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 DISPOSAL AGREEMENT

The Company is pleased to announce that on 1 December 2014, the Vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Sale Shares at the initial consideration of HK$26,000,000 in cash (subject to adjustment). Following completion of the Disposal, Wintin will remain as a non wholly-owned subsidiary of the Company under the applicable accounting standards.

IMPLICATION OF THE LISTING RULES

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal, are greater than 5% but less than 25%, the Disposal will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

Date

1 December 2014

Parties to the Disposal Agreement

(i) the Purchaser, as the purchaser; and

(ii) the Vendor, a wholly-owned subsidiary of the Company, as the vendor; and

The Purchaser is an investment holding company and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Purchaser and its beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Listing Rules); and (ii) a major shareholder of the Purchaser has a number of investments in the PRC's medical sector (including a company engaged in the development of medical equipment in the PRC).

Background of the assets to be disposed of

The Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares (representing 20% equity interest of Wintin).

Wintin is an investment holding company and, through its subsidiaries, is principally engaged in the medical network business of the Group in the PRC. The Wintin Group's consolidated profit before and after taxation attributable to the Group amounted to HK$63.1 million and HK$67.4 million for the year ended 31 December 2012, respectively. The Wintin Group's consolidated loss before and after taxation attributable to the Group amounted to HK$113.4 million and HK$120.8 million for the year ended 31 December 2013, respectively. As at 30 June 2014, the consolidated net asset value of Wintin Group (including the non-controlling interest) attributable to the Group amounted to HK$124.7million.

Consideration

The consideration (the "Consideration") for the Sale Shares will be the higher of (i) HK$26 million; or (ii) 20% of the audited consolidated net asset value of the Wintin Group as at 31 December 2014, and will be payable in cash by the Purchaser as follows:

(i) HK$6 million upon completion of the Disposal Agreement;

(ii) HK$5 million on or before 28 February 2015; and

(iii) the remaining balance of the Consideration within 10 business days following the issue of the confirmation letter prepared by the auditors of the Company in respect of the audited consolidated net asset value of the Wintin Group on or before 30 April 2014.

The Consideration of HK$26 million was determined after arm's length negotiation between the Group and the Purchaser with reference to, among other things, the unaudited consolidated net asset value of the Wintin Group of HK$124.7 million as at 30 June 2014 and the equity interest in Wintin represented by the Sale Shares. The proceeds from the Disposal shall be used for purposes of working capital for the ongoing business development of the Group and appropriate acquisition opportunities to be identified. After taking into account (i) the uncertainty of the Group's future financial performance resulting from the difficult legal and operating environment faced by the Group's medical network business (as detailed below); (ii) the premium of 4% of the Consideration over the proportionate consolidated net asset value of the Wintin Group as at 30 June 2014; (iii) the Group's maintaining of its control over Wintin following completion of the Disposal (as detailed below); and (iv) the proceeds obtained from the Disposal, the Company is of the view that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable.

Completion

Completion of the Disposal Agreement has taken place upon the execution of the Disposal Agreement. Following completion of the Disposal Agreement, the Group will remain as the single largest shareholder of Wintin and Wintin will remain as a non wholly-owned subsidiary of the Group (as detailed below).

Share Charge

The Purchaser has executed the Share Charge in favour of the Vendor and the Share Charge shall be released upon full settlement of the Consideration and the shareholders' loan due to the Group.

Composition of the board of directors of Wintin and voting arrangement

Prior to the entering into of the Disposal Agreement, the board (the "Wintin Board") of directors of Wintin comprises three directors, all of whom are appointed by the Group. Pursuant to the agreement of all shareholders of Wintin entered into on the date of this announcement, the Wintin Board shall comprise five directors, of which the Group shall have the right to appoint three directors (one of whom shall be the chairman of the Wintin Board) and each of the Purchaser and the remaining shareholder of Wintin will be entitled to appoint one director to the Wintin Board, respectively. All activities and actions of Wintin shall be directed by the Wintin Board. Given that the directors appointed by the Group will represent majority of the Wintin Board, the Group, following the Disposal, will still have the ability to direct the relevant activities of the Wintin Group (i.e. the Group will have the controlling power over the Wintin Group). Accordingly, the Group will retain its control over the Wintin Group after the Disposal and Wintin will remain as a non wholly-owned subsidiary of the Company under the applicable accounting standards of Hong Kong.

FINANCIAL IMPACT OF THE DISPOSAL

Since Wintin will remain to be accounted for as a subsidiary of the Company following completion of the Disposal Agreement, its results and financial position will continue to be included in the consolidated financial statements of the Company. However, the net assets and the results of the Wintin Group attributable to the owners of the Company will be decreased by the percentage of the Group's equity interest in Wintin disposed of. Based on the net asset value of the Wintin Group as at 30 June 2014 and the Consideration, together with the fact that the control over the Wintin Group will still reside with the Group following the Disposal, it is estimated that there will be a gain of HK$1 million from the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment company, through its subsidiaries, engaged and invested in healthcare and well-being business, including a network of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseased in the PRC and one of the largest retail chains of optical products in Hong Kong as well as companies engaged in the research and development of consumer cosmetics, health related and pharmaceutical products in the PRC and Hong Kong and operation of one of the largest sports and fitness club chains in the PRC (the latter two of which are pending completion).

As described in the announcement, circulars, interim and annual reports of the Company published in 2013 and 2014, 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 hospital 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 hospital 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 views on the substance of the said leasing and management arrangement of the Group underlying its medical network business and interpreting such arrangement as "renting/ contracting-out" of medical departments of hospital has been increased. Such increased risk has dampened the working relationship with the Group's hospital partners (as evidenced by the receipt of the notices for termination of the existing cooperation arrangement in respect of four of its medical centres in 2013).

Although Wintin was able to enhance the relationship with its business/hospital partners following the Group's disposal of 35% equity interest of Wintin in 2013 to a strategic investor (whose associate has maintained good working relationship with the administrative department in charge of certain hospitals in which the medical centres of the Group are located), it remains uncertain to the Group as to the extent and how long the Group would be able to continue to be benefited from such enhanced relationship with its business/hospital partners brought about by the said strategic investor. The difficult legal and operating environment faced by the Group will still probably adversely affect and cast uncertainly on the business performance of the Wintin Group (including possible receipt of additional notices for early termination and/or non-renewal of existing cooperation arrangement). In this connection, the Group considers that the Disposal can, on one hand, further reduce the business risk of its medical business and re-balance its overall business portfolio before the occurrence of any further adverse impact on the Wintin Group by further reducing the Group's equity interest in Wintin, and, on the other hand, represents an opportunity for the Group to introduce one more strategic investor with extensive connection in the PRC's medical business such that, together with the aforesaid 35% shareholder of Wintin, the Group can flourish the business relationship with and network in the PRC hospitals/medical sector possessed by the two strategic shareholders of Wintin for the Group to explore other business opportunities in the PRC medical industry.

With years of experience of the Group in managing and operating the Wintin Group's medical centres, the other two shareholders of Wintin consider that it will be the interest of all parties for the Group to maintain control over the Wintin Board and the management of the Group to continue to be responsible for the daily business operation and management of the Wintin Group following the completion of the Disposal Agreement.

Notwithstanding the above, the Group has been actively looking for opportunities to reduce its reliance on the medical network business and to broaden its business base for mitigating the above-mentioned risk, including the acquisitions of one of the largest chain of sports and fitness clubs in the PRC and one of the largest optical products chain shops in Hong Kong and investment in a listed company engaged in the research and development of consumer cosmetics, health related and pharmaceutical products in the PRC. The Group has also been in negotiation with different parties engaged in the areas of automated pharmaceutical dispensation system, design and development of whirlpool bath for medical use, provision of health and wellness services in the PRC and provision of health and sport clinic services in Hong Kong. However, shareholders and potential investors of the Company should note that the above possible investments are still subject to further negotiations and no terms have been reached and no agreement has been entered into by the Group as at the date of this announcement.

Given the above, together with (i) the proceeds from the Disposal as additional working capital for the Group to implement business plans; (ii) the Group being the single largest shareholder of Wintin and maintaining its control over the Wintin Group to ensure the management and operational efficiency of the Wintin Group following completion of the Disposal; and (iii) the premium represented by the Consideration over the proportionate consolidated net asset value of the Wintin Group as at 30 June 2014, the Company is of the view that the entering into of the Disposal Agreement and the transactions contemplated thereunder are 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 Disposal, are greater than 5% but less than 25%, the Disposal will constitute a discloseable transaction for the Company 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, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares pursuant to the Disposal Agreement
"Disposal Agreement"	the sale and purchase agreement dated 1 December 2014 entered into between the Purchaser and the Vendor relating to the disposal of the Sale Shares
"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"	Golden River Associates Ltd., a company incorporated in the British Virgin Islands with limited liability
"Sale Shares"	20 shares of US$1 each in the share capital of Wintin, representing 20% issued share capital of Wintin
"Share Charge"	the share charge executed by the Purchaser in favour of the Vendor upon completion of the Disposal as security for the full settlement of the Consideration and the shareholders' loan due to the Group

"Vendor"	China Renji Medical (BVI) Limited, a company with limited liability incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Wintin"	Wintin International Limited, a company with limited liability incorporated in the British Virgin Islands and a non wholly-owned subsidiary of the Vendor
"Wintin Group"	Wintin and its subsidiaries
"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, 1 December 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.