If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Renji Medical Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

MAJOR TRANSACTION — DISPOSAL OF PART OF THE GROUP’S INTEREST IN A SUBSIDIARY

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 31 October 2013 at 4:00 p.m. (or such time immediately following the conclusion (or adjournment) of another extraordinary general meeting of the Company to be held on the same day and at the same place) is set out on pages 45 to 46 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.renjimedical.com.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company at 30/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

16 October 2013
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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Company” China Renji Medical Group Limited, a company incorporated in Hong Kong, the issued shares of which are listed on the Stock Exchange

“Director(s)” the director(s) of the Company

“Disposal” the disposal of the Sale Shares and the Sale Loan pursuant to the Disposal Agreement

“Disposal Agreement” the sale and purchase agreement dated 28 June 2013 entered into between the Purchaser and the Vendor relating to the disposal of the Sale Shares and the Sale Loan

“EGM” the extraordinary general meeting of the Company to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 31 October 2013 at 4:00 p.m. (or such time immediately following the conclusion (or adjournment) of another extraordinary general meeting of the Company to be held on the same day and at the same place) for its shareholders to consider, and if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder

“Group” the Company and its subsidiaries

“Latest Practicable Date” 9 October 2013, being the latest Practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” the People’s Republic of China (for the purpose of this circular, excluding The Hong Kong Special Administrative Region, The Macau Special Administrative Region and Taiwan)

“Purchaser” Topworld Alliance Ltd., a company incorporated in the British Virgin Islands with limited liability

“Sale Loan” 35% of the Wintin Group’s amount due to the Group, which amounted to approximately HK$136.01 million as at 30 June 2013 (representing 35% of the Wintin Group’s the then total amount due to the Group of approximately HK$388.61 million)
“Sale Shares” 35 shares of US$1 each in the share capital of Wintin, representing 35% issued share capital of Wintin

“Sale Valuation” the valuation of 35% equity interest in the Wintin Group

“SFO” the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share Charge” the share charge to be executed by the Purchaser in favour of the Vendor upon completion of the Disposal as security for the payment of the outstanding Consideration

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Valuer” Greater China Appraisal Limited, an independent valuer

“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 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

“RMB” Renminbi, the lawful currency of the PRC

“US$” United States dollars, the lawful currency of the United States of America

Unless otherwise specified in this circular, amounts denominated in RMB have been translated, for the purpose of illustration only, into HK$ at the exchange rate of HK$1 = RMB0.7968.

* for identification purpose only
To the Shareholders and for information only, the option holders and the note holders,

Dear Sir or Madam,

MAJOR TRANSACTION — DISPOSAL OF PART OF THE GROUP’S INTEREST IN A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 28 June 2013 relating to the Disposal.

The purpose of this circular is to provide you with, among other things, details regarding (i) the Disposal Agreement and the transactions contemplated thereunder; (ii) the valuation report on the Wintin Group; (iii) a notice convening the EGM; and (iv) other information as required under the Listing Rules.
THE DISPOSAL AGREEMENT

Date

28 June 2013

Parties to the Disposal Agreement

(i) the Purchaser, as the purchaser;
(ii) the Vendor, as the vendor; and
(iii) Ms. Gao Min Shan (the “Guarantor”), as the guarantor

The Purchaser is an investment holding company and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and the Guarantor, being the sole ultimate beneficial owner of the Purchaser, are third parties independent of the Company and its connected persons (as defined under the Listing Rules). The Guarantor, the sole beneficiary owner of the Purchaser, is a member of a family having investments in the medical business in the PRC and has become acquaintance with the Group through business occasions. Pursuant to the Disposal Agreement, the Purchaser will not appoint any directors or senior management in the Group.

Background of the assets to be disposed of

Wintin is an investment holding company and through its subsidiaries, is principally engaged in the leasing of medical equipment and provision of services on operation of medical equipment in the PRC.

The Vendor has conditionally agreed to dispose of and assign, and the Purchaser has conditionally agreed to acquire and accept the Sale Shares (representing 35% issued share capital of Wintin) and the Sale Loan, respectively.

The Wintin Group’s consolidated loss before and after taxation attributable to the Group amounted to approximately HK$248.49 million and HK$249.88 million for the year ended 31 December 2011, respectively. The Wintin Group’s consolidated profit before and after taxation attributable to the Group amounted to approximately HK$63.06 million and HK$67.35 million for the year ended 31 December 2012, respectively. As at 30 June 2013, the consolidated net asset value (including the non-controlling interests of approximately HK$31.63 million) of Wintin Group attributable to the Group amounted to approximately HK$136.67 million. As at 30 June 2013, the Sale Loan amounted to approximately HK$136.01 million (representing 35% of the Wintin Group’s then amount due to the Group of approximately HK$388.61 million).

Consideration

Under the Disposal Agreement, the initial consideration (the “Consideration”) for the Sale Shares and the Sale Loan is HK$70,000,000 (subject to adjustments as detailed below). However, if the aggregate of the Sale Loan and the Sale Valuation (the “Total Valuation”)
is higher than the initial Consideration, the Consideration will be adjusted upwards to the Total Valuation, subject to a cap of approximately HK$226.58 million. Based on the valuation report (the “Valuation Report”) prepared by the Valuer contained in appendix II to this circular, the Total Valuation, being the aggregate of (i) the Sale Valuation with a negative balance of RMB61.54 million and (ii) the Sale Loan of approximately RMB108.38 million, amounted to approximately RMB46.84 million (equivalent to approximately HK$58.79 million). Accordingly, the Consideration (before deducting the Compensation as detailed below) will remain to be HK$70 million.

In addition to the above, the Purchaser has requested and the Group has accepted to warrant to the Purchaser that the actual consolidated profit after taxation of the Wintin Group (the “Actual Profit”) calculated in accordance with the Hong Kong Financial Reporting Standards for the year ending 31 December 2013 shall be no less than HK$40 million (the “Guaranteed Profit”). In the event that the Actual Profit falls short of the Guaranteed Profit, the Purchaser will be entitled to receive cash compensation (the “Compensation”) from the Group based on 35% of 5 times (approximated the price-earning-ratio based on the average market capitalisation of the Company prior to the Disposal Agreement and the profit after tax of the Group for the year ended 31 December 2012 of approximately HK$61.26 million) the shortfall between the Guaranteed Profit and the Actual Profit. Since the Guaranteed Profit was intended to serve as a benchmark measuring the business and/or financial performance of Wintin Group for the year ending 31 December 2013, for avoidance of doubt, any non-operating related items (such as impairment loss) resulted from the Disposal will be disregarded in the computation of the Guaranteed Profit. Based on the Company’s interim results for the six months ended 30 June 2013, it is preliminary estimated that the Wintin Group would have a chance to meet the Guaranteed Profit (though the actual outcome will still be subject to the then business environment and financial performance of Wintin Group) if non-operating related items (including the impairment loss) resulted from the Disposal are excluded from calculation of the Actual Profit. In addition, given that the Wintin Group’s investment in the medical project pursuant to the investment agreement dated 25 June 2013 is expected to be stated at cost under the Group’s consolidated financial statements, no gain or loss as a result of the changes in the fair values of such investment from time to time will be recorded by the Wintin Group.

The initial Consideration of HK$70,000,000 will be satisfied in cash and will be payable to the Group as follows:

(i) HK$7,000,000 upon completion of the Disposal Agreement (the “First Payment”);

(ii) HK$14,000,000 within 3 months after completion of the Disposal Agreement (the “Second Payment”); and

(iii) the remaining balance of the Consideration (after having adjusted by the Total Valuation, the “Adjusted Remaining Consideration”) within 10 business days following the issue of the audited financial statements of the Wintin Group stating
the Actual Profit or 6 months after the completion of the Disposal Agreement, whichever is later (or such another date as agreed between the Group and the Purchaser).

For avoidance of doubt, the First Payment and the Second Payment will be non-refundable and the actual payment of the Adjusted Remaining Consideration will be deducted by the Compensation (if any). In the event the Compensation is greater than the Adjusted Remaining Consideration, the Consideration will be adjusted to HK$21 million (i.e. the sum of the First Payment and the Second Payment). Based on the Consideration of HK$70 million, the maximum amount of the Compensation will be HK$49 million.

The Purchaser shall upon completion of the Disposal Agreement execute the Share Charge, which shall be released upon full settlement of the Consideration. Details of the principal terms of the Share Charge are set out in the paragraph under the heading “Share Charge” below.

The Consideration was determined after arm’s length negotiation between the Group and the Purchaser with reference to, among other things, (i) the adverse impact on the Group’s future financial performance and business operations of its medical business in the PRC resulting from the increasingly challenging business environment and the tightened implementation of the existing rules and regulations (as detailed below); and (ii) the Guaranteed Profit. The Directors, after having taken into account (i) the potential adverse impact on the future financial performance and business operations of its medical business in the PRC due to, among other things, the implementation of the new policy(ies) in the PRC such as the Program (as defined below) which would potentially result in a decrease in the Group’s medical centres (hence revenue) in the future; (ii) the Consideration of HK$70 million represented a premium of approximately 19% over the Total Valuation; and (iii) the difficulties for the Group to identify a third party with serious interest to acquire for a minority stake in the Group’s medical business given the unfavourable operating environment of the Group’s medical business (as detailed below), are of the view that the Disposal represents a good opportunity for the Group to divest of part of its investment in the medical business and considered that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable and the entering into of the Disposal Agreement is in the interest of the Company and its shareholders as a whole.

Since the income method has been used in deriving the Total Valuation as set out in the Valuation Report, the Total Valuation is considered as a profit forecast pursuant to the Listing Rules. The Directors have confirmed that they are satisfied with the Total Valuation, which is contained in the Valuation Report, was stated after due and careful enquiry.

Proceeds from the Disposal will be used as general working capital of the Group or as funding for its future investments when opportunities arise. Save for the aforesaid, the Company had no specific designated purpose for the use of the proceeds obtained from the Disposal as at the Latest Practicable Date.
Conditions Precedent

Completion of the Disposal Agreement is subject to the following conditions precedent being fulfilled or waived (as the case may be):

(i) the Purchaser being reasonably satisfied with the results of the due diligence on the Wintin Group;

(ii) all the relevant regulatory requirements in respect of the Disposal Agreement and the transactions contemplated thereunder having been complied with;

(iii) the obtaining of the approval of the shareholders of the Company at the EGM to be convened for approving the Disposal Agreement and the transactions contemplated thereunder;

(iv) none of the warranties and obligation given by the Vendor under the Disposal Agreement having been breached; and

(v) all necessary consents and approvals required having been obtained on part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereunder.

If the conditions set out above are not fulfilled or, as the case may be, waived by the Purchaser (in respect of conditions numbered (i) and (iv) only) on or before 31 December 2013 (or such other date as the parties thereto may agree), the obligations of the parties to the Disposal Agreement shall cease and neither party to the Disposal Agreement shall have any claims under the Disposal Agreement against the others save in respect of any antecedent breaches of the Disposal Agreement.

Completion

Completion of the Disposal Agreement shall take place within 5 business days following the above-mentioned conditions precedent of the Disposal Agreement having been fulfilled or waived (as the case may be) or such later date as may be agreed between the parties to the Disposal Agreement.

Upon completion of the Disposal Agreement, save for the Share Charge as mentioned below, the Group will still hold 65% of the issued share capital of Wintin and Wintin will become an indirect non wholly-owned subsidiary of the Company.
For illustration purpose only, the following diagram summaries the change in the shareholding structure of the Wintin Group before and after the Disposal:

**Before the Disposal**

- The Company
- 100%
- The Vendor
- 100%
- Wintin
- 100%
- Anping Medical Treatment Technology (Wuhu) Co., Ltd
- 100%
- The Group’s network of medical centres business

**After the Disposal**

- The Company
- 100%
- The Vendor
- 65%
- Wintin
- 100%
- Anping Medical Treatment Technology (Wuhu) Co., Ltd
- 100%
- The Group’s network of medical centres business

**THE SHARE CHARGE**

**Party to the Share Charge**

The Share Charge shall be executed by the Purchaser in favour of the Vendor

**Principal Terms of the Share Charge**

Pursuant to the terms of the Share Charge, the Purchaser shall charge the Sale Shares in favour of the Vendor as a security for its payment obligation for the full settlement of the Consideration. In the event that the Purchaser fails to perform its payment obligations under the Disposal Agreement in accordance with its terms, the Vendor shall be entitled to enforce the Share Charge.

The Share Charge shall be released upon full settlement of the Consideration by the Purchaser in accordance with the terms of the Disposal Agreement.
FINANCIAL EFFECT OF THE DISPOSAL

Based on the Consideration of HK$70 million, and taking into account of (i) 35% of the consolidated net asset value of the Wintin Group attributable to the Group (net of the non-controlling interest of approximately HK$31.63 million) of approximately HK$36.76 million as at 30 June 2013; (ii) the Sale Loan of approximately HK$136.01 million as at 30 June 2013; and (iii) 35% of the credit balance of the cumulative exchange difference attributable to the Wintin Group of approximately HK$60.73 million as at 30 June 2013, it is estimated that the Group would record a loss on disposal of approximately HK$42.04 million and such loss would be included in the reserve of the Group’s consolidated financial statement. However, the actual gain or loss as a result of the Disposal will still depend on, among other things, the then net asset value of the Wintin Group upon completion of the Disposal Agreement and the Consideration payable.

Since the Group will still hold 65% equity interest in Wintin after the completion of the Disposal, going forwards, the total assets and liabilities as well as the financial results of the Wintin Group will still be included in the Company’s consolidated balance sheet and the consolidated income statements, respectively, though the consolidated net assets of the Company and the consolidated profit or loss attributable to the owners of the Company will be reduced by the percentage of the equity interest in the Wintin Group disposed by the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of medical equipment and services for the network of its medical centre specialising in the diagnosis and treatment of tumours and/or cancer related diseases in the PRC.

As described in the Company’s announcement dated 28 June 2013 and the annual report of the Company for the year ended 31 December 2012 (the “2012 Annual Report”), most of the Group’s medical centres are established through the long term lease and management service arrangement entered into with hospital and/or other business partners of the Group, such that the Group’s hospital partners provide premises for the underlying medical centres, whereas the Group provides medical equipment to these medical centres through long-term leasing arrangements, and the Group and/or its business partners provide management services for the medical centres. However, as also described in the 2012 Annual Report, non-civilian medical institutions in the PRC are no longer permitted to enter into cooperation agreements with third parties to set up for-profit centres, but these non-civilian medical institutions are permitted to lease medical equipment from their partners if they do not have adequate funds to purchase the medical equipment. The above-mentioned business model of the Group may be exposed to challenges if the relevant PRC health departments/authorities have different interpretation to the extent that the Group’s lease and management services agreements with its hospital partners may not be in compliance with the existing rules and regulations and thus may cast uncertainties over the Group’s ongoing business operations.
Furthermore, the increasingly challenging business environment for the Group’s medical business in the PRC brought about from the health-care reform policies implemented in recent years have laid downward pressure on the Group’s financial performance. In particular, the National Health and Family Planning Commission of the PRC has recently launched a program (the “Program”) to clean-up and rectify grassroots medical institutions (such as county-level hospitals, community health centres, infirmaries and clinics) in order to ensure quality and safety. The Program has outlined a number of measures for purpose of strengthening the management of the PRC’s grassroots hospital and rectifying their noncompliance operations, including the rental/contract-out arrangement of medical departments.

As at the Latest Practicable Date, the Group has not been assessed by any healthcare departments/authorities for any non-compliance with the existing rules and regulation, even after the launching of the Program. However, given the leasing of medical equipment and provision of management services for the operations of the Group’s medical centres being located in the hospitals’ premises, new policy(ies) like the Program may result in the Group’s existing business model being exposed to challenges for non-compliance and thus lead to an adverse impact on its ongoing working relationship with its hospital partners, including the non-renewal upon the expiry or termination before the expiry of the Group’s cooperation with the hospitals via its partners. As at the Latest Practicable Date, four of the Group’s medical centres had received notices demanding for termination of the existing cooperation arrangements in order for compliance with the relevant PRC rules and regulations (such as the Program), and such reduced number of the Group’s medical centres in the future will therefore result in a decrease in revenue to the Group. Given the circumstances, the relevant management of the Group is uncertain about the possible renewal or the continuation of the Group’s cooperation arrangements for its other medical centres. Furthermore, the Group’s future business operations and financial performance would be further dampened if the Group were to receive additional notices demanding for termination of existing cooperation arrangements. As such, the Directors consider that despite the loss as a result of the Disposal, the Disposal represents an opportunity for the Group to realise part of its investment in its existing medical business to reduce its overall business risk and to obtain additional working capital at an earlier stage.

Based on the above, the Directors are 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 25% but less than 75%, the Disposal will constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the shareholders’ approval requirements under the Listing Rules.
EGM

A notice convening the EGM to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong, on Thursday, 31 October 2013 at 4:00 p.m. (or such time immediately following the conclusion (or adjournment) of another extraordinary general meeting of the Company to be held on the same day and at the same place) is set out on pages 45 to 46 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the registered office of the Company at Unit 3001, 30/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournments thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholders of the Company are required to abstain from voting for the resolution to be proposed at the EGM to approve the Disposal Agreement.

RECOMMENDATION

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal Agreement are fair and reasonable and the entering into of the Disposal Agreement is in the interests of the Company and its shareholders as a whole, and recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendices of this circular.

By order of the
Board of Directors
Tang Chi Chiu
Chairman
1. INDEBTEDNESS STATEMENT

Borrowings

As at 31 August 2013, being the latest practicable date for the purpose of this
indebtedness statement prior to the printing of this circular, the Group had the
following outstanding borrowings:

1. Loan from a former intermediate holding company of approximately
HK$13.17 million which was unsecured, interest-bearing based on the
prime rate published by Mizuho Corporate Bank in Japan plus 1% per
annum during the relevant period which was subordinated to the guaranteed
convertible note issued in August 2002.

2. Loan from a former fellow subsidiary of approximately HK$80.73 million
which was unsecured, interest-bearing based on the prime rate published by
Mizuho Corporate Bank in Japan plus 1% per annum during the relevant
period which was subordinated to the guaranteed convertible note issued in
August 2002.

3. Amount due to a director of approximately HK$12.06 million which was
unsecured, interest-free and repayable on demand.

4. Convertible note of HK$1 million which was interest-bearing at 5% per
annum. The convertible note was matured on 29 August 2011 and remain
unpaid as at 31 August 2013.

Securities and guarantees

Except for the convertible note of HK$1.0 million which was unconditionally and
irrevocably guaranteed by the Company, no other assets of the Group have been
pledged nor other guarantees were provided for the aforesaid borrowings as at the
close of the business on 31 August 2013.

Contingencies

In November 2011, the Company (as plaintiff) instituted legal proceedings against
Fair Winner Limited (“Fair Winner”), holder of the guaranteed convertible notes of
the Group, for an injunction restraining Fair Winner from commencing any petition
for winding up against the Company. The guaranteed convertible notes had been
matured in August 2011 and had not been settled by the Group as at 31 December
2011. The amount claimed by Fair Winner against the Company is approximately
HK$1,007,000. The Court has ordered that the proceedings be adjourned sine die upon
the undertaking of Fair Winner to serve prior notice of intention before presenting any
petition for winding up of the Company.
Since the amount claimed by Fair Winner was already provided for as guaranteed convertible notes, no further provision in respect of such claims would need to be made.

2. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry and taking into account the present internal financial resources available to the Group, the estimated net proceeds from the Disposal and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements, that is, for the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the provision of medical equipment and services for the network of its medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseases in the PRC.

As described in the section headed “Letter from the Board” in this circular, following completion of the Disposal Agreement, Wintin will remain as a subsidiary of the Company with its financial results as well as its assets and liabilities still being included in the Company’s consolidated financial statements. The Group will continue to closely monitor whether there will be any further new rules promulgated by the relevant authorities/departments of the PRC government which may further dampen the business performance of the Group’s medical network business and, as long as the development and business environment of the medical industry in the PRC allow the Group’s medical business to maintain its competitiveness, the aforesaid business of provision of medical equipment and services for the Group’s network of medical centres will remain as the Group’s principal business.

As part of its corporate development strategy, the Company will keep abreast of any potential business/investment opportunities which would be beneficial to the Group’s future development so as to broaden the Group’s income base and diversify its overall business risk, particularly after taking into account the above-mentioned adverse impact on the Group’s business operations and future financial performance resulting from, among others, the implementation of the Program. From time to time, the Company has been approached by potential investor(s) for acquisition of stakes in the Group’s medical network business or potential seller(s) for the sale of medical network and the related businesses to the Group, as well as been presented with or encountered different business/investment opportunities. However, save for the Disposal and those disclosed in the Company’s announcements on 21 June, 25 June, 5 July and 12 July 2013, the Company is not engaged in any negotiation in respect of potential disposal of its existing medical network business or acquisition of new businesses/assets.
The following is the text of a report prepared for the purpose of incorporation in this circular received from the Valuer in connection with its valuation as at 28 June 2013 of the fair value of 35% equity interest in the Wintin Group.

GCA Professional Services Group

16 October 2013

Board of Directors
China Renji Medical Group Limited
30/F, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Dear Sirs/Madams,

RE: VALUATION OF 35% EQUITY INTEREST IN WINTIN INTERNATIONAL LIMITED AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “WINTIN GROUP”)

In accordance with the instructions from China Renji Medical Group Limited (the “Company” together with its subsidiaries, the “Group”), we have completed an assessment of the fair value of 35% equity interest (the “Equity Interest”) in Wintin International Limited (“Wintin”), together with its subsidiaries, (the “Wintin Group”) as at 28 June 2013 (the “Valuation Date”).

It is our understanding that our analysis will be used by the management of the Company for the transaction (the “Transaction”) relating to the Group’s disposal of its 35% equity interest in Wintin and form part of the circular of the Company (the “Circular”) dated 16 October 2013. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; whilst the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and have relied upon this information in performing our valuation.
PURPOSE OF ENGAGEMENT

The purpose of this particular engagement is for the Transaction purpose only.

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their determination of the fair value of Equity Interest as at the Valuation Date.

BASIS OF VALUATION

We have performed the valuation on the basis of fair value. According to Hong Kong Financial Reporting Standard, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Our valuation has been prepared in accordance with the International Valuation Standards (2011 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in which it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premise of value includes the following:

— **Going concern**: appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

— **Orderly liquidation**: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

— **Forced liquidation**: appropriate when time or other constraints do not allow an orderly liquidation;

— **Assembled group of assets**: appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.
SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value were based on our discussions with the management of the Company, as well as a review of key documents and records, including but not limited to:

— Financial forecasts from the periods ended 1 July 2013 to 31 December 2017 of the Wintin Group prepared by the management of the Company; and

— Consolidated management account of the Wintin Group as at 30 June 2013.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

TRANSACTION OVERVIEW

On 28 June 2013, the Company entered into the disposal agreement with Topworld Alliance Ltd. in relation to the disposal of 35% equity interest in the Wintin Group. The consideration was HK$70,000,000 in cash.

COMPANY OVERVIEW

China Renji Medical Group Limited (the “Company”)

The Company (stock code: 648) through its subsidiaries operates and manages a network of medical centres in China specialising in the diagnosis and treatment of tumour/cancer using PET-CT scans and specialized radiation therapy technologies.

The Company through its subsidiaries currently operates thirteen cancer diagnostic and treatment centres in China. In order to provide medical diagnostic services, development and provision of cancer radiotherapy treatment, cancer-related consultancy services as well as medical health check, the centres are equipped with PET-CT scans, head/body Gamma system and Linear Accelerator facilities.

Wintin International Limited and its subsidiaries (the “Wintin Group”)

The Wintin Group is principally engaged in the leasing of medical equipment and provision of services on operations of medical equipment in the PRC.

安平醫療科技（蕪湖）有限公司(“Anping”)

Anping is a wholly-owned subsidiary of Wintin and is the main operating entity.

ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation opinion, we have reviewed and analysed the current national economic condition from where the profits of the Wintin Group are derived, and how the value of the Wintin Group may be impacted.
Nominal GDP Growth in China

In the past, the Chinese economy increased at a rapid growth rate, which was about 10% per year. The recent growth of gross domestic product (“GDP”) in China was affected by the global economic downturn and the tightening of China monetary measures initiated by the Chinese government. Nonetheless, the global economy is currently on the way to recovery after the global economic recession triggered by the United States financial tsunami and the European Union’s debt crisis.

Table 1 — China’s Real GDP Annual Growth Rate and Inflation from 2009 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP Annual Growth Rate (%)</th>
<th>Inflation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>9.2</td>
<td>−0.7</td>
</tr>
<tr>
<td>2010</td>
<td>10.4</td>
<td>3.3</td>
</tr>
<tr>
<td>2011</td>
<td>9.3</td>
<td>5.4</td>
</tr>
<tr>
<td>2012</td>
<td>7.8</td>
<td>2.6</td>
</tr>
</tbody>
</table>


Despite the slowdown of the Chinese economic development, the Chinese economy still continues to be one of the fastest growing regions in the world. According to the National Bureau of Statistics of China, the country recorded an annual GDP of RMB51,932 billion in 2012, representing an annual growth rate of approximately 7.8%. Meanwhile, the first quarter GDP growth in 2013 also changed little at 7.7%

According to the World Economic Outlook published by International Monetary Fund (“IMF”) as of April 2012, China has become the second largest economy in the world after the United States. It is well believed that if China continues to grow quickly, it would soon surpass the US to become the largest economy in the world by 2030.

Table 2 — Worldwide GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP — Billions of the United States Dollar (“USD”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 United States</td>
<td>15,076</td>
</tr>
<tr>
<td>2 China</td>
<td>7,322</td>
</tr>
<tr>
<td>3 Japan</td>
<td>5,897</td>
</tr>
<tr>
<td>4 Germany</td>
<td>3,607</td>
</tr>
<tr>
<td>5 France</td>
<td>2,778</td>
</tr>
<tr>
<td>6 Brazil</td>
<td>2,493</td>
</tr>
</tbody>
</table>

Source: World Economic Outlook of April 2013, IMF

Along with the rapid economic growth, disposable income level has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB13,786 in 2007 to RMB24,565 in 2012, representing a CAGR of approximately 12.25%; annual disposable income per capita of rural households has increased from RMB4,140 in 2007 to RMB7,917 in 2012, representing a CAGR of approximately 13.84%.
The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2007 to 2012:

**Figure 1 — China’s Economic Overview**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP per capita (RMB)</th>
<th>Urban Disposal Income per capita (RMB)</th>
<th>Rural Disposal Income per capita (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>20,169</td>
<td>13,786</td>
<td>4,140</td>
</tr>
<tr>
<td>2008</td>
<td>23,708</td>
<td>15,781</td>
<td>4,761</td>
</tr>
<tr>
<td>2009</td>
<td>25,608</td>
<td>17,175</td>
<td>5,153</td>
</tr>
<tr>
<td>2010</td>
<td>30,015</td>
<td>19,109</td>
<td>5,919</td>
</tr>
<tr>
<td>2011</td>
<td>35,181</td>
<td>21,810</td>
<td>6,977</td>
</tr>
<tr>
<td>2012</td>
<td>38,354</td>
<td>24,565</td>
<td>7,917</td>
</tr>
</tbody>
</table>

*Source: National Bureau of Statistics of China, China Statistical Yearbook 2012*

Despite weak and uncertain global conditions, the Chinese economy is expected to grow at 7.75% this year, as suggested by IMF. The pace of the economy should pick up moderately in the second half of the year, as the recent credit expansion gains traction and in line with a projected mild pick-up in the global economy. The following diagram shows the quarter GDP annual growth rate from 2007 to 2012:

**Figure 2 — GDP Annual Growth Rate in China**

*Source: www.tradingeconomics.com and National Bureau of Statistics of China*
In the near-term outlook, China’s economy faces important challenges, particularly, the rapid growth in credit financing also raises concerns about the quality of investment and the ability on repayment, especially when credit is flowing through less-well supervised parts of the financial system. In addition, growth has also become too dependent on the continued expansion of investment largely made by the property sectors and local governments. To cope with these challenges, the new government took office in March has announced a set of reforms, including (1) embedding strong governance in lower-level state or state-related economic institutions, especially the banks, state-owned enterprises, and local governments; (2) continued liberalization and reduced government involvement, allowing a greater role of market forces; and (3) a decisive push for rebalancing toward higher household incomes and consumption.

Due to the recent slightly disappointing economic data, IMF and World Bank forecasted China GDP growth will stay at 7.75% and 7.7% respectively this year. Forecast by economists surveyed by Bloomberg also suggested the growth would possibly stay at 7.8% this year. Meanwhile, the World Bank also suggested that the worst risks to the recovery, including a Eurozone meltdown, are now in the past.

The following diagram shows the real GDP annual growth rate forecasts from 2013 to 2018:

Figure 3 — China Real GDP Annual Growth Rate Forecasts

Source: World Economic Outlook of April 2013, IMF
Population Growth

The population of China is almost one fifth of that of the world. According to the National Bureau of Statistics of China, during the past decade, the population has grown from 1.28 billion to 1.34 billion, representing a CAGR of approximately 0.55%.

Besides, population growth along with increasing urbanization and expansion of the middle class are particularly important to the future growth of the domestic consumption demand. The portion of urban population in China increased from 39% in 2002 to a record high of 53% in 2012, representing a CAGR of approximately 3.55%.

The following diagram shows the population growth and corresponding urban population growth in China from 2002 to 2012:

Figure 4 — Population and Portion of Urban Population in China


Price Inflation

Managing inflation risk has always been one of the key missions for the Chinese government since 2010. The latest economic data released by National Bureau of Statistics of China also indicated that the inflation rate was reported at 2.5% in 2012, as compared with that of 4.1% at the end of 2011. China’s central bank governor, Zhou Xiaochuan said earlier this year he was on guard against inflation and that monetary policy is now “neutral”, after a slightly easy policy stance in the past year.

A factor determining future monetary policy could possibly be property prices. This year, property prices in major cities continue to rise fast. Data from property agency Soufun shows prices in major cities including Guangzhou and Beijing rising at double-digit rates.
Residential rent in Shanghai is up 13% from a year ago, according to Centaline, another property agency. However, another important factor determining monetary policy, food prices, remained stable at an acceptable level of 5% at the end of 2012. According to the China Economic Outlook published by IMF in April 2013, the average inflation in China is expected to remain at about 3.0% in 2013 and onwards.

The chart below shows the historical CPI-Food trend in China:

**Figure 5 — CPI-Food Trend in China (Index Value, Preceding Year = 100)**

![](chart.png)


**Table 3 — Annual Inflation Forecasts of China**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3.82</td>
<td>3.85</td>
<td>3.70</td>
<td>3.64</td>
<td>3.60</td>
<td>3.55</td>
</tr>
<tr>
<td>Emerging and developing economies</td>
<td>5.93</td>
<td>5.92</td>
<td>5.65</td>
<td>5.33</td>
<td>5.13</td>
<td>4.94</td>
</tr>
<tr>
<td>China</td>
<td>3.01</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Sources: World Economic Outlook of April 2012 (by country group), IMF;

**Government Policy**

China will maintain a proactive fiscal policy and a prudent monetary policy in 2013, as well as expanding the economy by 7.5%, former Premier Wen Jiabao said while delivering his last government work report at the parliament’s annual session earlier this year.

To implement the proactive fiscal policy this year, the government will increase the deficit and government debt in combination with tax reform and structural tax cuts, as well as optimizing government spending and improving management over local government borrowing.
To maintain a prudent monetary policy, the government will improve its policy framework for exercising its macroeconomic controls and have monetary policy play a counter-cyclical role.

In the central economic work conference held in Beijing at the end of the last year, the new Communist Party of China top leaders also emphasised the main tasks in 2013 would be:

1. Ensuring sustainable and healthy economic development;
2. Increasing support to agriculture, the rural economy and innovation;
3. Restructuring industry through means of innovations and branding to maintain high quality development;
4. Focusing on improving the quality of urbanization;
5. Improving people’s well-being; and
6. Firmly promoting economic reforms, and reforming open market policy.

Overall speaking, even though the Chinese economy remains subdued early this year, China is still one of the fastest growing countries in the world. Data released earlier this year has been generally less than robust, but there have been a few bright spots. So far this year, inflation has been generally mild, leaving policy makers plenty of room if they believe the economy needs a quick dose of monetary assistance.

INDUSTRY OVERVIEW

Cancer is one of the most widely spread disease in China. It is the leading cause of death in urban China and the second one in rural China. The number of cancer cases in China is expected to rise along with the aging population. In addition, rising living standards have led to changes in lifestyle in China, resulting in less healthy diet and heightened rates of cancer as well as other deadly diseases. It is widely believed that within the next seven to ten years, the total number of cancer deaths in China will climb from 2.5 million to 3 million.

The potential growth of the medical device market in China is huge due to its large population of 1.3 billion. The healthcare industry in China has experienced strong growth over the past decades and has been further developed and modernized. According to the World Medical Markets Fact Book 2009, China’s medical device market is projected to grow from USD6.2 billion in 2009 to USD10.5 billion in 2014.

One of the reasons for this rapid growth is that the Chinese government has been increasing the number of hospitals in China from 6,000 in 2006 to around 8,000 in 2008. It also plans to expand its basic medical insurance coverage to more than 90% of the Chinese population, which lead to a larger population affordable to advanced healthcare service and increase in demand for medical devices accordingly.
Despite the ongoing growth in China’s healthcare industry, its government expenditures on healthcare lag far behind many developed countries, in terms of both the quality and quantity of medical devices. According to the World Bank, the US had healthcare expenditures representing 16.3% of its GDP in 2009, compared to 4.7% of GDP in China.

Figure 6 — Healthcare expenditure of China and US in 2008 to 2011, total (% of GDP)

China’s public medical institutions generally have a weak organizational structure and organizational control, mainly due to insufficient government funding. With lower staffing levels and operating at low efficiency than that in international environment, the inefficiency healthcare service limits the ability of the hospitals to provide quality healthcare service in China.

With an increasing demand yet limited supply in China’s medical service, it is expected that the Chinese government will focus on improving the healthcare as well as the medical device supply across the country by investing as well as encouraging private enterprises to invest in the healthcare industry. Rising living standard in China will result in an increase of healthcare expenditure as a percentage of GDP in the future.

In 2013, the National Health and Family Planning Commission has implemented several policies to strengthen the health care sector as well as to enhance the medical safety in China. The policies implemented include:

— To strengthen management of clinics and hospitals for better implementation of work responsibilities

— To explore long-term mechanism for strengthening regular supervision

— To enhance scientific planning and strengthen the professional technicians team building
Healthcare and medical related industry may subject to more stringent control from the government to improve medical quality in China, which may impose adverse effect to the current operator and reshape the development of the industry in the foreseeable future.

VALUATION METHODOLOGIES

The valuation of any asset can be broadly classified into one of the three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected the asset approach for the valuation of the Equity Interest due to the following reason:

— The fair value of the Equity Interest in the Wintin Group is determined by the ability to generate a stream of benefits in future, rather than the cost of replacement.

Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected the market approach for the valuation of the Equity Interest due to the following reasons:

— There are no comparable transactions in the public market; and

— Acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid under the agreement truly represents the estimate of the transaction.
Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset’s most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have applied the income approach to the valuation of the Equity Interest because:

— The value of the Equity Interest is determined by the ability to generate a stream of benefits in future; and

— Economic benefit streams of the Wintin Group can be identified based on historical and projected cash flows prepared by the Company.

GENERAL VALUATION ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our conclusion of fair value. The general assumptions adopted in this valuation are:

— there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong and China where the Wintin Group is carrying on its businesses;

— there will be no significant deviation in the industry trends and market conditions from the current market expectation;

— there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;

— there will be no major change in the current taxation law in Hong Kong, China and countries of origin of our comparable companies;

— all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and

— the Wintin Group will retain competent management, key personnel, and technical staff to support the ongoing business operations.
MAJOR VALUATION ASSUMPTIONS

Our valuation of the Equity Interest will be performed by using a discounted cash flow methodology (“DCF”), which requires a number of assumptions, including revenue and expense, working capital requirement and capital expenditure requirement.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the business enterprise were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

\[
PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \ldots + \frac{E_n}{(1+k)^n}
\]

\[E_1, E_2, E_3, \text{ etc.} = \text{Expected economic income in the 1st, 2nd, 3rd periods, and etc.}\]
\[E_n = \text{Expected economic income in the last period}\]
\[k = \text{Discount Rate}\]

The total present value of the discounted cash flows represents the business enterprise value (“BEV”). We computed the value of the equity interest from BEV by adopting the following formula:

Equity Value = Business Enterprise Value – Total Debt + Cash and Cash Equivalents

We have reviewed the calculation and discussed with the management of the Company about the validity of the projection. Our valuation is developed based on this financial projection. The nature and underlying rationale for these assumptions will be discussed below.

Basis of Revenue

The financial projection from 2013 to 2017 and the related assumptions contained in our valuation are prepared by the management of the Company. The revenue in 2013 is projected based on the actual performance in the first half. However, after taking into account that four of the Group’s medical centres have received notices demanding for termination of the existing cooperation arrangements as disclosed in the Circular, the projected revenue in 2014 will decrease significantly to approximately RMB46 million. The revenue is projected to be stable at around 2014 level for 2015, 2016 and 2017 to approximately RMB46 million, RMB47 million and RMB48 million, respectively. After the projection periods, the revenue is assumed to grow at 3% annually.
Basis of Operating Expenses

Operating expenses represent maintenance and repair cost, general and administration expenses. Such amounts during the projection period are estimated by the management of the Company. The total operating expenses are projected based on the historical financial recorded.

Corporate Income Tax Rate

The statutory corporate tax rate in China is 25.00%. Accordingly, we have adopted the same in our valuation during the projection periods.

Capital Expenditure Forecast

According to the management of the Company, there is no substantial amount of capital expenditure in the coming years, as no new centres are assumed. Replacement capital expenditure is assumed in the long run.

Working Capital Requirement

According to the management of the Company, no additional working capital is recognised for operation.

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity ("R_e") and the cost of debt ("R_d") for this valuation based on the data and factors relevant to the economy, the industry and the Wintin Group as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital ("WACC")

Development of Weighted Average Cost of Capital ("WACC")

We considered market and industry data to develop the WACC for this valuation.

The traditional formula for calculating the WACC is:

\[
WACC = [%D \times R_d \times (1 - \text{Tax Rate})] + [%E \times R_e]
\]

Where

- WACC: Weighted Average Cost of Capital;
- %D: Weight of Interest Bearing Debt;
- R_d: Cost of Debt;
- %E: Weight of Equity; and
- R_e: Cost of Equity
Development of Cost of Equity ("R_e")

We considered the Modified Capital Asset Pricing Model ("MCAPM") to calculate the cost of equity for this valuation.

**Modified Capital Asset Pricing Model**

MCAPM, as applied in the valuation model, can be summarized as follows:

\[ R_e = R_f + \text{Beta} \times \text{ERP} + R_P^s + R_P^u \]

Where
- \( R_e \): Cost of Equity;
- \( R_f \): Risk Free Rate;
- Beta: A measure of systematic risk;
- ERP: Equity Risk Premium;
- \( R_P^s \): Size Premium; and
- \( R_P^u \): Specific Company Adjustment

**Risk Free Rate ("R_f")**

\( R_f \) was found by looking at the yields of the 30-Year China Government Bond. Ideally, the duration of the security used as an indication of \( R_f \) should match the horizon of the projected cash flows that were being discounted, which was into perpetuity in the present case. We relied on the 30-Year China Government Bond of 4.2% as at the Valuation Date.

**Equity Risk Premium ("ERP")**

We adopted the equity risk premium of China, i.e. the market where the Wintin Group is located. The equity risk premium of China is obtained through multiplying the long term equity risk premium of US market with the relative volatility between S&P500 Index and the relevant equity indices of China. The long term equity risk premium of US equity market is obtained from "Ibbotson® SSB® 2013 Valuation Yearbook, Market Results for Stocks, Bonds, Bills and Inflation 1926–2012" (the “2013 Valuation Yearbook”). The volatility of the equity indices is obtained from Bloomberg.

**Beta**

In the MCAPM formula, Beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. For the purpose of computing the Beta, we based on the Bloomberg database, searched for publicly traded companies (the "Guideline Public Companies") which conduct similar line of business as the Wintin Group, i.e. companies which are principally engaged in medical photography industry, such as providing radiosurgery services, operating stereotactic radiosurgery centres or gamma knife centre, as well as providing medical imaging services. However, based on our search, saved for the Company itself, we were not able to identify any companies which are listed in Hong Kong and carrying on similar line of business as that of the Wintin Group, but were only able to identify nine Guideline Public Companies which are listed in other countries, namely the United States, China and Sweden. As the trading of the Company’s shares was only
resumed from early April 2013 following the prolonged suspension in trading since October 2010, we considered that the Company itself is not suitable for inclusion as one of our Guideline Public Companies for determination of the Beta. Accordingly, we considered that the below nine Guideline Public Companies selected are representative samples to provide a meaningful comparison for purpose of computing the Beta. In addition, the betas of the Guideline Public Companies were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ capital structure.

The differences between the characteristics of the Wintin Group and the Guideline Public Companies, such as size and specific market condition, have been addressed through applying size premium and specific company adjustment in developing $R_s$ for this valuation.

The following is the list of the Guideline Public Companies that we have reviewed in connection with this valuation:

Table 4 — Guideline Public Companies

<table>
<thead>
<tr>
<th>Guideline Public Companies</th>
<th>Ticker</th>
<th>Brief description of the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. American Shared Hospital Services AMS US</td>
<td>— Provides stereotactic radiosurgery services to several medical centers in the United States.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>— Developes the Gamma Knife and system for stereotactic neurosurgery.</td>
<td></td>
</tr>
<tr>
<td>3. Varian Medical Systems Inc VAR US</td>
<td>— Designs, manufactures, sells, and services equipment and software products for treating cancer with radiotherapy, stereotactic radiosurgery and brachytherapy.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Company Name</td>
<td>Ticker</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Shinva Medical Instrument Co Ltd</td>
<td>600587 CH</td>
</tr>
<tr>
<td>6.</td>
<td>C-Rad AB</td>
<td>CRADB SS</td>
</tr>
<tr>
<td>7.</td>
<td>Alliance HealthCare Services Inc</td>
<td>AIQ US</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 5 — Summary of Beta

<table>
<thead>
<tr>
<th>Median Un-levered Beta</th>
<th>Median Re-levered Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.65</td>
<td>0.69</td>
</tr>
</tbody>
</table>

*Size Premium ("RP_s")*

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of this valuation, we applied the size premium of 6.03% in excess of MCAPM for companies in the 10th Micro cap of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in the 2013 Valuation Yearbook.

*Specific Company Adjustment ("RP_u")*

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to this valuation.

Firm specific risk factors may include the following:

- Abnormal competition
- Customer concentration
- Poor access to capital
- Thin management
- Lack of diversification
- Potential environmental issues
- Potential litigation
- Narrow distribution channels
- Obsolete technology
- Dim company outlook

In this valuation, we believe it was necessary to apply a RP_u of 5% to the cost of equity to reflect the impact from the potential policy change.
Table 6 — Cost of Equity

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Free Rate (“Rf”)</td>
<td>4.20%</td>
</tr>
<tr>
<td>Beta</td>
<td>0.69</td>
</tr>
<tr>
<td>Equity Risk Premium (“ERP”)</td>
<td>9.34%</td>
</tr>
<tr>
<td>Size Premium (“RP_s”)</td>
<td>6.03%</td>
</tr>
<tr>
<td>Specific Company Adjustment (“RP_u”)</td>
<td>5.00%</td>
</tr>
<tr>
<td>Cost of Equity (“R_e”)</td>
<td>21.68%</td>
</tr>
</tbody>
</table>

Development of Cost of Debt (“R_d”)

In order to estimate the cost of debt for this valuation, we relied on the above 5-year best lending rates of China, which is 6.55% as at the Valuation Date.

Weighted Average Cost of Capital (“WACC”)

WACC (being the discount rate for this valuation) is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise’s capital structure. We have “levered” the Wintin Group as if it mirrored the median capital structure as the Guideline Public Companies on the assumption that over time, the Wintin Group would approach the Guideline Public Companies' median capital structure to remain competitive. Subsequent to the calculations of cost of equity and cost of debt, the following equation is used to develop the WACC:

\[
WACC = [(\%D) \times (R_d) \times (1 - \text{Tax Rate})] + [(\%E) \times (R_e)]
\]

The calculation of the WACC, or the discount rate, therefore becomes:

Table 7 — Weighted Average Cost of Capital

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight of Interest Bearing Debt (%D)</td>
<td>8.52%</td>
</tr>
<tr>
<td>x Cost of Debt (“R_d”)</td>
<td>6.55%</td>
</tr>
<tr>
<td>x (1 - Tax Rate)</td>
<td>75.00%</td>
</tr>
<tr>
<td><strong>Weighted Cost of Debt</strong></td>
<td>0.42%</td>
</tr>
<tr>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Weight of Equity (%E)</td>
<td>91.48%</td>
</tr>
<tr>
<td>x Cost of Equity (“R_e”)</td>
<td>21.68%</td>
</tr>
<tr>
<td><strong>Weighted Cost of Equity</strong></td>
<td>19.83%</td>
</tr>
<tr>
<td>WACC (Rounded)</td>
<td>20.00%</td>
</tr>
</tbody>
</table>

DISCOUNT FOR LACK OF CONTROL (“DLOC”)

The degree of ownership control ranges from 100% controlling ownership to a minority with no control attributes at all. A controlling interest in a business reflects the substantial influence the shareholder can exert over the company for which such influence can be utilized to enhance the value of the investment. However, minority shareholders usually have little or no influence over business decisions. As such, the discount for lack of control may have to be applied when valuing their interests.
In determining the amount of discount for lack of control to be applied, we have relied on the “2012 Mergerstat’s Control Premium Study” for photographic and medical industries. The implied discount for lack of control is then computed from the Mergerstat’s control premium by the following formula:

\[ \text{Implied DLOC} = 1 - \left[ \frac{1}{(1 + \text{control premium})} \right] \]

Based on the above, we applied the implied DLOC of 25% for this valuation.

**DISCOUNT FOR LACK OF MARKETABILITY (“DLOM”)**

DLOM is the valuation adjustment with the largest monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by management in order to sell the investment. This typically would take at least three to nine months if a transaction could be consummated at all. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees. In view of the above, we adopted the option pricing model to estimate DLOM and 30% of DLOM is applied for the purpose of this valuation.

**RECONCILIATION OF THE FAIR VALUE OF THE EQUITY INTEREST**

The following comparative data summarizes the methods we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the Wintin Group. The strengths/weaknesses of each method are discussed.

<table>
<thead>
<tr>
<th>Method</th>
<th>Application</th>
<th>Rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Approach</strong></td>
<td>Application</td>
<td>Rejected</td>
</tr>
<tr>
<td><strong>Market Approach</strong></td>
<td>Application</td>
<td>Rejected</td>
</tr>
<tr>
<td><strong>Income Approach</strong></td>
<td>Discounted Cash Flow Method</td>
<td>Note 1 Acceptance</td>
</tr>
<tr>
<td></td>
<td>Application</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

**Note 1:** In order to estimate the fair value of the Equity Interest, we have to assess the fair value of the investment in Anping and adjust for the cash and borrowing position. We estimated the fair value of the investment in Anping through income approach — Discounted Cash Flow Method.
100% investment in Anping before adjustment 254,896

35% investment in Anping before adjustment 89,214
Less: Discount for Lack of Control (“DLOC”) 25% (22,303)

35% investment in Anping after DLOC 66,911
Less: Discount for Lack of Marketability (“DLOM”) 30% (20,074)

Less: 35% Shareholders’ Loan (108,375)

35% equity interest in the Wintin Group (61,538)

As the fair value of the Equity Interest is less than zero, we conclude the fair value of the Equity Interest is nil.

SENSITIVITY ANALYSIS

Discount Rate & Long Term Growth Rate

Both the discount rate and the long term growth rate adopted play a pivotal role in the valuation as they are very sensitive to the fair value of the investment in Anping. The fair value of investment in Anping before adjustments under different combinations of the discount rate and long term growth rate is presented below:

Table 8: Sensitivity Analysis

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Long Term Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00%</td>
<td>2.50%</td>
</tr>
<tr>
<td>18.00%</td>
<td>91,328</td>
</tr>
<tr>
<td>19.00%</td>
<td>89,913</td>
</tr>
<tr>
<td>20.00%</td>
<td>88,634</td>
</tr>
<tr>
<td>21.00%</td>
<td>87,469</td>
</tr>
<tr>
<td>22.00%</td>
<td>86,403</td>
</tr>
<tr>
<td>3.00%</td>
<td>2.50%</td>
</tr>
<tr>
<td>19,178</td>
<td>91,708</td>
</tr>
<tr>
<td>90,239</td>
<td>90,585</td>
</tr>
<tr>
<td>89,214</td>
<td>89,214</td>
</tr>
<tr>
<td>87,715</td>
<td>86,618</td>
</tr>
<tr>
<td>86,844</td>
<td>86,844</td>
</tr>
<tr>
<td>3.50%</td>
<td>3.00%</td>
</tr>
<tr>
<td>2.50%</td>
<td>92,113</td>
</tr>
<tr>
<td>90,585</td>
<td>89,214</td>
</tr>
<tr>
<td>87,973</td>
<td>88,444</td>
</tr>
<tr>
<td>87,334</td>
<td></td>
</tr>
<tr>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>3.50%</td>
<td>92,546</td>
</tr>
<tr>
<td>90,953</td>
<td>89,530</td>
</tr>
<tr>
<td>88,247</td>
<td>87,082</td>
</tr>
<tr>
<td>88,537</td>
<td></td>
</tr>
</tbody>
</table>

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Wintin Group.

The opinion expressed in this report has been based on the information supplied to us by the Company, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have
compared the key data provided with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and on the valuation methods employed, it is our opinion that the fair value of 35% equity interest in the Wintin Group as at 28 June 2013 is as follows:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>(RMB’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>35% equity interest in the Wintin Group</td>
<td>Nil</td>
</tr>
</tbody>
</table>

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S. F. Choy
CFA, CVA
Director
Analyzed and Reported by:

**Ferry S. F. Choy, CFA, CVA**
Director

Mr. Ferry S. F. Choy, CFA, CVA, is experienced in performing valuation for financial reporting and IPO purposes. Most of his clients are listed companies or large private companies looking for going public. His experience covers a wide range of industries including food and beverage, manufacturing and information technology.

**Kevin K. S. Kwong, CFA, FRM**
Assistant Director, Business Advisory

Mr. Kevin K.S. Kwong, CFA, FRM, is experienced in performing business and intangible asset valuation for private and public companies in various industries, including mining, equipment manufacturing, ship manufacturing, information technology, industrial water supply, retail and real estate industries.

**Anson J.J. Li, M. Fin**
Assistant Manager, Business Advisory

Mr. Anson J.J. Li has extensive experiences in valuation of business and intangible assets, including operating licenses, mining licenses, trading contracts, customer bases, trade names and trademarks. His experience covers a wide range of industries including healthcare, financial services, mining, road tolls, information technology, manufacturing and retail.

**GENERAL SERVICE CONDITIONS**

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys’ fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any
controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.
The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

The Board of Directors
China Renji Medical Group Limited
Unit 3001, 30/F.
Hopewell Centre
183 Queen’s Road East
Wanchai
HONG KONG

Dear Sirs

REPORT OF FACTUAL FINDINGS

We have performed the procedures agreed with you and enumerated below with respect to the discounted future estimated cash flows on which the business valuation on the 35% equity interest of Wintin International Limited (“Wintin”) and its subsidiaries (collectively referred to as the “Wintin Group”) as at 28 June 2013 (the “Valuation”) dated 16 October 2013 prepared by Greater China Appraisal Limited (the “Valuer”) as set out in the circular made by China Renji Medical Group Limited (the “Company”) dated 16 October 2013 in connection with the disposal of the 35% equity interest in Wintin. Our engagement was undertaken in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The procedures were performed solely to assist the directors of the Company to comply with rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Our procedures are summarised as follows:

1. We obtained the supporting worksheets of the Valuation provided by the Company which comprises the discounted future estimated cash flows carried out by the Wintin Group under various assumptions adopted in the preparation of the Valuation.

2. We checked the mathematical accuracy of the calculation of the discounted future estimated cash flows carried out by the Wintin Group contained in the supporting worksheets of the Valuation and reviewed those accounting policies adopted in
the preparation of the discounted future estimated cash flows by the directors of
Wintin which was in turn used for the preparation of supporting worksheets of the
Valuation, where appropriate.

We report our findings below:

a) With respect to item 1, we obtained the supporting worksheets of the Valuation
provided by the Company which comprises the discounted future estimated cash
flows carried out by the Wintin Group under various assumptions adopted in the
preparation of the Valuation.

b) With respect to item 2, we found that the calculation of the discounted future
estimated cash flows carried out by the Wintin Group contained in the supporting
worksheets of the Valuation is mathematically accurate. For those accounting
policies adopted in the preparation of the discounted future estimated cash flows
by the directors of Wintin which was in turn used for the preparation of
supporting worksheets of the Valuation, we found that they are consistent with
the Company’s accounting policies, where appropriate.

Because the above procedures do not constitute an assurance engagement made in
accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review
Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA,
we do not express any such assurance on the Valuation.

Had we performed additional procedures or had we performed an assurance
engagement of the Valuation in accordance with Hong Kong Standards on Auditing,
Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance
Engagements issued by the HKICPA, other matters might have come to our attention that
would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and
for your information and is not to be filed with, or referred to (either in whole or in part) or
otherwise quoted, circulated or used for any other purpose or to be distributed to any other
parties without our prior written consent. This report relates only to the matters specified
above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 16 October 2013
1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 misleading.

2. DISCLOSURE OF INTERESTS

Interest of directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the “Model Code”), were as follows:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Capacity</th>
<th>Number of shares or underlying shares held (long position)</th>
<th>Approximate percentage of the issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chan Ka Chung</td>
<td>corporate interest</td>
<td>2,700,000,000</td>
<td>19.93%</td>
</tr>
</tbody>
</table>

(Note)

Note: Reference is made to the announcements of the Company dated 5 July 2013 and 9 September 2013. On 5 July 2013, the Company and Wisdom Phoenix Limited (the “Subscriber”) entered into a conditional warrant subscription agreement (the “Warrant Subscription Agreement”) pursuant to which the Company would issue to the Subscriber unlisted warrants entitling the holder(s) thereof to subscribe for up to 2,700,000,000 shares. As Mr. Chan Ka Chung is the beneficial owner of the Subscriber, Mr. Chan is deemed to be interested in the underlying shares to be issued and allotted upon the exercise of warrants to be issued by the Company to the Subscriber. As at the Latest Practicable Date, the conditions of Warrant Subscription Agreement have not been fulfilled and the warrants have not been issued by the Company.

Except as disclosed above, as at the Latest Practicable Date, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company.
and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders’ and other persons’ interests and short positions in shares and underlying shares of the Company

As at the Latest Practicable Date, the interests or short positions of each person other than a Director or chief executive of the Company in shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Long positions of substantial shareholders in the shares and underlying shares of the Company

<table>
<thead>
<tr>
<th>Name of substantial shareholder</th>
<th>Capacity</th>
<th>Number of ordinary shares of HK$0.10 each held</th>
<th>Approximate percentage of the issued shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pang Wei</td>
<td>corporate interest and beneficial owner</td>
<td>2,439,000,000 (Note)</td>
<td>18.01%</td>
</tr>
<tr>
<td>China North Heating Group Corporation (“China North”)</td>
<td>corporate interest and beneficial owner</td>
<td>2,439,000,000 (Note)</td>
<td>18.01%</td>
</tr>
<tr>
<td>Yong Chang Investment Limited (“Yong Chang”)</td>
<td>beneficial owner</td>
<td>2,439,000,000 (Note)</td>
<td>18.01%</td>
</tr>
<tr>
<td>蕪湖隆源投資有限公司 (Wuhu Longyuan Investment Company Limited*)</td>
<td>beneficial owner</td>
<td>1,950,000,000</td>
<td>14.40%</td>
</tr>
</tbody>
</table>

* for identification purpose only

Note: Yong Chang is wholly-owned by China North and China North is wholly-owned by Pang Wei. By virtue of the SFO, each of Pang Wei and China North is deemed to be interested in the shares held by Yong Chang in the Company.
Apart from the above, the Directors are not aware of any other interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

3. **SERVICE CONTRACTS**

   As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. **LITIGATION**

   As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, the Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. **COMPETING INTERESTS**

   As at the Latest Practicable Date, none of the Directors or proposed Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. **DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

   As at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors, proposed Directors or experts (as referred to below) had any direct or indirect interest in any assets which have been, since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.
7. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group:

(i) the sale and purchase agreement dated 21 June 2013 entered into between the Company and Green Zone Capital Limited relating to the acquisition of 38% equity interest in a group engaging in the design, manufacture and sale of household products for a consideration of approximately HK$75.24 million;

(ii) the investment agreement dated 25 June 2013 entered into between Anping Medical Treatment Technology (Wuhu) Co., Ltd. an indirect wholly-owned subsidiary of the Company, and Tianjin Heng Kang Medical Enterprise Management Limited relating to the Group’s investment of RMB60 million in a medical project in the PRC;

(iii) the warrant subscription agreement dated 5 July 2013 entered into between the Company and Wisdom Phoenix Limited (as subscriber) relating to the subscription of two tranches of warrants (comprising 1,350,000,000 warrants each) at the exercise prices of HK$0.022 and HK$0.05, respectively; and

(iv) the Disposal Agreement.

8. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions and advice which are contained or referred to in this circular:

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China Appraisal Limited</td>
<td>Independent professional valuer</td>
</tr>
<tr>
<td>HLB Hodgson Impey Cheng Limited</td>
<td>Certified Public Accountants</td>
</tr>
</tbody>
</table>

As at the Latest Practicable Date, the experts above have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of its report and/or letter, and/or summary of valuations, and/or opinion (as the case may be), and/or the references to its name included in the form and context in which it is respectively included.

As at the Latest Practicable Date, the experts above were neither beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
As at the Latest Practicable Date, the experts above did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up).

9. MISCELLANEOUS

(a) The registered office of the Company is Unit 3001, 30/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Lam Sung Him Gaston.

(c) The share registrar of the Company is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

(d) The English text of this circular, the notice of the EGM and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company’s office at 30/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays), from the date of this circular up to and including the date of the EGM:

(a) the Disposal Agreement;

(b) the memorandum and articles of association of the Company;

(c) the material contracts as referred to in the section headed “Material Contracts” in this appendix;

(d) the valuation report relating to the Disposal, the text of which is set out in Appendix II to this circular;

(e) the report on cash flow forecast underlying the valuation, the text of which is set out on Appendix III to this circular;

(f) the published annual report of the Company for each of the two financial years ended 31 December 2011 and 31 December 2012;

(g) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix;

(h) this circular.
NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Renji Medical Group Limited (the “Company”) will be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 31 October 2013 at 4:00 p.m. (or such time immediately following the conclusion (or adjournment) of another extraordinary general meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION:

“THAT

(a) the conditional sale and purchase agreement dated 28 June 2013 (the “Disposal Agreement”) (a copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “A”) entered into among China Renji Medical (BVI) Limited, a wholly owned subsidiary of the Company, as vendor (the “Vendor”), Topworld Alliance Ltd. as purchaser (the “Purchaser”) and Ms. Gao Min Shan as guarantor (the “Guarantor”) in relation to, among others, the disposal of 35 shares of US$1 each in the share capital of Wintin International Limited (“Wintin”), representing 35% issued share capital of Wintin and 35% of the amount due by Wintin and its subsidiaries (the “Wintin Group”) to the Company and its subsidiaries (except the Wintin Group) and the transactions contemplated thereunder, including but not limited to the execution of any ancillary documents in relation to the Disposal Agreement, be and are hereby approved, confirmed and ratified; and

(b) any directors of the Company be and are hereby authorised to do such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Disposal Agreement and the transactions contemplated thereunder as they may be in their absolute discretion consider necessary, desirable or expedient to give effect to the Disposal Agreement and the implementation of all transactions contemplated thereunder
and to agree with such variation, amendment or waivers as are, in the opinion of the directors of the Company, in the interest of the Company and its shareholders as a whole.”

For and on behalf of
the board of directors of
China Renji Medical Group Limited
Tang Chi Chiu
Chairman

Hong Kong, 16 October 2013

Registered office:
Unit 3001, 30/F., Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

Notes:

(i) A member entitled to attend and vote at the above meeting is entitled to appoint one proxy or, if he/she/it is a holder of more than one share, more proxies to attend and vote instead of him/her/it. A proxy needs not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.

(ii) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the registered office of the Company at Unit 3001, 30/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting.

(iv) Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjournment thereof if he/she/it so desires. If a member attends the meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed to have been revoked.