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China Renji Medical Group Ltd

中國仁濟醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

**DISCLOSEABLE TRANSACTIONS:
RESTRUCTURING OF A
NON WHOLLY-OWNED SUBSIDIARY
AND
FORMATION OF A JOINT VENTURE**

FORMATION OF A JOINT VENTURE

The Company is pleased to announce that on 24 February 2014, Anping Technology, an indirect non wholly-owned subsidiary of the Company, the Investor and the JV Partner entered into the Cooperation Agreement, pursuant to which (i) Anping Technology will transfer its 62% equity interest in Wuhu Puhui to the Investor resulting in the equity interest of Wuhu Puhui being owned as to 18%, 62% and 20% by Anping Technology, the Investor and the JV Partner, respectively; and (ii) Anping Technology, the Investor and the JV Partner, will invest up to an aggregate of RMB500 million in Wuhu Puhui for purpose of carrying out a project comprising the acquisition of a land parcel from Anping Technology and any additional land parcel(s) required for purpose of constructing, establishing and the subsequent business operation of a tumour-specialised hospital located in Anhui Province, the PRC. The Group will be responsible for the management of the hospital upon its operation. Following completion of the Cooperation Agreement, Wuhu Puhui will no longer be a non wholly-owned subsidiary of the Group and will be accounted for as its investment.

IMPLICATION OF THE LISTING RULES

Since the Equity Transfer will represent disposal of the Group's interest in Wuhu Puhui and the relevant percentage ratios (as defined under the Listing Rules) exceed 5% but less than 25%, the Equity Transfer will constitute 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.

In addition, since the relevant percentage ratios (as defined under the Listing Rules) in respect of the investment by Anping Technology in Wuhu Puhui under the Cooperation Agreement exceed 5% but less than 25%, the transactions contemplated under the Cooperation Agreement will also constitute 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.

THE COOPERATION AGREEMENT

Date

24 February 2014

Parties

- (i) Anping Technology, an indirect non wholly-owned subsidiary of the Company;
- (ii) the JV Partner; and
- (iii) the Investor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save for the interest of the JV Partner in Wuhu Puhui, the JV Partner and the Investor and each of their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Background information of Wuhu Puhui

Wuhu Puhui, which is owned as to 80% and 20% by Anping Technology and the JV Partner, respectively, was established in 2012 and did not have any material business operation as at the date of this announcement. As at the date of this announcement, Wuhu Puhui had paid up capital of RMB55.44 million, of which, RMB30.24 million was contributed by Anping Technology and the remaining RMB25.2 million was contributed by the JV Partner.

Based on the relevant unaudited financial information of Wuhu Puhui prepared under the PRC accounting standards, Wuhu Puhui did not record any profit or loss before and after tax for the year ended 31 December 2012 and its unaudited net asset value amounted to approximately RMB55.44 million (comprising an amount due from Anping Technology of approximately RMB31.8 million) as at 30 June 2013.

Material terms of the Cooperation Agreement

Transfer of Anping Technology's 62% equity interest in Wuhu Puhui

Pursuant to the Cooperation Agreement, Anping Technology will transfer to the Investor (the "Equity Transfer") its 62% equity interest in Wuhu Puhui and the Investor will be responsible for 62% of the total investment in Wuhu Puhui (including the obligation to contribute to the registered capital of Wuhu Puhui and repayment of loan in an amount of 7.56 million due from Anping Technology to Wuhu Puhui). Following the Equity Transfer, the equity interest of Wuhu Puhui will be owned as to 18%, 62% and 20% by Anping Technology, the Investor

and the JV Partner, respectively. Based on the above, it is expected that the Group will not record any material gain or loss as a result of the Equity Transfer (the actual gain or loss to be recorded by the Group will be pending on the then financial position of Wuhu Puhui).

Joint investments in a hospital project

Under the Cooperation Agreement, Anping Technology, the Investor and the JV Partner will invest RMB500 million in aggregate in Wuhu Puhui for the purpose of constructing, establishing and the subsequent business operation of a tumour-specialised hospital located in Anhui Province, the PRC (the “Hospital Project”). Based on the proposed shareholding structure of Wuhu Puhui, each of Anping Technology, the Investor and the JV Partner will invest in Wuhu Puhui up to RMB90 million, RMB310 million and RMB100 million in cash respectively. The payment of the investment will be funded by internal resources of the Group and the Group will be responsible for the management of the aforesaid hospital upon its operation.

The investment to be made by the parties in the Cooperation Agreement is determined after arm’s length negotiations amongst them and with reference to the preliminary investment size of the aforesaid hospital project.

The acquisition of a land parcel from Anping Technology

As part of the Cooperation Agreement to carry out the Hospital Project, Wuhu Puhui will acquire (the “Land Transfer”) a land parcel (the “Land”) held by Anping Technology located in Anhui Province, the PRC for a consideration to be determined based on the valuation of the Land performed by an independent valuer to be jointly appointed by Wuhu Puhui and Anping Technology. Based on the preliminary estimated valuation of the Land, the disposal of the Land is expected to be less than 5% of the relevant percentage ratios (as defined under the Listing Rules). However, the Company will comply with the relevant Listing Rules requirements regarding the Land Transfer and will make announcement as and when appropriate in compliance with the Listing Rules. Proceeds from the Land Transfer will be used as general working capital of the Group. Wuhu Puhui will also acquire additional ancillary land parcel(s) during the course of the development of the Hospital Project.

Conditions Precedent

Completion of the Cooperation Agreement is subject to the Wuhu Puhui having completed the required procedures in respect of the transactions contemplated thereunder according to the relevant rules and regulations.

If the conditions precedent set out above are not fulfilled on or before 31 March 2014 (or such other date as the parties to the Cooperation Agreement may agree), the obligations of the parties to the Cooperation Agreement shall cease and neither party to the Cooperation Agreement shall have any claim under the Cooperation Agreement against the others, save in respect of any antecedent breaches of the Cooperation Agreement.

Completion

Completion shall take place within three business days (or such other date as may be agreed among the parties to the Cooperation Agreement) from the fulfillment date of the above-mentioned conditions precedent of the Cooperation Agreement. Following completion of the Cooperation Agreement, Wuhu Puhui will no longer be a non wholly-owned subsidiary of the Group and will be accounted for as its investment.

Board Composition

Following completion of the Cooperation Agreement, the board of Wuhu Puhui shall consist of 5 directors. Each of Anping Technology, the JV Partner and the Investor are entitled to nominate 1 director, 1 director and 3 directors to the board of directors of Wuhu Puhui, respectively. One of the directors appointed by the Investor shall be the chairman of the board of directors of Wuhu Puhui and the director appointed by Anping Technology shall be the general manager of Wuhu Puhui.

INFORMATION ABOUT PARTIES TO THE COOPERATION AGREEMENT

Anping Technology is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the leasing of medical equipment and provision of services on operations of medical equipment.

The Investor is principally engaged in, among other things, medical investment and the related management consultation services.

The JV Partner is principally engaged in, among other things, hospital management and investment in medical equipment.

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.

As described in the Company's earlier announcements in 2013 and interim report of 2013, the existing operations of the Group's medical centres located at the premises of its hospital partners have been adversely affected by the relevant healthcare policies implemented by the PRC government recently and particularly, the program launched by the National Health and Family Planning Commission of the PRC to clean-up and rectify medical institutions (comprising a number of measures to tighten the management of the PRC's hospitals and rectify their non-compliance operations including the rental/contract-out arrangement of medical departments) which has dampened the ongoing cooperating relationship with the hospital/business partners of the Group's medical network business in the PRC which in turn, imposed a downward pressure on the Group's future financial performance and business operations of its medical network business.

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, and private capitals are also encouraged to access to the PRC's healthcare services so that by 2015, the number of beds in private hospitals will be increased to about 20% of the total beds in the PRC's medical institutions. Furthermore, the State Council, in October 2013, also issued 《關於促進健康服務業發展的若干意見》 (“Certain Opinions on Promoting the Development of Healthcare Services”)*, which encouraged private sectors such as enterprises, funds and insurance institutions to participate/invest in the PRC's medical industries including establishing new hospitals, restructuring of public hospital(s) and outsourcing the management of public hospitals to private hospital management companies. Under the circumstances, the Group will be able to, through the entering into of the Cooperation Agreement for carrying out the Hospital Project, further capitalise on the Group's experience in hospital management and leverage on the growth opportunities from, among other things, the recent policies promulgated by the government policies with a view to broadening its business scope and diversifying the overall business risk.

Based on the above, the Directors are of the view that the terms of the Cooperation Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Cooperation Agreement is in the interest of the Company and its shareholder as a whole.

IMPLICATION OF THE LISTING RULES

Since the Equity Transfer will represent disposal of the Group's interest in Wuhu Puhui and the relevant percentage ratios (as defined under the Listing Rules) exceed 5% but less than 25%, respectively, the Equity Transfer will constitute 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.

In addition, since the relevant percentage ratios (as defined under the Listing Rules) in respect of the investment by Anping Technology in Wuhu Puhui under the Cooperation Agreement exceed 5% but less than 25%, the transactions contemplated under the Cooperation Agreement will also constitute 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.

DEFINITIONS

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

“Anping Technology”	安平醫療科技(蕪湖)有限公司 (Anping Medical Treatment Technology (Wuhu) Co., Ltd.)*, a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company
“Company”	China Renji Medical Group Limited, a company incorporated in the Hong Kong with limited liability whose issued shares are listed on the main board of The Stock Exchange of Hong Kong Limited
“Cooperation Agreement”	the cooperation agreement dated 24 February 2014 entered into between Anping Technology, the JV Partner and the Investor in relation to the capital contribution to be made by each of Anping Technology, the JV Partner and the Investor to Wuhu Puhui

“Director(s)”	the director(s) of the Company
“Investor”	新疆祥瑞醫療投資管理有限公司 (Xinjiang Xiangrui Medical Investment Management Co., Ltd)*, a company established in the PRC with limited liability
“JV Partner”	蕪湖盛泰醫療產品信息諮詢服務有限公司 (Wuhu Shengtai Medical Product Information Consultation Co., Ltd)*, a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Wuhu Puhui”	蕪湖普惠醫療投資管理有限公司 (Wuhu Puhui Medical Investment Management Co., Ltd)*, a company established in the PRC and a non wholly-owned subsidiary of the Anping Technology
“RMB”	Renminbi, the lawful currency of the PRC

* *for identification purpose only.*

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

Hong Kong, 24 February 2014

As at the date of this announcement, the board of the Company comprises three executive directors, namely Mr. Tang Chi Chiu, Mr. Chan Ka Chung and Mr. Wang Jianguo, and three independent non-executive directors, namely Mr. Kwok Chung On, Mr. Wu Chi Keung and Ms. Wu Yan.