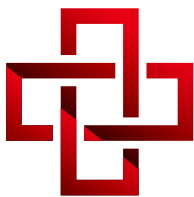


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China Renji Medical Group Ltd

中國仁濟醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

2014 INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Renji Medical Group Limited (the “**Company**”) would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014, which have been reviewed by the audit committee of the Company, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	51,121	56,000
Cost of services		<u>(10,921)</u>	<u>(20,709)</u>
Gross profit		40,200	35,291
Other gains and losses		2,567	14,258
Administrative expenses		(19,945)	(17,937)
Impairment loss on property, plant and equipment		—	(93,673)
Impairment loss on other intangible assets		—	(46,816)
Share of results of associates		(540)	—
Finance costs		<u>(3,101)</u>	<u>(1,338)</u>
Profit/(loss) before taxation		19,181	(110,215)
Income tax	4	<u>(276)</u>	<u>(2,915)</u>
Profit/(loss) for the period	5	<u>18,905</u>	<u>(113,130)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		8,370	(113,135)
Non-controlling interests		<u>10,535</u>	<u>5</u>
		<u>18,905</u>	<u>(113,130)</u>
Earnings/(loss) per share attributable to owners of the Company (HK cents) (Restated)	7		
— Basic		<u>1.236</u>	<u>(16.705)</u>
— Diluted		<u>1.134</u>	<u>(16.705)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	18,905	(113,130)
Other comprehensive (loss)/income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>(5,727)</u>	<u>12,386</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(5,727)</u>	<u>12,386</u>
Total comprehensive income/(loss) for the period	<u>13,178</u>	<u>(100,744)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	3,383	(101,264)
Non-controlling interests	<u>9,795</u>	<u>520</u>
	<u>13,178</u>	<u>(100,744)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	71,817	77,654
Land use right	8	3,831	3,904
Other intangible assets	8	9,433	10,335
Interests in associates		71,612	72,430
Available-for-sale financial assets		104,065	76,147
Deposit paid for acquisition of property, plant and equipment		51,605	52,478
		<u>312,363</u>	<u>292,948</u>
Current assets			
Land use right		85	89
Trade receivables	9	49,310	52,308
Other receivables, prepayments and deposits		263,506	260,419
Amount due from a non-controlling shareholder of a subsidiary		—	5,711
Cash and bank balances		55,523	83,767
		<u>368,424</u>	<u>402,294</u>
Current liabilities			
Other payables and accruals	10	31,181	89,038
Amounts due to directors		2,837	15,594
Tax payable		9,944	13,199
Borrowings		79,876	77,564
Guaranteed convertible note		1,000	1,000
		<u>124,838</u>	<u>196,395</u>

	<i>Notes</i>	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Net current assets		<u>243,586</u>	<u>205,899</u>
Total assets less current liabilities		<u>555,949</u>	<u>498,847</u>
Non-current liabilities			
Convertible notes		7,679	—
Bond payable		9,898	—
Promissory note	10	58,964	—
Deferred tax liabilities		<u>512</u>	<u>533</u>
		<u>77,053</u>	<u>533</u>
Net assets		<u><u>478,896</u></u>	<u><u>498,314</u></u>
CAPITAL AND RESERVES			
Share capital	11	2,336,362	1,354,511
Reserves		<u>(1,925,062)</u>	<u>(945,938)</u>
Equity attributable to owners of the Company		411,300	408,573
Non-controlling interests		<u>67,596</u>	<u>89,741</u>
Total equity		<u><u>478,896</u></u>	<u><u>498,314</u></u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for certain financial instruments, which are carried at fair values. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the 2013 Annual Report except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “new and revised HKFRSs”).

In the current period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial period beginning on 1 January 2014. A summary of the new and revised HKFRSs are set out below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new and revised HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle ²
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁶
HKFRS 9	Financial Instruments ⁶
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
HKAS 19 (as revised in 2011)	Defined Benefit Plans: Employees Contributions ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ³

- ¹ Effective for annual periods beginning on or after 1 July 2014.
- ² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
- ³ Effective for annual periods beginning on or after 1 January 2016.
- ⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
- ⁵ Effective for annual periods beginning on or after 1 January 2017.
- ⁶ No mandatory effective date yet determined but is available for adoption.

The Group is in progress of assessing the impact of these new or revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the condensed consolidated interim financial statements.

3. TURNOVER AND SEGMENT INFORMATION

During the six months ended 30 June 2014 and 2013, the Group was only engaged in medical network business of leasing and operation of medical equipment and provision of services on operation of such medical equipment in the PRC and most of the assets of the Group were located in the PRC as at 30 June 2014 and 31 December 2013.

4. INCOME TAX

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise income tax	297	6,316
Deferred taxation	(21)	(3,401)
	<hr/>	<hr/>
Tax charge for the period	<u>276</u>	<u>2,915</u>

No Hong Kong profits tax has been provided as the Group did not have assessable profit arising in Hong Kong for both periods. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The applicable PRC Enterprise income tax rate is 25% for both periods.

5. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	4,437	9,569
Depreciation of jointly-controlled assets	111	1,408
Amortisation of land use right	44	43
Amortisation of other intangible assets included in cost of services	818	4,465
Impairment loss on property, plant and equipment	—	93,673
Impairment loss on other intangible assets	—	46,816
Interest on:		
— Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years	1,133	1,321
— Guaranteed convertible note	—	17
— Promissory note	1,849	—
— Bond payable	43	—
— Convertible notes	76	—
Employee benefit expenses, including directors' emoluments:		
Salaries and other benefits	8,694	9,750
Net exchange loss/(gain)	3,038	(13,052)
Promissory note interest income	—	(2)
	<u> </u>	<u> </u>

6. DIVIDENDS

The Board did not recommend the payment of any dividends for the six months ended 30 June 2014 and 2013.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(Loss)

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the purpose of basic earnings/(loss) per share	8,370	(113,135)
Interest on guaranteed convertible note (<i>Note (b)</i>)	—	—
Interest on convertible notes	76	—
	<u> </u>	<u> </u>
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<u>8,446</u>	<u>(113,135)</u>

Number of shares

	Six months ended 30 June	
	2014 '000 (Unaudited)	2013 '000 (Unaudited) (Restated)
Issued number of ordinary shares at 1 January 2014	13,545,113	13,545,113
Effect of share consolidation (<i>Note (a)</i>)	<u>(12,867,857)</u>	<u>(12,867,857)</u>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	677,256	677,256
Effect of dilutive potential ordinary shares:		
— Share options (<i>Note (b)</i>)	—	—
— Guaranteed convertible note (<i>Note (b)</i>)	—	—
— Warrants	67,500	—
— Convertible notes (<i>Note (b)</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>744,756</u>	<u>677,256</u>

Notes:

- (a) The number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for the six months ended 30 June 2014 and 2013 has been adjusted to reflect the impact of the share consolidation effected during the respective periods. The number of ordinary shares in 2013 has also been restated to reflect such share consolidation on a retrospective basis.
- (b) The effect of the guaranteed convertible note, share options and convertible notes was not included in the calculation of diluted earnings per share for the six months ended 30 June 2014 and 2013 because they have an anti-dilutive effect on the basic earnings per share of the Group during the periods.

8. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND OTHER INTANGIBLE ASSETS

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2014 was HK\$1.0 million (six months ended 30 June 2013: HK\$20.7 million).

There was no addition to the other intangible assets of the Group during the six months ended 30 June 2014 and 2013, respectively.

There was no addition to the land use right of the Group during the six months ended 30 June 2014 and 2013, respectively.

9. TRADE RECEIVABLES

The Group generally allows an average credit period of 180 days (31 December 2013: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0–180 days (neither past due nor impaired)	<u>49,310</u>	<u>52,308</u>

10. PROMISSORY NOTE

Included in the Group's other payables and accruals as at 31 December 2013 of HK\$57,115,000, was the carrying amount of the promissory note with principal amount of HK\$60,240,000, which formed part of the Group's consideration payable in relation to the acquisition of an associate in 2013. As the promissory note was issued in February 2014 and will mature on 27 February 2017, the promissory note is re-classified as non-current liabilities in the condensed consolidated statement of financial position as at 30 June 2014.

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2014 (audited)	13,545,113	1,354,511
Transfer from share premium (<i>Note(a)</i>)	—	981,851
Effect of share consolidation (<i>Note(b)</i>)	<u>(12,867,857)</u>	<u>—</u>
At 30 June 2014 (unaudited)	<u>677,256</u>	<u>2,336,362</u>

Notes:

- (a) On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company should be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.
- (b) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 June 2014, every 20 ordinary shares of the Company is consolidated into 1 share of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results Review

Overview

The Group is principally engaged in the provision of medical equipment and services for the operation of its network of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseases in The People's Republic of China (the "PRC" or "China") through the application of advanced radiotherapy technology.

Turnover

For the six months ended 30 June 2014, the turnover of the Group amounted to HK\$51.1 million (six months ended 30 June 2013: HK\$56.0 million), representing a decrease of 8.7% from the corresponding period last year. The decrease in the Group's turnover was attributable to the cessation of business operations for certain medical centres of the Group during the period resulting from the receipt of termination notices in 2013 (as detailed in the Company's 2013 Annual Report.)

Gross profit

For the six months ended 30 June 2014, the Group recorded a gross profit of HK\$40.2 million (six months ended 30 June 2013: HK\$35.3 million) and a gross profit margin of 78.6% (six months ended 30 June 2013: 63.0%) from its medical network business. The increase in the Group's gross profit margin was mainly attributable to the decrease in depreciation and amortisation of the relevant medical assets (including plant and equipment and intangible assets) resulting from the impairment provisions made as at 31 December 2013.

Profit/(loss) for the period

The Group recorded consolidated net profit of HK\$18.9 million for the six months ended 30 June 2014 (six months ended 30 June 2013: loss of HK\$113.1 million). It is because no impairment loss was recorded for the six months ended 30 June 2014 (as compared to the impairment loss of HK\$140.5 million recorded for the six months ended 30 June 2013) and the Group therefore recorded a consolidated net profit for the period. However, if the above-mentioned impairment loss in 2013 was excluded, the net profit for the current period represented a decrease of 30.9% as compared to the corresponding period last year. In addition, as the Group disposed of 35% equity interest in a subsidiary principally engaged in the Group's medical network business in November 2013, profit for the period attributable to the owners of the Company for the six months ended 30 June 2014 only amounted to HK\$8.4 million (six months ended 30 June 2013: loss of HK\$113.1 million).

Basic earnings per share for the reporting period was approximately HK1.236 cents (six months ended 30 June 2013: basic loss per share of HK16.705 cents).

BUSINESS REVIEW

The medical centres of the Group, which are mainly located at its hospital partners' premises, are established through the long term lease and management service arrangement entered into with hospital and/or 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 arrangement and the Group and/or its business partners provide management services for the medical centres. However, as reiterated in the Company's 2012 and 2013 Annual Reports, such business model of the Group may be exposed to challenges if the relevant health department/authorities have different interpretations on the compliance of the Group's above-mentioned arrangement with the relevant rules and regulations.

The operating environment of the Group had remained challenging during the six months ended 30 June 2014. In 2013, the National Health and Family Commission of the PRC launched a program (the "Program") for strengthening the management of the PRC's hospitals and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments. Given that the Group's leasing of medical equipment and provision of management services are made to medical centres located in the premises of the hospitals, it has appeared that following the promulgation of the Program, the risk of the relevant administrative departments/authorities of the PRC holding different views on the substance of the above-mentioned leasing and management arrangements and interpreting such arrangements underlying the Group's business model as "renting/contracting out" of medical departments by hospital has been increased. As mentioned in the Company's 2013 Annual Report, during 2013, the Group received notices for termination of the existing cooperation arrangements in respect of four of its medical centres. Although the Group has not been assessed by any healthcare departments/authorities for non-compliance with the existing rules and regulations after the launching of the Program, such increased risk of the Group's business model being interpreted as not in compliance with the relevant rules and regulations of the PRC has led to adverse impact on the working relationship with its hospital/business partners.

RECENT DEVELOPMENT AND PROSPECTS

As part of its corporate development strategy, the Group will continue to keep abreast of any potential business/investment opportunities with a view to improving the financial performance and capital base of the Group.

During the six months ended 30 June 2014, the Group entered into cooperation agreement relating to, among other things, the restructuring of a non wholly-owned subsidiary and the investment involving the establishment and subsequent business operation of a tumour-specialised hospital in the PRC (as detailed in the announcement dated 24 February 2014). The operation of the associate company has recently been put on halt as a result of its restructuring. In addition, as described of the Company's announcement dated 17 April 2014, the Company also entered into subscription agreements relating to the issue of convertible notes in the aggregate principal amount of HK\$10 million at the initial conversion price of HK\$0.8 (as adjusted by the share consolidation). Furthermore, on 17 August 2014, the Company announced that it proposed to raise (before expenses) approximately HK\$91.4 million to HK\$114.8 million by way of rights issue on the basis of one rights share for every two shares of the Company at the subscription price of HK\$0.27. On 27 August 2014, the Company entered into a sale and purchase agreement for the acquisition of 55% equity interest in a group engaged in the management and operation of one of the largest chains of sports clubs and fitness clubs in the PRC whereby an experienced management partner will also participate in the business development of certain of these sports clubs and fitness clubs.

Looking forward, the Group will on one hand, formulate strategies to reduce the overall risk resulting from the ever challenging business environment and tightening regulatory environment, the Group will continue to seek appropriate investment/business opportunities in other business areas to expand the Group's business portfolio.

FINANCIAL REVIEW

Liquidity and financial resources

For the six months ended 30 June 2014, the net cash outflow from operating activities amounted to HK\$44.5 million (six months ended 30 June 2013: net cash inflow of HK\$26.7 million).

For the six months ended 30 June 2014, the net cash outflow from investing activities amounted to HK\$0.6 million (six months ended 30 June 2013: net cash outflow of HK\$80.3 million) and the net cash inflow from financing activities amounted to HK\$18.5 million (six months ended 30 June 2013: HK\$Nil).

As a result of the above, the Group recorded a net cash outflow of HK\$26.6 million for the six months ended 30 June 2014 (six months ended 30 June 2013: net cash outflow of HK\$53.7 million).

As at 30 June 2014, the Group had cash and bank balances of HK\$55.5 million (31 December 2013: HK\$83.8 million).

As at 30 June 2014, the Group's total borrowings amounted to HK\$157.4 million (31 December 2013: HK\$78.6 million) which included borrowings of HK\$79.9 million (31 December 2013: HK\$77.6 million), guaranteed convertible note of HK\$1.0 million (31 December 2013: HK\$1.0 million), promissory note of HK\$58.9 million (31 December 2013: Nil), bond payable of HK\$9.9 million (31 December 2013: Nil) and convertible notes of HK\$7.7 million (31 December 2013: Nil). The increase in total borrowings was attributable to the issue of promissory note, bond and convertible notes during the period with carrying amount of HK\$58.9 million, HK\$9.9 million, HK\$7.7 million as at 30 June 2014, respectively.

The borrowings are denominated in Hong Kong dollars and Japanese Yen. The Board expects that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 30 June 2014, the Group's net asset value (including non-controlling interest) was HK\$478.9 million (31 December 2013: HK\$498.3 million) with a liquidity ratio (calculated based on the Group's current assets to current liabilities) of 2.95 times as at 30 June 2014 (as compared to 2.05 times as at 31 December 2013). The Group's gearing ratio (calculated based on the Group's total borrowings to the equity attributable to the owners of the Company) was 38.3% (31 December 2013: 19.2%).

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars; whilst the assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities held are mainly denominated in Japanese Yen. Therefore, the impact of continuous

appreciation of Renminbi may lower the costs for the repayment of foreign debts. The Group currently does not have a hedging policy for foreign currency. However, the management of the Group will continue to monitor the Group's foreign exchange exposure closely.

Charge on group assets

As at 30 June 2014 and 31 December 2013, no assets of the Group had been pledged.

CONTINGENCIES

In November 2011, the Company (as plaintiff) instituted legal proceedings against Fair Winner Limited ("Fair Winner"), holder of a guaranteed convertible note of the Group, for an injunction restraining Fair Winner from commencing any petition for winding up against the Company. The guaranteed convertible note had been matured in August 2011 and had not been settled by the Group as at 31 December 2011. The amount claimed by Fair Winner against the Company is HK\$1,007,000. The Court has ordered that the proceedings be adjourned sine die upon the undertaking of Fair Winner to serve prior notice of intention before presenting any petition for winding up of the Company.

As at the date of this interim report, no notice of intention had been received by the Company from the above. Since the amount claimed by Fair Winner was already provided for as guaranteed convertible note, no further provision in respect of such claims would need to be made in the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the total number of employees of the Group was 92. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the six months ended 30 June 2014, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of

the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2014.

INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2014 will be despatched to shareholders and published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinarenji.com) as soon as practicable.

By Order of the Board
China Renji Medical Group Limited
TANG CHI CHIU
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board 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. Chan Yee Ping, Michael, Ms. Hu Xuezhen and Ms. Wu Yan.