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)

DISCLOSEABLE TRANSACTION IN RESPECT OF POSSIBLE ACQUISITION OF 38% OF THE ISSUED SHARE CAPITAL OF REDSUN DEVELOPMENTS LIMITED

THE ACQUISITION

The Company is pleased to announce that on 21 June 2013 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to dispose of and the Company has conditionally agreed to acquire the Sale Shares at the consideration of HK$75.24 million, which will be satisfied as to HK$15 million by cash and as to the remaining HK$60.24 million by the issue of the Promissory Note upon Completion (or such other day as parties thereto may agree). Upon Completion, the Target Company will become an associated company of the Company.

IMPLICATION OF THE LISTING RULES

Since the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

On 21 June 2013 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to dispose of and the Company has conditionally agreed to acquire the Sale Shares, representing 38% of the issued share capital of the Target Company. Details of the Acquisition Agreement are set out as follows:

THE ACQUISITION AGREEMENT

Date

21 June 2013

Parties

(i) the Company, as the purchaser; and

(ii) the Vendor, as the vendor.

The Vendor is an investment holding company incorporated in the British Virgin Islands and is interested in the entire issued share capital of the Target Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Vendor and its beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Asset to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 38 % of the issued share capital of the Target Company.

Consideration

The Consideration of HK$75,240,000 was determined after arm's length negotiation between the Group and the Vendor with reference to, among other things, the historical results and the growth prospects of the Target Group, the consumer industry in the PRC as well as the synergies created between the Target Group and the Group's network in the PRC's medical business. The Consideration will be satisfied as to HK$15 million by cash as a refundable deposit (the "**Deposit**") and as to the remaining HK$60.24 million by issue of the Promissory Note to the Vendor upon Completion. As at the date of this announcement, cash in the amount of HK$15 million from the Company's internal resources has been paid as Deposit to the Vendor.

Having considered that (i) the profitable track record of the Target Group's business (as detailed below); (ii) the strategic value of the Target Group to the future development of the Group in the medical and hospital sector; and (iii) the opportunities for the Group to tap into the consumer market in the PRC brought by the Acquisition, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement (including the Consideration) are fair and reasonable and on normal commercial terms and that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Completion

Completion is subject to the following conditions being fulfilled or waived (as the case may be):

(i) the Company having been satisfied with the results of a due diligence review on the Target Group;

(ii) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Group in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remained in full force and effect;

(iii) all necessary consents, licences and approvals required to be obtained on the part of the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition and the issue of the Promissory Note) having been obtained and remain in full force and effect;

(iv) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate in all material respects;

(v) the completion of the reorganisation (the "**Reorganisation**") which shall be conducted on such terms and subject to such conditions as the Company may agree such that the Target Company will be interested in 100% equity interest in a group of companies including an operating subsidiary (the "**Operating Subsidiary**") engaged in design, manufacture and sale of household products with patented technology; and

(vi) the Company having satisfied that there has not been any material adverse change in respect of the business of the Target Group.

If the conditions set out above are not fulfilled or, as the case may be, waived (in respect of conditions numbered (i), (iv) and (vi)) by the Company on or before 4:00 p.m. on 30 September 2013 (the "**Long Stop Date**") (or such other date as the parties thereto may agree), the obligations of the parties to the Acquisition Agreement shall cease and determine (save and except certain clauses under the Acquisition Agreement which will continue to have full force and effect) and thereafter, neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of terms of the Acquisition Agreement. For the avoidance of doubt, conditions (ii), (iii) and (v) are incapable of being waived. In the event that the Completion does not take place, the Vendor shall return the Deposit (without interest) to the Purchaser within 5 business days.

Completion

Completion shall take place at 4:00 p.m. on any day falling within 5 business days after all the conditions as set out above having been fulfilled (or waived as the case may be) or such later date as may be agreed between the Vendor and the Company. Upon Completion, the Target Company will become an associated company of the Company.

THE PROMISSORY NOTE

Principal terms of the Promissory Note

Issuer:	the Company
Principal amount:	HK$60.24 million
Maturity Date:	the date falling on the third anniversary of the issue date of the Promissory Note (or if that is not a business day, the first business day thereafter)
Interest rate:	5% per annum on the principal amount and is payable semi-annually
Early repayment:	provided that the Company had given to the holder of the Promissory Note of not less than two business days' prior notice in writing of its intention to repay any part of the outstanding principal amount and the interest accrued thereon under the Promissory Note, the Company might at any time from the date of issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note or any part of it (in amounts of not less than HK$1,000,000) by payment to the holder of the Promissory Note of the outstanding principal amount and the accrued interest thereof save that if at that time, the outstanding principal amount of the Promissory Note was less than HK$1,000,000, the whole (but not part) of the Promissory Note might be repaid.
Payment on maturity:	the Company shall pay the principal amount of the Promissory Note which remains outstanding, together with the interest accrued thereon, in one lump sum on the maturity date.
Transferability:	provided that the holder of the Promissory Note had given to the Company of not less than two business days' prior notice in writing of its intention to transfer or assign this Note, the Promissory Note is freely transferable and assignable in whole or in integral multiples of HK$1,000,000 and in whole only if the outstanding principal sum of this Promissory Note is less than HK$1,000,000 by the Vendor to any person other than a connected person (as defined in the Listing Rules) of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands. The Target Company has not commenced any business operations since its incorporation in February 2012 and recorded unaudited net loss before and after tax of approximately HK$0.01 million since its incorporation up to 31 May 2013 and accordingly its net asset value amounted to approximately of HK$0.01 million as at 31 May 2013. As a condition precedent to the Acquisition Agreement, the Target Company shall complete the Reorganisation such that the Target Company will hold 100% equity interest in a group of companies including the Operating Subsidiary. Based on the PRC audited financial statements of the Operating Subsidiary, for each of the years ended 31 December 2011 and 2012, the

Operating Subsidiary recorded (i) a profit before tax of approximately HK$15.5 million and HK$35.8 million, respectively; and (ii) a profit after tax of approximately HK$11.6 million and HK$26.9 million, respectively. As at 31 December 2012, the Operating Subsidiary recorded a net asset value of approximately HK$100.6 million. After the Completion, the Target Company will become an associated company of the Company and its financial results will be accounted for using the equity method.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Group's medical centres are located at the premises of its hospital partners and most of such medical centres are established through the long term lease and management service arrangements entered into with hospital and/or other business partners of the Group. However, as described in the annual report of the Company for the year ended 31 December 2012 (the "**2012 Annual Report**"), non-civilian medical institutions in the PRC are no longer permitted to enter into cooperation agreements with third parties to set up for-profit centres, but these non-civilian medical institutions are permitted to lease medical equipment from their partners at market rates if they do not have adequate funds to purchase the medical equipment. The above-mentioned business model of the Group could potentially be exposed to challenges when the relevant PRC health departments/authorities have different interpretation to the extent that the Group's lease and management services agreements with its hospital partners may not be in compliance with the existing rules and regulation and thus may cast uncertainties over the Group's ongoing business operations. Furthermore, the increasingly challenging business environment for the Group's medical business in the PRC brought about from the healthcare reform policies implemented by the PRC government in recent years have laid downward pressure on the Group's financial performance. More importantly, the National Health and Family Planning Commission of the PRC has recently launched a program (the "**Program**") to clean-up and rectify grassroots medical institutions (such as county-level hospitals, community health centres, infirmaries and clinics) in order to ensure quality and safety. The Program has outlined a number of measures for purpose of tightening the management of the PRC's hospitals and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments.

As described in the announcement of the Company dated 18 June 2013, it is expected that the implementation of the new policies such as the Program will have a potential adverse impact on the ongoing cooperating relationship with its hospital partners, including the non-renewal upon the expiry or termination before the expiry of the Group's cooperations with the hospitals via its partners, which will in turn impose downward pressure on the Group's future financial performance and business operations and even lead to a further written down of the Group's assets. In view of the above, the Directors have considered it is beneficial for the Group to seek investment/business opportunities in other business areas with proven track record so as to enhance the Group's future financial performance.

Driven by the increasing disposable income and improving living standards in the PRC, there has been a growing demand for household products. The acquisition of the Target Group, which is principally engaged in the design, manufacture and sales of household products, will provide the Group with an opportunity to tap into the consumer market in the PRC and capitalise on the growth engine of the PRC's domestic demand market. More importantly, under the《衛生事業發展「十二五」規劃》(the Twelfth Five-Year Plan for Health Care) promulgated by the State Council of the PRC in October 2012, it is targeted that a nationwide medical health care system covering both urban and rural residents will be established by 2015 to ensure that Chinese citizens will be provided with medical services that are greatly improved in quality, efficiency and patient satisfaction. Therefore, the management of the Group expects that such policy will also result in an increase in demand for medical and hospital related products and accessories. Both the Group and the Vendor have considered that the Acquisition will be synergetic with each other such that, on one hand, the Target Group will be able to leverage on the extensive business network of the Group in the PRC's medical sector and enable the Target Group to gain access to the medical and hospital related products and accessories utilized by hospitals and clinics in the PRC to broaden its clientele (hence income base) whilst on the other hand, the Group will be able to utilize the business network in its existing medical business and diversify its overall business risk.

Having considered the above, the Directors (including the independent non-executive Directors) believe that the Acquisition represents an attractive investment and the entering into of the Acquisition Agreement and the transactions completed thereunder are in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

Since the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares, representing 38% of the issued share capital of the Target Company, by the Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 21 June 2013 and entered into between the Company and the Vendor in relation to the Acquisition
"Board"	the board of Directors
"Company"	China Renji Medical Group Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the main board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the Acquisition Agreement

"Consideration"	the consideration of HK$75.24 million for the Acquisition
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Promissory Note"	the promissory note to be issued by the Company with the principal amount of HK$60.24 million
"Sale Shares"	38 ordinary shares, representing 38% of the entire issued share capital of the Target Company
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Redsun Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor
"Target Group"	the Target Company and the companies upon completion of the Reorganisation
"Vendor"	Green Zone Capital Limited, a company incorporated in the British Virgin Islands with limited liability, an Independent Third Party

"HK$"	Hong Kong dollar(s), the lawful currency of the Hong Kong Special Administrative Region of the PRC
"%"	per cent.

For illustration purpose, amounts in Renminbi ("RMB") in this announcement have been translated in to HK$ at the exchange rate of RMB1 = HK$1.266.

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

Hong Kong, 21 June 2013

As at the date of this announcement, the board of the Company 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.