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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)

PROPOSED CAPITAL REORGANISATION

THE PROPOSED CAPITAL REORGANISATION

The Company proposed to reorganise the capital of the Company which involve (i) reducing the nominal value of each of the issued Share to the extent of HK\$0.099 from HK\$0.1 each to HK\$0.001 each; (ii) reducing the nominal value of each of the authorised but unissued Share to the extent of HK\$0.099 from HK\$0.1 each to HK\$0.001 each; (iii) cancelling the share premium account of the Company after the above-mentioned proposed reduction in the share capital of the Company having become effective; and (iv) applying the credit arising from the aforesaid reduction of issued share capital and cancellation of the share premium account of the Company to eliminate the Company's accumulated losses.

GENERAL

A circular containing, amongst other things, further information on the Proposed Capital Reduction and the Proposed Share Premium Cancellation and a notice to convene the EGM will be despatched to the Shareholders as soon as practicable.

THE PROPOSED CAPITAL REORGANISATION

The Company proposed to effect the Proposed Capital Reduction to reduce the authorised share capital of the Company from HK\$2,000,000,000 divided into 20,000,000,000 Shares of HK\$0.1 each to HK\$20,000,000 divided into 20,000,000,000 Reduced Shares of HK\$0.001 each by (i) reducing the issued and paid-up capital of the Company to the extent of HK\$0.099 on each of the Shares in issue such that the nominal value of each of the issued Share of HK\$0.1 each will be reduced to HK\$0.001 per Reduced Share; and (ii) reducing the nominal value of each of the authorised but unissued Shares of HK\$0.1 each to the extent of HK\$0.099 to HK\$0.001 per Reduced Share. In addition, the Company also proposed to effect the Proposed Share Premium Cancellation through cancellation of the share premium account of

the Company after the Proposed Capital Reduction having become effective such that the credit arising from the Proposed Capital Reduction and the Proposed Share Premium Cancellation will be used to eliminate the accumulated losses of the Company.

Taking into account that (i) the Company has a total of 13,545,112,521 Shares in issue with issued and paid-up share capital amounted to approximately HK\$1,354,511,252 as at the date of this announcement; (ii) the share premium account of the Company amounted to approximately HK\$981,851,000 based on the audited financial statements of the Company for the year ended 31 December 2012, it is expected that credits arise from the Proposed Capital Reduction and the Proposed Share Premium Cancellation will amount to approximately HK\$1,340,966,140 and HK\$981,851,000 respectively. Subject to the approval of the Court and to the extent permitted by the Court, the aforesaid credits in the aggregate amount of HK\$2,322,817,140 arising from the Proposed Capital Reduction and the Proposed Share Premium Cancellation will be used to eliminate the accumulated losses of the Company (which amounted to approximately HK\$2,211,515,000 based on the Company's audited financial statements for the year ended 31 December 2012) and the remaining balance (if any) of which will be transferred to the distributable reserve account of the Company and will be dealt with and applied in accordance with such directions and subject to such conditions as the Court may impose (if any), and/or in such manners as the Directors consider appropriate.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Proposed Capital Reduction and the Proposed Share Premium Cancellation becoming effective, the share capital structure of the Company will be as follows:

	Share capital of the Company before the Proposed Capital Reduction	Share capital immediately of the Company after the Proposed Capital Reduction becoming effective
Par value	HK\$0.1	HK\$0.001
Number of authorized share	20,000,000,000	20,000,000,000
Authorized share capital	HK\$2,000,000,000	HK\$20,000,000
Number of issued share	13,545,112,521	13,545,112,521
Amount of issued share capital	HK\$1,354,511,252	HK\$13,545,113

CONDITIONS OF THE PROPOSED CAPITAL REDUCTION AND PROPOSED SHARE PREMIUM CANCELLATION

The Proposed Capital Reduction and the Proposed Share Premium Cancellation are subject to, among other things, the following conditions:

- (i) the passing of special resolutions to approve the Proposed Capital Reduction and Proposed Share Premium Cancellation at the EGM to be convened by the Company;

- (ii) the confirmation of the Proposed Capital Reduction and Proposed Share Premium Cancellation by the Court and the registration of the order of the Court and the minute thereof containing particulars required under the Companies Ordinance by the Registrar of Companies in Hong Kong;
- (iii) compliance with the relevant procedures and requirements under the Listing Rules to effect the Proposed Capital Reduction and the Proposed Share Premium Cancellation; and
- (iv) the Listing Committee of the Stock Exchange having granted the approval to the listing of, and permission to deal in, the Reduced Shares as a result of the Proposed Capital Reduction.

The Proposed Capital Reduction and the Proposed Share Premium Cancellation will become effective when the above conditions have been satisfied. However, since the Proposed Capital Reduction and the Proposed Share Premium Cancellation are subject to the confirmation by the Court, the date on which the Proposed Capital Reduction and the Proposed Share Premium Cancellation having become effective is not ascertainable as at the date of this announcement. An application will be made to the Court as soon as practicable regarding the Proposed Capital Reduction and the Cancellation of Share Premium. Further announcement(s) will be made to inform Shareholders on the expected effective date and, as necessary or appropriate, the progress and results of the application to the Court.

REASONS FOR THE PROPOSED CAPITAL REORGANISATION AND IMPACT ON THE COMPANY AND THE SHAREHOLDERS

The Company is principally engaged in the provision of medical equipment and service for the network of its medical centres specializing in the diagnosis and treatment of tumours and/or cancer related diseases in China.

As detailed in the Company's annual report for the year ended 31 December 2012, although the Group was able to turnaround to consolidated net profit after taxation of approximately HK\$61.26 million for the year ended 31 December 2012, the Company still had accumulated loss of approximately HK\$2,211.52 million as at 31 December 2012. After the Proposed Capital Reduction and Proposed Share Premium Cancellation having become effective with credit arising from the Proposed Capital Reduction and Proposed Share Premium Cancellation being applied to eliminate the accumulated loss of the Company, the capital and reserves of the Company will more closely reflect the available net assets of the Company and would provide the Company with a capital structure that should, subject to performance, permit the payment of dividends as and when the Directors consider it appropriate in the future.

Under the Company Ordinance, the Company is not permitted to issue new Shares at a discount to the par value of the Shares unless, amongst other things, the issue is authorised by a resolution of the Shareholders and is sanctioned by the Court. Given that the share price of the Shares has been trading significantly below its par value since the resumption of the trading of the Shares on 5 April 2013, the Proposed Capital Reduction will facilitate and provide flexibility to the Company in respect of its potential fund raising and acquisition

activities for purpose of, among other things, accommodating the development plan of the Company. However, as at the date of this announcement, the Company did not have any plan for and was not in any negotiation of any such activities.

The Directors (including the independent non-executive Directors) are of the view that, other than the expenses to be incurred in relation to the Proposed Capital Reduction and the Proposed Share Premium Cancellation, the Proposed Capital Reduction and the Proposed Share Premium Cancellation will not have a material effect on the financial position of the Group. It is also expected that the implementation of the Proposed Capital Reduction and Cancellation of Share Premium will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders. Based on the above, the Directors (including the independent non-executive Directors) have considered that the Proposed Capital Reduction and the Proposed Share Premium Cancellation are in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING OF THE REDUCED SHARES

Application will be made by the Company to the Listing Committee for granting the listing of, and permission to deal in, the Reduced Shares arising from the Proposed Capital Reduction and the Proposed Share Premium Cancellation.

Upon the Proposed Capital Reduction and the Proposed Share Premium Cancellation becoming effective, the Reduced Shares shall rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. The Proposed Capital Reduction and the Proposed Share Premium Cancellation will not result in any change in the relative rights of the Shareholders.

Subject to granting of the listing of, and permission to deal in, the Reduced Shares on the Stock Exchange, the Reduced Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reduced Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CERTIFICATES FOR THE REDUCED SHARES

Arrangements will be made so that subject to the Proposed Capital Reduction and the Proposed Share Premium Cancellation becoming effective, the Shareholders may submit their existing certificates for the Shares to the Company's registrar in exchange for certificates for the Reduced Shares free of charge during a certain period after the Proposed Capital Reduction and the Proposed Share Premium Cancellation has become effective. After the expiry of such period, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.5 per share certificate (or such higher amount as allowed by the Stock Exchange from time to time). Existing certificates for the Shares will cease to be good for delivery but will continue to be good evidence of legal title to the Reduced Shares. Details of such exchange arrangements will be set out in a circular to be despatched to the Shareholders.

GENERAL

A circular containing further information regarding, among other matters, the Proposed Capital Reduction and the Proposed Share Premium Cancellation, together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

WARNING

Shareholders should also be aware of and take note that the Proposed Capital Reduction and the Proposed Share Premium Cancellation are conditional upon satisfaction of the conditions precedent set out in the paragraphs headed “Conditions of the Proposed Capital Reduction and the Proposed Share Premium Cancellation” above, therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITION

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings when used herein:

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance, Cap 32 of the Laws of Hong Kong
“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong, the issued shares of which are listed on the Stock Exchange
“Court”	the High Court of Hong Kong
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Capital Reduction and the Proposed Share Premium Cancellation
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	The Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding The Hong Kong Special Administrative Region, The Macau Special Administrative Region and Taiwan)
“Proposed Capital Reduction”	the proposed reduction of the share capital of the Company by cancelling the issued and paid-up capital to the extent of HK\$0.099 on each of the Shares in issue and by reducing the nominal value of all the unissued Shares from HK\$0.1 each to HK\$0.001 each
“Proposed Share Premium Cancellation”	the cancellation of the share premium account of the Company as at the effective date of the Proposed Capital Reduction
“Reduced Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company upon the Proposed Capital Reduction having become effective
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company as at the date of this announcement or the Reduced Share(s), as the case maybe
“Shareholder(s)”	holder(s) of the Share(s) or the Reduced Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

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

Hong Kong, 25 June 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.