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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 TRANSACTION

The Company is pleased to announce that on 15 September 2014, the Group entered into the S&P Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of its entire interest in the Radiosurgery Systems at the cash consideration of RMB33.5 million.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the S&P Agreement are greater than 5% but less than 25%, the transactions contemplated under the S&P Agreement will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE S&P AGREEMENT

Date

15 September 2014

Parties to the S&P Agreement

- (i) the Purchaser, as the purchaser; and
- (ii) the Group, as the vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be disposed of

The Group's interest in the Radiosurgery Systems.

Based on the unaudited financial information of the Group, the carrying value (including the underlying intangible assets) of the Radiosurgery Systems amounted to HK\$40.2 million as at 30 June 2014. Based on the audited financial information of the Group, (i) the Group's share of the net income (which is recorded as revenue in the Group's financial statements) derived from and the net profit attributable to the Radiosurgery Systems amounted to HK\$30.1 million and HK\$16.3 million for the year ended 31 December 2012, respectively; and (ii) the Group's share of the net income derived from and the net loss attributable to the Radiosurgery Systems amounted to HK\$17.4 million and HK\$9.2 million for the year ended 31 December 2013, respectively.

Consideration

The consideration (the "Consideration") of RMB33,500,000 (equivalent to approximately HK\$42.3 million) will be satisfied in cash, of which (i) RMB8.0 million will be paid within 15 days following the signing of the S&P Agreement; (ii) RMB15 million will be paid with 30 days after the Purchaser having obtained the relevant approval from the administrative department/authorities of the PRC in respect of the Radiosurgery Systems; and (iii) the remaining RMB10.5 million will be paid within 6 months after the transfer of the Radiosurgery Systems to the Purchaser.

The Purchaser shall execute the Asset Pledge to charge the interest in the Radiosurgery Systems in favour of the Vendor to secure the Purchaser's obligation to pay the Consideration. The Asset Pledge shall be released upon the Consideration having been paid in full.

The Consideration was determined after arm's length negotiation between the Group and the Purchaser with reference to, among other things, the carrying value of the Radiosurgery Systems and the entitlement to share the net income derived from Radiotherapy Systems. After taking into account (i) the increase in the risk of the Group's business model being interpreted as not in compliance with the relevant rules and regulation of the PRC (as detailed below); and (ii) the Consideration approximates the carrying value of the Radiosurgery Systems, the Directors have considered that the terms under the S&P Agreement (including the Consideration) are fair and reasonable and the entering into of the S&P Agreement is in the interest of the Company and its shareholders as a whole.

Based on the Consideration and the unaudited carrying value of the Radiosurgery Systems as at 30 June 2014, it is estimated that the Group will record a gain on disposal of approximately HK\$2.1 million. However, the actual gain or loss on the disposal of the Radiosurgery Systems to be recorded by the Group will still depend on the then carrying value of the Radiosurgery Systems and the then exchange rate of RMB to HK\$. It is anticipated that the proceeds of RMB33.5 million will be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE TRANSACTION

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

As described in the Company's annual report and interim report (the "Financial Reports") for the year ended 31 December 2013 and the six months ended 30 June 2014, such business model of the Group may be exposed to challenges if the relevant health departments/authorities have different interpretations on compliance of the Group's above-mentioned business arrangement with the relevant rules and regulations. The National Health and Family Planning Commission of the PRC in 2013 launched a program for purpose of 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 hospitals' premises, it has appeared to the Group that following the promulgation of the aforesaid program, the risk of the relevant administrative departments/authorities of the PRC holding different view on the substance of the said leasing and management agreements and interpreting such arrangements underlying the Group's business model as "renting/contracting-out" of medical departments by hospitals has been increased. 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 dampened the working relationship with the Group's hospital partners (as evidenced by the receipt of the below-mentioned notices of termination). As described in the Financial Reports, the Group received notices for termination of the existing cooperation arrangements in the respect of four of its medical centres in 2013. Although the Group, subsequently, leveraging on the network of the associate of the substantial shareholder of its medical network business (who has maintained good working relationship with the administrative department in charge of certain hospitals in which the medical centres of the Group are located), was able to enhance the relationship with its business/hospital partners and one of the above-mentioned four medical centres had its termination date extended and another one is still in operation despite expiry of the termination date. However, it remains uncertain to the Group as to how long the Group would be able to continue the benefit from such enhanced relationship with its business/hospital partners. As a result, the ongoing business performance of the Group's medical business may still probably be adversely affected by the current and future legal and operational risks unfavourable to the Group and it is possible that the Group may receive additional notices for early termination and/or non-renewal of existing co-operation arrangement. Given the above and taking into account the proceeds from the disposal of the Radiosurgery Systems under the S&P Agreement may be utilised by the Group for general working capital and/or future investments, as well as, the approximation of the Consideration to the carrying value of the Radiosurgery Systems, the Directors, are of the view that the disposal of the Radiosurgery Systems under the S&P Agreements represents an opportunity for the Group to realise its investment and the entering into of the S&P Agreement is in the interest of the Company and its shareholders as a whole.

GENERAL

The Purchaser is a company with limited liability established in the PRC and is engaged in, among others, sale of medical equipment in the PRC.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the S&P Agreement are greater than 5% but less than 25%, the transactions contemplated under the S&P Agreement will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITION

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

“Asset Pledge”	the pledge on the Radiosurgery Systems to be executed by the Purchaser in favour of the Group upon completion of the S&P Agreement as security for the payment of the Consideration
“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong, the issued shares of which are listed on the Stock Exchange
“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”	廈門康濟醫療投資管理有限公司 (Xiamen Kangji Medical Investment Management Co., Ltd.*), a company established in the PRC with limited liability
“Radiosurgery Systems”	the radiosurgery treatment systems operated by the medical centres of the Group in Shanghai, Shenyang and Suzhou, the PRC which the Group is entitled to 70%, 70% and 100% of the net income derived therefrom, respectively
“S&P Agreement”	the sale and purchase agreement dated 15 September 2014 entered into between the Purchaser and the Group relating to the disposal of the Group’s interest in the Radiosurgery Systems
“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

“RMB” Renminbi, the lawful currency of the PRC

* *for identification purpose only*

In this announcement, all amounts in RMB have been translated in HK\$ at the exchange rate of HK\$1 = RMB0.7919 for illustration purpose only.

By Order of the Board of
China Renji Medical Group Limited
Chan Ka Chung
Chairman

Hong Kong, 15 September 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chan Ka Chung, Mr. Wang Jianguo, Dr. Hui Ka Chun and Mr. Cheung Wei Kwan; and three independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezhen and Ms. Wu Yan.