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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 AND CONNECTED TRANSACTION**

### **THE ACQUISITION**

The Company is pleased to announce that on 20 May 2015, the Purchaser, a wholly-owned subsidiary of the Company, as the purchaser entered into the Acquisition Agreement with Mr. Chan as the vendor for the acquisition by the Purchaser of the Sales Shares (representing 50% of the equity interest in the Target Company) at the Consideration payable by the Purchaser to Mr. Chan in cash. Following the completion of the Acquisition Agreement, the Target Company will become an indirectly wholly-owned subsidiary of the Company and its results and financial position will be included in the consolidated financial statements of the Company.

### **THE LISTING RULES IMPLICATIONS**

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

In addition, since the vendor, Mr. Chan, is an executive Director and is therefore a connected person of the Company (as defined under Chapter 14A of the Listing Rules), the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with the acquisition of the entire equity interest of the Purchaser (which previously owned by Mr. Chan as disclosed in the Announcement), are less than 25% and the aggregate consideration is less than HK\$10 million, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **THE ACQUISITION AGREEMENT**

### **Date**

20 May 2015

### **Parties to the Acquisition Agreement**

- (i) the Purchaser, as the purchaser; and
- (ii) Mr. Chan, as the vendor.

Mr. Chan is an executive Director and is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

### **Background of the assets to be acquired**

Mr. Chan has agreed to sell and the Purchaser has agreed to acquire the Sales Shares (representing 50% of the equity interest in the Target Company).

The Target Company is an investment holding company which holds a residential property located at Southern District of Hong Kong and the equity interest of which is 50% owned by the Purchaser and 50% owned by Mr. Chan respectively. After completion of the Acquisition Agreement, the Target Company will become an indirectly wholly-owned subsidiary of the Group. Based on the unaudited financial information of the Target Company, the unaudited consolidated net assets of the Target Company was approximately HK7 million as at 30 April 2015 and its assets mainly comprised the fair value of the above-mentioned residential property of approximately HK\$72.5 million (based on valuation of the interest in the above property attributable to Mr. Chan as at 30 April 2015 by an independent property valuer). For the year ended 31 December 2013, the Target Company recorded unaudited consolidated profit before and after taxation of approximately HK\$69 million and HK\$69 million, respectively. For the year ended 31 December 2014, the Target Company recorded unaudited consolidated loss before and after taxation of approximately HK\$76 million and HK\$76 million (of which HK\$68 million was due to an one-off non-recurring loss recorded by the Target Company before the date of the Announcement), respectively.

### **Consideration**

Pursuant to the Acquisition Agreement, the Consideration shall be payable by the Purchaser to Mr. Chan in cash within ten Business Days following the completion of the Acquisition Agreement. The Consideration will be financed by the internal resources of the Group.

The Consideration was determined after arm's length negotiation between the Company and Mr. Chan, with reference to, among other things, 50% equity interest of the Target Company held by Mr. Chan and the unaudited consolidated net asset value of the Target Company as at 30 April 2014. Having considered the approximation between the Consideration and 50% of the unaudited consolidated net asset value of the Target Company and the potential appreciation in the said property which the Group may enjoy in the future, the Board (including the independent non-executive Directors) is of the view that the terms of the

Acquisition Agreement (including the Consideration) are fair and reasonable, the Acquisition is on normal commercial terms and the entering into of the Acquisition Agreement is in the interest of the Company and the Shareholders as a whole.

## **Completion**

Completion of the Acquisition Agreement takes place on the same day as the signing of the Acquisition Agreement. Following completion of the Acquisition Agreement, the Target Company will become a wholly-owned subsidiary of the Company and its results, assets and liabilities will be included in the consolidated financial statement of the Company following completion of the Acquisition.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in (i) healthcare and well-being business (including the investment in and operation of a network of medical centres specialising in the diagnosis and treatment of tumours and related disease in the PRC, one of the leading retail chains of optical and eye-care products and services under the brand name “Hong Kong Optical” in Hong Kong and one of the largest chains of fitness and sports clubs in the PRC in terms of floor area under the brand name of “MEGAFIT”); and (ii) investments and asset management (including investment in securities, fixed/capital assets and distressed assets and loan financing business). The Group is also the single largest shareholder of Rui Kang Pharmaceutical Group Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and engaged in the manufacture, research and development, and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong.

As stated in the previous announcement and the annual report of the Company for the year of 2014, in order to hedge the Company’s business risk and enhance return to the Shareholders, the Group has diversified its businesses to include investments and asset management which allow the Group to seize investment opportunities in securities, fixed/capital assets and distressed assets for capital appreciation and yielding returns. The Group’s investment and asset management business segment also covers loan financing business line which mainly provides corporate finance, property lending as well as bridge loans and mezzanine financing to merger and acquisition transactions. As such, a strong asset base helps the Group strengthen its position in this business segment.

Along with the above-mentioned corporate development strategy, the Group acquired an investment portfolio comprising of interests in residential properties and parking spaces in Hong Kong in 2014 to diversify and strengthen its asset base. In addition, as noted in the Announcement, with the launch of the Shanghai-Hong Kong Stock Connect, a landmark in the global integration of the PRC’s capital market, the opening up of its capital account and internationalisation of Renminbi, the Hong Kong property market, together with its service industry, are expected to be benefited from this mutual market access scheme in growing capital inflow into Hong Kong followed by inflow of human capital and increasing number of foreign companies wishing to invest in the A shares market in the PRC and to participate in the business opportunities offered by the internationalisation of Renminbi, through establishing presences in Hong Kong, the world’s largest offshore pool of Renminbi funds. It is observed that the stock markets in the PRC have been surged more than two times and the Hong Kong Hang Seng Index has risen approximately 15% since the date of the Announcement. It is further expected that with the proposed launch of the Shenzhen-Hong

Kong Stock Connect, the above-mentioned benefits to Hong Kong will be more imminent. The Acquisition will enable the Group to wholly own the interest in the residential property held by the Target Company under its asset management business and fully benefit from the potential appreciation of the property brought by the new positioning and development of Hong Kong in the future.

## **LISTING RULES IMPLICATION**

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

In addition, since the vendor, Mr. Chan, is an executive Director and therefore a connected person of the Company (as defined under Chapter 14A of the Listing Rules), the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with the acquisition of the entire equity interest of the Purchaser (which is previously owned by Mr. Chan as disclosed in the Announcement), are less than 25% and the aggregate consideration is less than HK\$10 million, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

Having made reasonable enquiries, the Company understands that the original acquisition cost of the property held by the Target Company by Mr. Chan is approximately HK\$64 million.

Since Mr. Chan is the vendor under the Acquisition Agreement, Mr. Chan had abstained from voting for approving the Acquisition Agreement and the transactions contemplated thereunder.

## **DEFINITION**

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

“Acquisition”	the acquisition of 50% equity interest of the Target Company held by Mr. Chan pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 20 May 2015 entered into between the Purchaser and the Mr. Chan relating to the acquisition of 50% equity interest of the Target Company
“Announcement”	the Company’s announcement dated 26 November 2014 relating to the acquisition of the Purchaser by the Company
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally

“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Stock Exchange
“Consideration”	the consideration of HK\$3.5 million payable by the Purchaser as purchaser to Mr. Chan as vendor for the Acquisition pursuant to the Acquisition Agreement
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Ka Chung, the Chairman of the Board and an executive Director
“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”	Commerce Sea Global Investment Limited, an investment company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Company
“Shareholders”	holder(s) of the shares of the Company
“Sales Shares”	1 share in the issued share capital of the Target Company, representing 50% of the issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Golden Times Management Limited, an investment company incorporated in the British Virgin Islands with limited liability and owned as to 50% equity interest by the Purchaser and 50% equity interest by Mr. Chan
“Target Group”	the Target Company together with the companies under it
“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**  
**Cheung Wai Kwan**  
*Executive Director*

Hong Kong, 20 May 2015

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