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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)

PLACING OF CONVERTIBLE BONDS

Placing Agent



永鋒證券有限公司

WIN FUNG SECURITIES LIMITED

香港聯合交易所有限公司參與者

Win Fung Securities Limited

THE PLACING AGREEMENT

On 9 October 2014 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed to act as the placing agent, on a best effort basis, to place the Tranche One Convertible Bonds and the Tranche Two Convertible Bonds with principal amount of HK\$43.34 million each. Assuming the Convertible Bonds are fully placed, the gross and net proceeds from the Placing are estimated to be HK\$86.69 million and HK\$83.69 million, respectively. It is intended that such net proceeds will be used for, among other things, general working capital of the Group, reduction of debts and financing of the Group's future investment opportunities.

Assuming the Convertible Bonds are fully placed, based on the initial Conversion Price of HK\$0.32 per Conversion Share, a maximum number of 270,902,250 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing 24.25% of the existing issued share capital of the Company (as adjusted by the Rights Issue) and 19.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Rights Issue. Both the Tranche One Convertible Bonds and the Tranche Two Convertible Bonds shall have a lock-up period for conversion of three months from their respective date of issue.

The placing of the Tranche One Convertible Bonds and the placing of the Tranche Two Convertible Bonds are not inter-conditional. The Tranche One Conversion Shares will be issued under the General Mandate and the Tranche Two Conversion Shares will be issued under the Specific Mandate.

GENERAL

An EGM will be convened for the purpose of considering and, if thought fit, approving, inter alia, the issue of the Tranche Two Convertible Bonds and the allotment and issue of the Tranche Two Conversion Shares under the Specific Mandate.

A circular containing, among other things, (i) details of the Placing Agreement and the Specific Mandate; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Since completion of the Placing is subject to the fulfilment of the condition(s) as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF THE CONVERTIBLE BONDS

The Board is pleased to announce that on 9 October 2014 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement for the Placing, the principal terms of which are summarised below.

THE PLACING AGREEMENT

Date:

9 October 2014 (after trading hours)

Parties:

- (i) Company as the issuer; and
- (ii) Win Fung Securities Limited as the Placing Agent

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

Placing of the Convertible Bonds

The Placing Agent has conditionally agreed to procure Placee(s) for the subscription of the Tranche One Convertible Bonds and the Tranche Two Convertible Bonds on a best effort basis.

The Placee(s)

The Placing Agent shall use all reasonable endeavours to ensure that the Placees and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Placing Commission:

The Company shall pay to the Placing Agent a fee equal to 3% of the aggregate principal amount of the Convertible Bonds placed by the Placing Agent to the Placee(s). The commission rate was arrived at after arm's length negotiations between the Company and the Placing Agent.

Principal terms of the Convertible Bonds:

Issuer	:	The Company
Total principal amount	:	Up to HK\$86,688,720 comprising up to HK\$43,344,360 under the Tranche One Convertible Bonds and up to HK\$43,344,360 under the Tranche Two Convertible Bonds
Interest	:	8% per annum on the outstanding principal amount thereof, which will be payable by the Company quarterly in arrears. The first payment will be made on the date falling three calendar months after the date of issue of the Convertible Bonds.
Maturity Date	:	One year from the relevant date of issue of Convertible Bonds or if such date is not a business day, the next business day (the "Maturity Date")
Conversion Period	:	Any time after the date falling three calendar months after the date of the issue of the Convertible Bonds and up to and including 7 days before (and excluding) the Maturity Date (the "Conversion Period")

Conversion rights : Holders of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price of HK\$0.32 per Conversion Share at any time during the Conversion Period provided that (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holders of the Convertible Bonds who, following the exercise of the conversion rights attached to the Convertible Bonds held, represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then voting rights of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the relevant time in compliance with the Listing Rules.

Conversion Shares : Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.32 per Conversion Share, a maximum of 270,902,250 Conversion Shares (comprising 135,451,125 Conversion Shares under each of the Tranche One Convertible Bonds and Tranche Two Convertible Bonds) will be allotted and issued, representing approximately 24.25% of the entire issued share capital of the Company as at the date of this announcement (as adjusted by the Rights Issue) and approximately 19.52% of the issued share capital of the Company (as adjusted by the Rights Issue) as enlarged by the issue of the Conversion Shares.

Conversion Price : HK\$0.32 per Conversion Share, subject to adjustments upon occurrence of certain events including: for the anti-dilution provisions as summarized in the paragraph headed “Adjustment Events” below.

The Conversion Price represents:

- (i) a discount of 13.51% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on 9 October 2014 (i.e. the date of this Placing Agreement); and
- (ii) a premium of 2.56% over the average closing price of HK\$0.312 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 October 2014 (i.e. the date of this Placing Agreement).

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the market price of the Shares under the prevailing market conditions.

- Early Redemption : The Convertible Bonds may not be repaid or redeemed before the Maturity Date otherwise than in accordance with the terms and conditions of the Convertible Bonds.
- Adjustments Events : The Conversion Price will be subject to adjustment for, amongst others, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distribution, rights issue of Shares or options over Shares, rights issues of other securities, issues at less than current market price and other usual adjustment events.
- Transferability : The Convertible Bonds may be freely transferred by the Places in whole amounts or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000 to transferee. However, any transfer of the Convertible Bonds to any connected person of the Company shall be subject to prior written consent of the Company.
- Voting : Holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of its being a holder of the Convertible Bonds.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds.
- Ranking of the Conversion Shares : The Conversion Shares will rank pari passu in all respects among themselves and with other Shares in issue on the conversion date of the Convertible Bonds.

The terms of the Placing Agreement were determined after arm's length negotiations between the Company and the Placing Agent. The Board has considered that the terms of the Placing Agreement and the terms of the Convertible Bonds (together with the Conversion Price) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing:

Completion of the Placing of each of the Tranche One Convertible Bonds and the Tranche Two Convertible Bonds is conditional upon the fulfillment of the following conditions:

- (i) the warranties under the Placing Agreement shall be true, correct and complete when made and shall remain true, correct and complete in all material respects and not misleading as of the Tranche One Completion Date and the Tranche Two Completion Date (as the case may be);

- (ii) the Company shall have performed and complied with, in all material respects, all agreements, obligations and conditions contained in the Placing Agreement that are required to be performed or complied with by it on or before the Tranche One Completion Date or the Tranche Two Completion Date (as the case may be); and
- (iii) the Company shall have obtained, on or before the Tranche One Completion Date or the Tranche Two Completion Date (as the case may be), any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Placing Agreement, including, but not limited to
 - (a) the approval from the Stock Exchange for the listing of, and permission to deal in, all of the Conversion Shares which fall to be issued upon conversion of the Tranche One Convertible Bonds or the Tranche Two Convertible Bonds (as the case may be);
 - (b) in respect of the Tranche Two Convertible Bonds only, approval from the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules for the grant of the Special Mandate to allot and issue all of the Tranche Two Conversion Shares; and
 - (c) all other permits, consents and waivers of any governmental authority, regulatory body, or other third parties, if applicable.

If the conditions precedent in respect of the placing of the Tranche One Convertible Bonds are not fulfilled (or waived in respect of the conditions (i) and (ii) above) on or before 15 November 2014 (or such later date as may be agreed between the Placing Agent and the Company), the Placing Agreement shall thereupon lapse and become null and void and the parties to the Placing Agreement will automatically be released from all obligations, save for any liability arising out of any antecedent breaches.

If the conditions precedent in respect of the placing of the Tranche Two Convertible Bonds are not fulfilled (or waived in respect of the conditions (i) & (ii) above) on or before 15 December 2014 (or such later date as may be agreed between the Placing Agent and the Company), the parties to the Placing Agreement shall automatically be released from all rights and obligations in respect of the placing of the Tranche Two Convertible Bonds, save for any liability arising out of any antecedent breaches.

Termination

If, at any time prior to 9:00 a.m. on the Tranche One Completion Date or the Tranche Two Completion Date (as the case may be), in the reasonable opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or

- (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive business days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Bonds or any other transactions under Chapter 14 or Chapter 14A of the Listing Rules; or
- (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or
- (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the Tranche One Completion Date or the Tranche Two Completion Date (as the case may be).

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

MANDATES TO ISSUE THE CONVERSION SHARES

As at the date of this announcement, none of the Shares have been allotted and issued by the Company under the General Mandate. Upon exercise in full of the conversion rights attaching to the Tranche One Convertible Bonds, 135,451,125 Tranche One Conversion Shares shall be allotted and issued under the General Mandate. Accordingly, the Placing of the Tranche One Convertible Bonds is not subject to the Shareholders' approval.

The Tranche Two Conversion Shares will be issued under the Specific Mandate and the issue of the Tranche Two Convertible Bonds is subject to the Shareholders' approval at the EGM.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement (as adjusted by the Rights Issue); (ii) immediately after the allotment and issue of the Conversion Shares (assuming all the conversion rights attached to the Convertible Notes have been exercised in full at the initial Conversion Price of HK\$0.32 per Conversion Share); and (iii) immediately after the allotment and issue of the Conversion Shares (assuming the conversion rights attached to the Convertible Notes have been exercised in full at the initial Conversion Price of HK\$0.32 per Conversion Share) and after the exercise of the subscription rights attached to the Warrants in full and the exercise of the conversion rights attached to the Convertible Notes in full, are summarised as follows:

Shareholders	As at the date of this announcement		immediately after the allotment and issue of the Conversion Shares (assuming all the conversion rights attached to the Convertible Notes have been exercised in full at the initial Conversion Price of HK\$0.32 per Conversion Share)		immediately after the allotment and issue of the Conversion Shares (assuming the conversion rights attached to the Convertible Notes have been exercised in full at the initial Conversion Price of HK\$0.32 per Conversion Share) and after the exercise of the subscription rights attached to the unlisted Warrants in full and the exercise of the conversion rights attached to the Convertible Notes in full	
	<i>(Note)</i>		<i>(Note)</i>		<i>(Note)</i>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Director	101,250,000	9.06	101,250,000	7.29	182,722,540	12.31
The Placee(s)	—	—	270,902,250	19.52	270,902,250	18.25
Public Shareholders						
— Holders of the Convertible Notes	—	—	—	—	15,151,515	1.02
— Holders of under-subscribed Rights Shares	83,675,892	7.49	83,675,892	6.03	83,675,892	5.63
— Other public Shareholders	<u>932,207,547</u>	<u>83.45</u>	<u>932,207,547</u>	<u>67.16</u>	<u>932,207,547</u>	<u>62.79</u>
	<u>1,117,133,439</u>	<u>100.00</u>	<u>1,388,035,689</u>	<u>100.00</u>	<u>1,484,659,744</u>	<u>100.00</u>

Note: the number of Shares has been adjusted by the Rights Issue

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the provision of medical equipment and services for its network of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related disease in the PRC. The Group also entered into a sale and purchase agreement in August 2014 in relation to the acquisition of a controlling stake in one of the largest chains of sports and fitness centres in the PRC.

As described in the prospectus of the Company dated 16 September 2014, the Group has been facing difficult operating environment in recent years and is looking for investment opportunities in the area of for businesses in the areas of, including but not limited to, health, resources and culture related industries. In addition to the fund of HK\$96 million raised from the Rights Issue, the Board has considered it beneficial to further strengthen the capital base of the Group through the Placing in preparation for future opportunities. Given that the placing of the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders and the Conversion Price is at a premium over the average closing price of the Shares for the last five trading days up to the date of the Placing Agreement, the Board is of the view that the terms of the Placing are fair and reasonable and the entering into of the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The gross and net proceeds from the Placing will amount to approximately HK\$86.69 million and HK\$83.69 million, respectively. The net price of the Conversion Share is HK\$0.31. The net proceeds from the Placing will be used for, among other things, general working capital of the Group, reduction of debts and financing of the Group's future investment opportunities.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising exercises in the past twelve months immediately preceding the date of this announcement.

Date of announcement/ circular/prospectus	Event	Net proceeds raised (approximately)	Intended and actual use of proceeds
24 December 2013	Issue of Warrants	HK\$97 million upon exercise of the subscription attached to the unlisted warrants	general working capital of the Group
17 April 2014	Issue of Convertible Notes	HK\$10 million	general working capital of the Group
16 September 2014	Rights Issue	HK\$96 million	80% of the net proceeds from the rights issue will be used for financing the Group's future investments identified and/or to be identified and the remaining 20% will be applied for general working capital purpose of the Group

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, inter alia, the issue of the Tranche Two Convertible Bonds and the allotment and issue of the Tranche Two Conversion Shares under the Specific Mandate.

A circular containing, among other things, (i) details of the Placing Agreement and the Specific Mandate; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Since completion of the Placing is subject to the fulfilment of the condition(s) as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Board”	the board of Directors
“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the main board of the Stock Exchange
“Conversion Period”	the period commencing on the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date
“Conversion Price”	HK\$0.32 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	collectively, the Tranche One Conversion Shares and the Tranche Two Conversion Shares
“Convertible Bonds”	collectively, the Tranche One Convertible Bonds and the Tranche Two Convertible Bonds
“Convertible Notes”	the 5% coupon convertible notes issued by the Company in the aggregate principal amount of HK\$10 million due in 2017, details of which is disclosed in the announcement of the Company dated 17 April 2014
“Director(s)”	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 grant of the Specific Mandate
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with Shares up to 20% of the issued Shares as at the annual general meeting of the Company held on 12 June 2014 (i.e. up to a maximum of 135,451,125 new Shares as adjusted by the share consolidation which took effect in June 2014)

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s) ”	any professional, institutional or other investor(s) or person or entity procured by the Placing Agent to subscribe for any of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds pursuant to the Placing Agreement
“Placing Agent”	Win Fung Securities Limited, a licensed corporation to carry on businesses in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 9 October 2014 entered into between the Company and the Placing Agent in respect of the Placing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rights Issue”	the issue of the Rights Shares by way of rights to the qualifying Shareholders for subscription on the basis of one rights share for every two shares of the Company (which has become unconditional as at the date of this announcement), details of which is disclosed in the prospectus of the Company dated 16 September 2014
“Rights Shares”	the issue of a total of 372,377,813 new Shares under the Rights Issue
“Share(s) ”	ordinary share(s) of the Company
“Shareholder(s) ”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought at the EGM for the issue and allotment of the Tranche Two Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Tranche One Completion Date”	the third business day upon the fulfilment of the conditions of the Placing of the Tranche One Convertible Bonds (or such later date as may be agreed between the Placing Agent and the Company)
“Tranche One Conversion Share(s)”	the new Shares to be issued under the Tranche One Convertible Bonds

“Tranche One Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$43,344,360 to be placed under the Placing
“Tranche Two Completion Date”	the third business day upon the fulfilment of the conditions of the Placing of the Tranche Two Convertible Bonds (or such later date as may be agreed between the Placing Agent and the Company)
“Tranche Two Conversion Shares”	the new Shares to be issued under the Tranche Two Convertible Bonds
“Tranche Two Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$43,344,360 to be placed under the Placing
“Warrants”	the unlisted warrants issued by the Company, details of which is disclosed in the circular of the Company dated 24 December 2013
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

* *for identification purpose only*

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

Hong Kong, 9 October 2014

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