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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)



RUI KANG PHARMACEUTICAL GROUP

INVESTMENTS LIMITED

銳康藥業集團投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8037)

**DISCLOSEABLE TRANSACTION:
SUBSCRIPTION OF RUI KANG SHARES**

**ISSUE OF NEW RUI KANG SHARES UNDER
SPECIFIC MANDATE**

JOINT ANNOUNCEMENT

THE SUBSCRIPTION AGREEMENT

After the trading hours on 14 November 2014, Rui Kang (as issuer) entered into the Subscription Agreement with China Renji (as subscriber) pursuant to which China Renji has conditionally agreed to subscribe for, and Rui Kang has conditionally agreed to allot and issue, the 257,812,500 Subscription Shares at the Subscription Price of HK\$0.128 per Subscription Share.

SUBSCRIPTION SHARES

The 257,812,500 Subscription Shares (of an aggregate nominal value of HK\$2,578,125) to be allotted and issued under the Subscription represent (i) 25.64% of the issued share capital of Rui Kang as at the date of this joint announcement; and (ii) approximately 20.41% of the issued share capital of Rui Kang as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of Rui Kang from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

The Subscription is conditional. Details of the conditions are set out in the section headed “The Subscription Agreement — Conditions Precedent” below. The Subscription Shares will be issued under the Specific Mandate to be sought from Rui Kang Shareholders at the Rui Kang SGM.

Upon Completion, China Renji will become the largest Rui Kang Shareholder and Rui Kang will become an associate of the China Renji Group.

As the Subscription is conditional and may or may not proceed, shareholders of China Renji and Rui Kang and their respective potential investors are advised to exercise caution when dealing in the respective shares of China Renji and Rui Kang.

USE OF PROCEEDS BY RUI KANG

The aggregate gross proceeds of the Subscription will be HK\$33 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$32.7 million, representing a net issue price of approximately HK\$0.127 per Subscription Share. It is proposed that the net proceeds from the Subscription will be used (i) as to HK\$16.35 million for sales and marketing of the Rui Kang Group's pharmaceutical and healthcare products by expanding its sales and marketing teams and developing online sales platform and channels and/or investing in potential companies which are currently operating online sales platform for their pharmaceutical and healthcare products in Hong Kong and the PRC; and (ii) as to HK\$16.35 million for investing in any potential listed or unlisted companies in the pharmaceutical and healthcare business or funding any potential acquisition of companies that the Rui Kang Group is currently identifying for its future development.

GENERAL

The Rui Kang SGM will be convened and held for the purpose of considering and, if thought fit, approving the grant of the Specific Mandate. To the best of the knowledge, information and belief the directors of Rui Kang having made all reasonable enquiries, no Rui Kang Shareholder is required to abstain from voting at the Rui Kang SGM.

A circular containing, among other things (i) further details of the Subscription Agreement; and (ii) a notice of the Rui Kang SGM will be despatched to Rui Kang Shareholders as soon as practicable in accordance with the GEM Listing Rules.

LISTING RULES IMPLICATION ON CHINA RENJI

As the applicable percentage ratios as defined under the Listing Rules in respect of the Subscription by China Renji are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for China Renji and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION AGREEMENT

The Rui Kang Board and the China Renji Board are pleased to announce that after trading hours on 14 November 2014, Rui Kang (as issuer) entered into the Subscription Agreement with China Renji (as subscriber). Major terms of the Subscription Agreement are set out below.

Date

14 November 2014

Parties

- (1) China Renji (as subscriber); and
- (2) Rui Kang (as issuer).

To the best of the knowledge, information and belief of the directors of Rui Kang after having made all reasonable enquires, each of China Renji and its ultimate beneficial owners is an Independent Third Party of Rui Kang.

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Subscription Shares

Pursuant to the Subscription Agreement, Rui Kang has conditionally agreed to allot and issue and China Renji has conditionally agreed to subscribe for the Subscription Shares. China Renji has the right to nominate one of its wholly-owned subsidiaries to take up the Subscription Shares at Completion.

The 257,812,500 Subscription Shares (of an aggregate nominal value of HK\$2,578,125) to be allotted and issued under the Subscription represent (i) 25.64% of the issued share capital of Rui Kang as at the date of this joint announcement; and (ii) approximately 20.41% of the issued share capital of Rui Kang as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of Rui Kang from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

Upon Completion, China Renji will become the largest Rui Kang Shareholder and Rui Kang will become an associate of the China Renji Group.

Subscription Price

The Subscription Price of HK\$0.128 per Subscription Share represents:

- (i) a discount of approximately 9.22% to the closing price of HK\$0.141 per Rui Kang Share as quoted on the Stock Exchange on 14 November 2014, being date of the Subscription Agreement;
- (ii) a discount of approximately 14.89% to the average of the closing price of HK\$0.1504 per Rui Kang Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 18.42% to the average of the closing price of HK\$0.1569 per Rui Kang Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiation between Rui Kang and China Renji with reference to the recent trading prices of the Rui Kang Shares. The directors of both Rui Kang and China Renji consider that the Subscription Price and the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interests of their respective shareholders as a whole.

The aggregate Subscription Price will be payable by China Renji in cash upon Completion and such Subscription Price will be financed by the internal resources of the China Renji Group.

Ranking

The Subscription Shares, when fully paid and issued, will rank pari passu in all respects among themselves and with the Rui Kang Shares in issue on the date of allotment and issue of the Subscription Shares.

Specific Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from Rui Kang Shareholders at the Rui Kang SGM.

Application for listing

Rui Kang will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions Precedent

Completion of the Subscription shall be subject to the following conditions being satisfied:

- (a) the passing of an ordinary resolution by Rui Kang Shareholders at the Rui Kang SGM approving the allotment and issue of the Subscription Shares by Rui Kang under the Specific Mandate;
- (b) the Stock Exchange granting the approval for the listing of and permission to deal in the Subscription Shares;
- (c) the compliance with the applicable requirements under the GEM Listing Rules by Rui Kang; and
- (d) the compliance with the applicable requirements under the Listing Rules by China Renji.

The above conditions precedent are not capable of being waived by either Rui Kang or China Renji. If the conditions set out above have not been satisfied at or before 4:00 p.m. on the date falling one month after the date on which the Specific Mandate is granted by Rui Kang Shareholders to the directors of Rui Kang (or such later date as Rui Kang and China Renji may agree in writing), the Subscription Agreement shall cease and determine save for any antecedent breach by either party.

Completion Date

Completion shall take place on the fifth Business Day after the satisfaction of all the conditions precedent referred to above (or such other date as may be agreed by Rui Kang and China Renji in writing).

INFORMATION ON THE RUI KANG GROUP

Rui Kang was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Rui Kang Group is principally engaged in (i) manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong; and (ii) trading of securities in Hong Kong. Set out below is a summary of certain consolidated financial information of the Rui Kang Group for (i) the year ended 30 September 2012; (ii) the fifteen months ended 31 December 2013; and (iii) the nine months ended 30 September 2014:

	Year ended 30 September 2012	Fifteen months ended 31 December 2013	Nine months ended 30 September 2014
	<i>Approximately (HK\$) Audited</i>	<i>Approximately (HK\$) Audited</i>	<i>Approximately (HK\$) Unaudited</i>
Revenue	101,354,000	106,625,000	88,672,000
Net loss before taxation (for continuing operation)	14,773,000	74,630,000	62,104,000
Net loss after taxation	22,778,000	47,281,000	62,207,000

The unaudited consolidated total assets value and the unaudited consolidated net asset value of the Rui Kang Group as at 30 June 2014 were approximately HK\$263,954,000 and HK\$124,516,000 respectively.

INFORMATION ON THE CHINA RENJI GROUP

China Renji was incorporated in Hong Kong with limited liability and is an investment holding company, and through its subsidiaries, engaged/invested in healthcare and well-being businesses including the network of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseases in the PRC and a sport and fitness club chain in the PRC to be acquired.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Rui Kang Board believes that the Subscription represents good opportunities to enhance its shareholders' base to introduce China Renji as its substantial shareholder and raise additional funds at a reasonable cost for itself. In particular, in view of the business nature of the China Renji Group, the Subscription is a strategic cooperation between the Rui Kang Group and the China Renji Group which sets ground for future business cooperation if opportunity arises which will be beneficial to the business strategy and development of the Rui Kang Group.

The aggregate gross proceeds of the Subscription will be HK\$33 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$32.7 million, representing a net issue price of approximately HK\$0.127 per Subscription Share. It is proposed that the net proceeds from the Subscription will be used (i) as to

HK\$16.35 million for sales and marketing of the Rui Kang Group's pharmaceutical and healthcare products by expanding its sales and marketing teams and developing online sales platform and channels and/or investing in potential companies which are currently operating online sales platform for their pharmaceutical and healthcare products in Hong Kong and the PRC; and (ii) as to HK\$16.35 million for investing in any potential listed or unlisted companies in the pharmaceutical and healthcare business or funding any potential acquisition of companies that the Rui Kang Group is currently identifying for its future development.

The China Renji Board believes that Subscription at the Subscription Price represents a good opportunity to invest in securities of Rui Kang. In addition, the China Renji Board is of the view that the Subscription enables the China Renji Group to set ground for future business cooperation between the Rui Kang Group and the China Renji Group if opportunity arises which will be beneficial to the business strategy and development of the China Renji Group.

The Rui Kang Board and the China Renji Board are of the view that the Subscription Agreement is on normal commercial terms and are fair and reasonable and in the interests of their respective shareholders as a whole.

FUND RAISING ACTIVITIES OF RUI KANG IN THE PAST TWELVE-MONTH PERIOD

Apart from the fund raising activities mentioned below, Rui Kang has not carried out any fund raising activities during the 12 months immediately preceding the date of this joint announcement.

Date of announcements	Fund raising activity	Intended use of net proceeds	Actual use of net proceeds as at the date of this joint announcement
17 December 2013 and 25 February 2014	Placing of 245,000,000 new Rui Kang Shares at HK\$0.204 per Rui Kang Share pursuant to the specific mandate granted to the directors of Rui Kang by Rui Kang Shareholders at the special general meeting of Rui Kang held on 29 January 2014	Approximately HK\$48.5 million (i) HK\$30 million of which was intended to be used for the repayment of the outstanding loan for the purpose of making capital contribution to the joint venture company; (ii) HK\$5 million of which was intended to be used for general working capital of Rui Kang Group; and (iii) not more than HK\$13.5 million for funding any potential acquisition of companies by Rui Kang Group	(i) approximately HK\$30 million has been used for the repayment of Rui Kang's outstanding loan; (ii) approximately HK\$5 million has been used for the general working capital of the Rui Kang Group; and (iii) approximately HK\$13.5 million has been allocated for funding, in part, the acquisition of 51% of the equity interest of Guiyang Shu Mei Da, and such net proceeds remain in the bank for such intended use

Date of announcements	Fund raising activity	Intended use of net proceeds	Actual use of net proceeds as at the date of this joint announcement
20 June 2014 and 11 July 2014	Placing of 111,000,000 new Rui Kang Shares at HK\$0.18 per Rui Kang Share pursuant to the general mandate granted to the directors of Rui Kang at the annual general meeting of Rui Kang held on 26 May 2014	Approximately HK\$19,350,000 was intended to be applied for general working capital of the Rui Kang Group	The entire net proceeds had been used for the general working capital (including approximately HK\$9.3 million for investments in securities as part of the Rui Kang Group's ordinary course of business)
20 August 2014 and 17 October 2014	Rights issue on the basis of one rights Rui Kang Share for every two Rui Kang Shares held on 18 September 2014 at the subscription price of HK\$0.16 per rights Share	Approximately HK\$50.9 million (i) approximately HK\$18.4 million of which for funding, in part, the acquisition of 51% of the equity interest of Guiyang Shu Mei Da, details of which are disclosed in the announcement of Rui Kang dated 18 August 2014; and (ii) approximately HK\$32.5 million of which for the general working capital of the Rui Kang Group, HK\$10 million and HK\$22.5 million of which are intended to be used for carrying out the daily operation of the Rui Kang Group in Hong Kong and strengthening the operation of the Rui Kang Group in the PRC respectively	(i) approximately HK\$18.4 million has been allocated for funding, in part, the acquisition of 51% of the equity interest of Guiyang Shu Mei Da and such net proceeds remain in the bank for such intended use; (ii) approximately HK\$4.6 million has been used for investments in securities as part of the Rui Kang Group's ordinary course of business; and approximately HK\$27.9 million has not yet been utilised and remains in the bank for intended use

CHANGES IN SHAREHOLDING STRUCTURE IN RUI KANG

The shareholding structures of Rui Kang as at the date of this joint announcement and upon issue of the Subscription Shares (assuming that there is no change in the issued share capital of Rui Kang from the date of this joint announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)) are set out below:

Rui Kang Shareholders	As at the date of this joint announcement		Immediately after Completion	
	<i>No. of Rui Kang Shares</i>	<i>Approximate %</i>	<i>No. of Rui Kang Shares</i>	<i>Approximate %</i>
Subscriber	—	—	257,812,500	20.41
Public	<u>1,005,624,000</u>	<u>100.00</u>	<u>1,005,624,000</u>	<u>79.59</u>
Total	<u>1,005,624,000</u>	<u>100.00</u>	<u>1,263,436,500</u>	<u>100.00</u>

GENERAL

The Rui Kang SGM will be convened and held for the purpose of considering and, if thought fit, approving the grant of the Specific Mandate. To the best of the knowledge, information and belief the directors of Rui Kang having made all reasonable enquiries, no Rui Kang Shareholder is required to abstain from voting at the Rui Kang SGM.

A circular containing, among other things (i) further details of the Subscription Agreement; and (ii) a notice of the Rui Kang SGM will be despatched to Rui Kang Shareholders as soon as practicable in accordance with the GEM Listing Rules.

LISTING RULES IMPLICATION ON CHINA RENJI

As the applicable percentage ratios as defined under the Listing Rules in respect of the Subscription by China Renji are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for China Renji and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Business Day” a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“China Renji”	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, the subscriber of the Subscription Agreement
“China Renji Board”	the board of directors of China Renji
“China Renji Group”	China Renji and its subsidiaries
“Completion”	completion of the Subscription
“Completion Date”	the day on which the Completion shall take place and such day shall fall on the fifth Business Day after the satisfaction of all the conditions precedent as set out in the Subscribing Agreement (or such other date as may be agreed by Rui Kang and China Renji in writing)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Guiyang Shu Mei Da”	貴陽舒美達製藥廠有限公司 (in English, for identification purpose only, Guiyang Shu Mei Da Pharmaceutical Co., Ltd.), a domestic limited liability company established in the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party who is not connected person (as defined in the Listing Rules or, where appropriate, the GEM Listing Rules) of China Renji or Rui Kang (as the context may require) and is independent of and not connected with the connected persons of China Renji or Rui Kang (as the context may require)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Rui Kang”	Rui Kang Pharmaceutical Group Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on GEM
“Rui Kang Board”	the board of directors of Rui Kang
“Rui Kang Group”	Rui Kang and its subsidiaries
“Rui Kang SGM”	a special general meeting of Rui Kang to be convened to consider and approve, inter alia, the grant of the Specific Mandate

“Rui Kang Share(s)”	the ordinary shares of HK\$0.01 each in the capital of Rui Kang
“Rui Kang Shareholder(s)”	holder(s) of Rui Kang Shares
“Specific Mandate”	a specific mandate to be sought from Rui Kang Shareholders at the Rui Kang SGM to allot and issue the Subscription Shares pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by China Renji pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 November 2014 and entered into between Rui Kang as issuer and China Renji as subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.128 per Subscription Share
“Subscription Shares”	257,812,500 new Rui Kang Shares to be allotted and issued to China Renji upon Completion and each a “Subscription Share”
“%”	per cent.

On behalf of the Board
China Renji Medical Group Limited
CHAN Ka Chung
Chairman

By Order of the Board
Rui Kang Pharmaceutical Group
Investments Limited
LEUNG Pak Hou Anson
Executive Director

Hong Kong, 14 November 2014

As at the date of this joint announcement, the board of directors of China Renji comprises four executive directors of China Renji, namely Mr. Chan Ka Chung, Dr. Hui Ka Chun, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and four independent non-executive directors of China Renji, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezheng, Mr. Lam Chun Ho and Ms. Wu Yan.

As at the date of this joint announcement, the executive directors of Rui Kang are Mr. CHEUNG Hung (Chairman), Mr. LEUNG Pak Hou Anson and Ms. CHEN Miaoping (Chief Executive Officer); and the independent non-executive directors of Rui Kang are Mr. YUEN Chun Fai, Mr. LEUNG Ka Fai and Mr. HO Fung Shan Bob.

This joint announcement, for which the directors of Rui Kang collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Rui Kang. The directors of Rui Kang, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this joint announcement misleading.

This joint announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of Rui Kang at www.ruikang.com.hk.