CHINA RENJI Medical Group Ltd.
中國仁濟醫療集團有限公司

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)

MAJOR TRANSACTION
DISPOSAL OF PART OF THE GROUP'S INTEREST IN A SUBSIDIARY

THE DISPOSAL AGREEMENT

The Company is pleased to announce that on 28 June 2013, the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser and pursuant to which the Vendor has conditionally agreed to dispose of and assign and the Purchaser has conditionally agreed to acquire and accept the Sale Shares (representing 35% issued share capital of Wintin) and the Sale Loan, respectively, at the initial cash consideration of HK$70,000,000 (subject to adjustment). The Wintin Group is principally engaged in the leasing of medical equipment and provision of services on operations of medical equipment in the PRC. Following completion of the Disposal Agreement, the Group will hold 65% of the issued share capital of Wintin and Wintin will become an indirect non wholly-owned subsidiary of the Company.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are greater than 25% but less than 75%, the Disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the shareholders' approval requirements under the Listing Rules.

EGM

An EGM will be convened at which resolution(s) will be proposed to seek the approval of the shareholders of the Company for, among other things, the transaction contemplated under the Disposal Agreement by way of a poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no shareholders of the Company have material interests in the Disposal Agreement and the transactions contemplated thereunder and therefore, no shareholders are required to abstain from voting at the EGM to approve the relevant resolution(s) regarding the Disposal.

GENERAL

A circular containing, among other things, further details regarding (i) the Disposal Agreement; (ii) a notice convening the EGM; and (iii) other disclosure requirements under the Listing Rules is expected to be despatched to the shareholders of the Company on or before 22 July 2013.

THE DISPOSAL AGREEMENT

Date

28 June 2013

Parties to the Disposal Agreement

(i) the Purchaser, as the purchaser;

(ii) the Vendor, as the vendor; and

(iii) Ms. Gao Min Shan (the "Guarantor"), as the guarantor

The Purchaser is an investment holding company and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and the Guarantor, being the sole ultimate beneficial owner of the Purchaser, are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Background of the assets to be disposed of

The Vendor has conditionally agreed to dispose of and assign and the Purchaser has conditionally agreed to acquire and accept the Sale Shares (representing 35% issued share capital of Wintin) and the Sale Loan, respectively. As at 31 December 2012, the Sale Loan amounted to approximately HK$140.59 million (representing 35% of the Wintin Group's amount due to the Group of approximately HK$401.69 million as at 31 December 2012).

Wintin is an investment holding company and through its subsidiaries, is principally engaged in the leasing of medical equipment and provision of services on operations of medical equipment in the PRC.

The Wintin Group's consolidated loss before and after taxation attributable to the Group amounted to approximately HK$248.49 million and HK$249.88 million for the year ended 31 December 2011, respectively. The Wintin Group's consolidated profit before and after taxation attributable to the Group amounted to approximately HK$63.06 million and HK$67.35 million for the year ended 31 December 2012, respectively. As at 31 December 2012, the consolidated net asset value of Wintin Group attributable to the Group amounted to approximately HK$245.67 million.

Consideration

Under the Disposal Agreement, the initial consideration (the "Consideration") for the Sale Shares and the Sale Loan is HK$70,000,000 (subject to adjustments as detailed below). However, if the Sale Valuation is higher than the initial Consideration, the Consideration will be adjusted upwards to the Sale Valuation, subject to a cap of approximately HK$226.58 million.

In addition to the above, the Purchaser has requested and the Group has accepted to warrant to the Purchaser that the actual consolidated profit after taxation of the Wintin Group (the "Actual Profit") calculated in accordance with the Hong Kong Financial Reporting Standards for the year ending 31 December 2013 shall be no less than HK$40 million (the "Guaranteed Profit"). In the event that the Actual Profit falls short of the Guaranteed Profit, the Purchaser will be entitled to receive cash compensation (the "Compensation") from the Group based on 35% of 5 times the shortfall between the Guaranteed Profit and the Actual Profit.

The initial Consideration of HK$70,000,000 will be satisfied in cash and will be payable to the Group as follows:

(i) HK$7,000,000 upon completion of the Disposal Agreement (the "First Payment");

(ii) HK$14,000,000 within 3 months after completion of the Disposal Agreement (the "Second Payment"); and

(iii) the remaining balance of the Consideration (after having adjusted by the Sale Valuation, the "Adjusted Remaining Consideration") within 10 business days following the issue of the audit financial statements of the Wintin Group stating the Actual Profit or 6 months after the completion of the Disposal Agreement, whichever is later (or such another date as agreed between the Group and the Purchaser).

For avoidance of doubt, the First Payment and the Second Payment will be non-refundable and the actual payment of the Adjusted Remaining Consideration will be deducted by the Compensation (if any). In the event the Compensation is greater than the Adjusted Remaining Consideration, the Consideration will be adjusted to HK$21 million (i.e. the sum of the First Payment and the Second Payment).

The Purchaser shall upon completion of the Disposal Agreement execute the Share Charge, which shall be released upon full settlement of the Consideration.

The Consideration was determined after arm's length negotiation between the Group and the Purchaser with reference to, among other things, (i) the adverse impact on the Group's future financial performance and business operations of its medical business in the PRC resulting from the increasingly challenging business environment and the tightened implementation of the existing rules and regulations (as detailed below); and (ii) the Guaranteed Profit. The Directors, after having taken into account (i) the potential adverse impact on the future financial performance and business operations of its medical business in the PRC due to, among other things, the implementation of the new policy(ies) in the PRC (as detailed below); (ii) the final Consideration will be based on the higher of HK$70 million or the Sale Valuation; and (iii) the difficulties for the Group to identify a third party with serious interest to acquire for a minority stake in the Group's medical business given the above-mentioned unfavourable operating environment of the Group's medical business, are of the view that the Disposal represents a good opportunity for the Group to divest of part of its investment in the medical business and considered that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable and the entering into of the Disposal Agreement is in the interest of the Company and its shareholders as a whole.

Conditions Precedent

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

(i) the Purchaser being reasonably satisfied with the results of the due diligence on the Wintin Group;

(ii) all the relevant regulatory requirements in respect of the Disposal Agreement and the transactions contemplated thereunder having been complied with;

(iii) the obtaining of the approval of the shareholders of the Company at the EGM to be convened for approving the Disposal Agreement and the transactions contemplated thereunder;

(iv) none of the warranties and obligation given by the Vendor under the Disposal Agreement having been breached; and

(v) all necessary consents and approvals required having been obtained on part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereunder.

If the conditions set out above are not fulfilled or, as the case may be, waived by the Purchaser (in respect of conditions numbered (i) and (iv) only) on or before 31 December 2013 (or such other date as the parties thereto may agree), the obligations of the parties to the Disposal Agreement shall cease and neither party to the Disposal Agreement shall have any claims under the Disposal Agreement against the others save in respect of any antecedent breaches of the Disposal Agreement.

Completion

Completion of the Disposal Agreement shall take place within 5 business days following the above-mentioned conditions precedent of the Disposal Agreement having been fulfilled or waived (as the case may be) or such later date as may be agreed between the parties to the Disposal Agreement.

Upon completion of the Disposal Agreement, save for the Share Charge as described above, the Group will hold 65% of the issued share capital of Wintin and Wintin will become an indirect non wholly-owned subsidiary of the Company.

Based on the initial Consideration of HK$70 million, the consolidated net asset value of the Wintin Group attributable to the Group of approximately HK$245.67 million and the Sale Loan of approximately HK$140.59 million as at 31 December 2012, it is estimated that the Group will record a loss on disposal of approximately HK$156.57 million. However, such computation of gain or loss as a result of the Disposal has not taken into account the potential written down on the Group's assets resulting from the implementation of the recent new policy(ies) (as described below) and the actual amount of which will still be depending on, among other things, the then net asset value of the Wintin Group upon completion of the Disposal Agreement and the final Consideration.

Proceeds from the Disposal will be used as general working capital of the Group or as funding for its future investments when opportunities arise.

REASONS FOR AD BENEFITS OF THE DISPOSAL

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 tumours and/or cancer related diseases in the PRC.

As described in the Company's announcement (the "Announcement") dated 21 June 2013 and the annual report of the Company for the year ended 31 December 2012 (the "2012 Annual Report"), most of the Group's medical centres are established through the long term lease and management service arrangement entered into with hospital and/or other business partners of the Group, such that the Group's hospital partners provide premises for the underlying medical centres, whereas the Group provides medical equipment to these medical centres through long-term leasing arrangements and the Group and/or its business partners provide management services for the medical centres. However, as also described in 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 if they do not have adequate funds to purchase the medical equipment. The above-mentioned business model of the Group may be exposed to challenges if 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 regulations 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 health-care reform policies implemented in recent years have laid downward pressure on the Group's financial performance. In particular, 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 strengthening the management of the PRC's grassroots hospital and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments.

Although the Group has not been assessed by any healthcare departments/authorities for any non-compliance with the existing rules and regulations even after the launching of the Program, it is expected that new policy(ies) like the Program will have an adverse impact on the ongoing working relationship with its hospital partners, including the non-renewal upon the expiry or termination before the expiry of the Group's cooperation with the hospitals via its partners. As at the date of this announcement, four of the Group's medical centres have received notices demanding for termination of the existing cooperation arrangements for compliance with the relevant PRC rules and regulations. Given the circumstance, the management of the Group is pessimistic about the possible renewal or the continuation of the Group's cooperation arrangements for its other medical centres. As such, both the Group's future business operations and financial performance may be dampened and consequently lead to potential further written off of its assets. The Directors therefore consider that the Disposal represents an opportunity for the Group to realise part of its investment in the existing medical business at an earlier stage. Based on the above, the Directors are of the view that the entering into of the Disposal Agreement and the transactions contemplated thereunder is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMLICATION

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GENERAL

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DEFINITION

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

"Company"	China Renji Medical Group Limited, a company incorporated in Hong Kong, the issued shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares and the Sale Loan pursuant to the Disposal Agreement
"Disposal Agreement"	the sale and purchase agreement dated 28 June 2013 entered into between the Purchaser and the Vendor relating to the disposal of the Sale Shares and the Sale Loan

"EGM"	the extraordinary general meeting of the Company to be held and convened for its shareholders to consider, and if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"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)
"Purchaser"	Topworld Alliance Ltd., a company incorporate in the British Virgin Islands with limited liability
"Sale Loan"	35% of the Wintin Group's amount due to the Group (except the Wintin Group), which amounted to approximately HK$401,688,680 as at 31 December 2012
"Sale Shares"	35 shares of US$1 each in the share capital of Wintin, representing 35% issued share capital of Wintin
"Sale Valuation"	35% of the valuation on the Wintin Group to be conducted by an independent valuer jointly appointed by the Group and the Purchaser
"Share Charge"	the share charge to be executed by the Purchaser in favour of the Vendor upon completion of the Disposal as security for the payment of the outstanding Consideration
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	China Renji Medical (BVI) Limited, a company with limited liability incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Wintin"	Wintin International Limited, a company with limited liability incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
"Wintin Group"	Wintin and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

* *for identification purpose only*

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

Hong Kong, 28 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.