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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 —
SUBSCRIPTION OF NEW SHARES IN
AN OPTICAL PRODUCTS COMPANY**

THE SUBSCRIPTION

The Company is pleased to announce that on 15 November 2014, the Subscriber, a wholly-owned subsidiary of the Company, and the Target Company entered into the Share Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Target Company has conditionally agreed to allot and issue the Subscription Shares, representing 52% of the issued shares of the Target Company as enlarged by the allotment and issue of the Subscription Shares, at the Subscription Price. The Target Company is principally engaged in the wholesale and retail of optical products in Hong Kong and, as represented by the Target Company, operates one of the largest and well-known retail chain of optical products with the longest operating history of 60 years under the name of “Hong Kong Optical” in Hong Kong. Upon Completion, the Group will be interested in 52% of the issued shares of the Target Company as enlarged by the allotment and issue of the Subscription Shares and the results and financial positions of the Target Company will be included in the consolidated financial statements of the Company.

THE LISTING RULES IMPLICATIONS

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription, are greater than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE SHARE SUBSCRIPTION AGREEMENT

Date

15 November 2014

Parties to the Share Subscription Agreement

- (i) the Subscriber, a wholly-owned subsidiary of the Company, as the subscriber; and
- (ii) the Target Company, as the issuer.

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

Subject matter

The Subscriber has conditionally agreed to subscribe for and the Target Company has conditionally agreed to allot and issue the Subscription Shares, representing 52% of the issued shares of the Target Company as enlarged by the allotment and issue of the Subscription Shares.

Consideration

The Subscription Price for the Subscription Shares amounts to HK\$2,540,000 and is payable in cash by the Subscriber to the Target Company upon Completion.

The Subscription Price was determined after arm's length negotiation between the Group and the Target Company and after taking into consideration of, among other things, (i) the established and renowned brand name of the Target Company's chain of optical products shops in Hong Kong; (ii) the substantial experience and extensive business network of the existing beneficial owner of the Target Company in the optical products market; (iii) the additional working capital made available to the Target Company from the Subscription for formulation and implementation of business development plan to enhance its business and financial performance; and (iv) the potential synergies that can be created with the Group's medical network business in the PRC. The Board considers that the Subscription can provide an opportunity for the Group to obtain a controlling stake in an established business with extensive network in the optical products market and is of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable and the entering into of the Share Subscription Agreement is in the interest of the Company and its shareholders as a whole. The Group intends to finance the Subscription Price by internal resources.

Conditions Precedent

Completion of the Subscription is subject to the fulfillment or (if applicable) waiver of the following conditions:

- (a) the Subscriber being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Subscriber may consider necessary) on the Target Company and its assets, liabilities, activities, operations, prospects and other status which the Subscriber, its agents or professional advisers think reasonably necessary and appropriate to conduct;

- (b) the Subscriber being satisfied that, from the date of the Share Subscription Agreement and at any time before Completion, that the Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Warranties or other provisions under the Share Subscription Agreement by the Target Company; and
- (c) there being no change which has a material adverse effect on the financial position, business or prospects or results of operations of the Target Company as a whole (the “Material Adverse Change”) or prospective Material Adverse Change since the date of the Share Subscription Agreement.

The Subscriber may waive conditions (a) to (c) above.

If the conditions set out above are not fulfilled on or before 15 December 2014 (or such later date as the Target Company and the Subscriber may agree), the obligations of the parties to the Share Subscription Agreement shall cease and neither party to the Share Subscription Agreement shall have any claims under the Share Subscription Agreement against the others save in respect of any antecedent breaches of the Share Subscription Agreement.

Completion

Completion of the Share Subscription Agreement shall take place on the third business day after the last outstanding conditions precedent are fulfilled or waived (as the case may be) or such other date as agreed between the parties to the Share Subscription Agreement. Upon Completion, the Group will be interested in 52% of the issued shares of the Target Company as enlarged by the allotment and issue of the Subscription Shares and the results and financial positions of the Target Company will be included in the consolidated financial statements of the Company.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is principally engaged in the wholesale and retail of optical products in Hong Kong and, as represented by the Target Company, operates one of the largest and well-known retail chain of optical products with the longest operating history of 60 years under the name of “Hong Kong Optical” in Hong Kong.

As at the date of this announcement, there are nine optical shops operating under the name of “Hong Kong Optical”, seven of which are owned by the Target Company and the remaining two shops are owned by the existing beneficial owner of the Target Company. Based on the unaudited financial information of the Target Company, the combined loss before and after tax attributable to the said self-owned shops of Target Company amounted to HK\$0.27 million for the year ended 28 February 2013 and the combined profit before and after tax attributable to the said self-owned shops of the Target Company amounted to HK\$0.19 million for the year ended 28 February 2014. As at 31 August 2014, the Target Company had net liabilities of HK\$6.7 million (which are comprised of shareholders’ loan).

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment 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.

According to an article from the Hong Kong Trade Development Council regarding the spectacles market in the PRC published in July 2014, the PRC is not only the world's leading manufacturer of spectacles but is also the largest potential consumer of spectacles products. The Euromonitor International estimated that the PRC's spectacles market grossed nearly RMB56.7 billion with 15% annual growth in 2013. The PRC's market for contact lenses also grew by 14% to RMB3.4 billion in 2013. According to a joint survey by the Ministry of Health and the Ministry of Education of the PRC, the PRC has a myopic occurrence rate of 33% and nearly 400 million people in the PRC are myopic (i.e 1.5 times the world's average of 22%) and the rate of myopia occurrence in primary schools, secondary schools and universities in the PRC is 30%, 70% and 90%, respectively. The myopic population in the PRC is expected to increase by 8% annually, indicating a huge market of spectacles and the related products in the PRC. In addition, with the improvement in the living standards of the PRC's general public, consumers are attaching greater importance to the health and protection of their eyes when choosing spectacles, and more and more people are buying glasses of higher quality.

As mentioned in the previous announcements, circulars, interim and annual reports of the Company in 2013 and 2014, the Group's medical network business has been facing difficult legal and operating environment which has imposed uncertainty on its future financial performance and the Group has been actively looking for investment opportunities to broaden its business base so as to mitigate such potential adverse impact. According to the report from the Hong Kong Tourism Board, overnight visitors from the PRC spend much more on spectacles and optical goods than same-day in-town visitors, reflecting the PRC's consumers' favour about the optical products offered and the service provided in Hong Kong but limited by the duration of their stay in Hong Kong due to the time taken in tailor-making the optical products for different consumers. Despite the thin margin or loss attributable to the aforesaid self-owned optical shops of the Target Company in recent years, the Company has considered that the established brand name and business network of the Target Company has set a solid platform for expansion into the growing optical/spectacles market in the PRC. Furthermore, the Group also expects that potential synergy will be created between the optical shops to be opened by the Target Company in the PRC (including the customer base for myopic customers and eye diseases related patients) and the Group's network in the medical sector in the PRC. Having considered the above, the Board is of the view that the Subscription represents a good investment opportunity to the Group and the entering into of the Share Subscription Agreement and the transactions contemplated thereunder is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription, are greater than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITION

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

“Board”	the board of Directors
“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong and the issued shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited
“Completion”	completion of the Share Subscription Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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)
“Subscriber”	Sky Clear Bright Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Share Subscription Agreement”	the shares subscription agreement dated 15 November 2014 entered into between the Subscriber and the Target Company in relation to the subscription of the Subscription Shares by the Subscriber
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Share Subscription Agreement
“Subscription Price”	HK\$2,540,000, being the consideration payable by the Subscriber for the Subscription Shares
“Subscription Shares”	such number of new shares of the Target Company to be issued and subscribed by the Subscriber under the Share Subscription Agreement upon Completion, which shall represent 52% of the issued shares of the Target Company at Completion (as enlarged by the allotment and issue of such shares)
“Target Company”	Hong Kong Optical Company Limited, a company incorporated in Hong Kong with limited liability
“Warranty(ies)”	the representation, warranties, undertaking given by the Target Company to the Subscriber under the Share Subscription Agreement

“HK\$”

Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

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

Hong Kong, 16 November 2014

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