Transactions”	the acquisitions by the Group of medical assets used in medical centres located at (i) The Main Hospital of the Second Artillery Force of the People’s Liberation Army of the PRC* (中國人民解放軍第二炮兵總院); (ii) Shijiazhuang Hua Guang Tumour Hospital* (石家莊華光腫瘤醫院); (iii) Wuhan General Hospital, Guangzhou Military Area Command of Chinese People’s Liberation Army* (中國人民解放軍廣州軍區武漢總醫院); (iv) Shandong Ankang Hospital* (山東安康醫院); and (v) Shenzhen Luohu People’s Hospital* (深圳市羅湖區人民醫院); the details of which were set out in the Company’s announcements dated 2 October 2007 and 23 January 2008, 20 June 2008, 22 July 2008 and 1 August 2008, respectively
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guo”	Mr. Guo Bao Ping (郭保平), a former Director
“Mr. Li ”	Mr. Li Juewen (李覺文), former chairman and executive Director
“Mr. Wang”	Mr. Wang Hai (王海), a former Director

“Mr. Yang”	Mr. Yang Yifei (楊逸飛), former chairman and executive Director
“Mr. Zhu”	Mr. Zhu Yiwen (朱義文), the supervisor-in-charge of the Shanghai No. 455 Hospital Gamma Knife Centre
“Non-licensed Medical Assets”	the medical assets (comprising property, plant and equipment and other intangible assets) underlying the Group’s medical network which do not possess the necessary licenses
“PRC”	the People’s Republic of China
“Resumption Conditions Letter”	the letter issued by the Stock Exchange to the Company dated 18 April 2011 setting out the conditions for the resumption of trading of the Shares on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Special Investigation Committee”	the independent special purpose committee of the Board, comprising two independent non-executive Directors, formed on 2 March 2012 for the investigation of the Allegations
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shinewing”	SHINEWING Risk Services Limited
“Xinjiang Medical Asset Swap”	the swapping of medical assets involving (i) the acquisition of body gamma knife and the head gamma knife used by Xinjiang Hospital of Cardio-Cerebral Vascular Diseases* (新疆心腦血管病醫院); and (ii) the disposal of the 32% and 30% of the Group’s interests in the gamma knife medical equipments used by the medical centres located at Shanghai 411 Hospital and the Shanghai 455 Hospital, respectively, the details of which was set out in the announcement of the Company dated 1 January 2009
“Zhonglei”	ZHONGLEI Risk Advisory Services Limited

By Order of the Board of
China Renji Medical Group Limited
Tang Chi Chiu
Chairman

Hong Kong, 3 April 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tang Chi Chiu and Mr. Wang Jianguo, and three independent non-executive Directors, namely Mr. Kwok Chung On, Mr. Wu Chi Keung and Ms. Wu Yan.

* *for identification purpose only*