

Anping Medical's founder becomes Chairman

China Healthcare

China Renji (648 HK, HK\$0.160)

BUY (unchanged)

Target price: HK\$0.45 (+181%)

Anping Medical's founder becomes listco Chairman. After market close on 31 Dec 2007, China Renji (Renji) announced that Mr. Yang Yifei has been appointed as Chairman and Executive Director of the listed company. Mr. Yang was the founder of Anping Medical, the subsidiary holding the entire cancer diagnosis and treatment operations network, acquired by Renji in Jul 2007. He will assume the post from 1 Jan 2008. Incumbent Co-Chairmen Dato' Wong Sin Just and Mr. Sheng Yang, will both be re-designated as Vice-Chairmen.

Background of new Chairman. Mr. Yang has an experienced background. He served in the People's Liberation Army between 1968 and 1975 and taught at the Harbin University of Science and Technology between 1978 to 1981. He also has previous experience in running large scale enterprises, having previously held Chairmen positions in various private and publicly listed companies including: 芜湖东泰实业有限公司 and 四川东泰产业(控股)有限公司. He has been involved Mainland's health and medical market since 2001, having focused on medical equipment investment management and also founded Anping Medical.

Chairman's remuneration will be incentivised by performance of listco share price. In a gesture of confidence in the opportunities and prospects of Renji, Mr. Yang will only receive a nominal remuneration of HK\$1.00 per month. He will be entitled to further compensation by way of share options, which will be announced at a later date. In our view, this is positive, as Mr. Yang's compensation will be directly correlated with the performance of Renji's share price, which will incentivise his efforts and managerial performance.

Other re-designations and management movements. Other re-designations and management movements related to this announcement were: 1) the re-designation of Mr. Wong Kean Li from Executive Director to Non-Executive Director; 2) resignation of Mr. Zhao Jun Jie from his position of Executive Director to pursue personal business interests and 3) the appointment of Mr. Mark Loynd as the Company Secretary. Mark had previously been Renji's Legal Counsel and has over 8 years experience in handling M&As, and commercial disputes.

Medical operations squarely taking centre stage within the listco. The announcement of Anping Medical's founder as the Chairman is an extremely positive note for Renji. In our view, it marks the final completion of Renji's transformation to one of China's leading medical services providers and eliminates any sentiment overhang relating the listco's past as an investment conglomerate. The linking of the new Chairman's remuneration package to the listco's share price will also benefit the shareholders of the company.

Re-iterating BUY call. We re-iterate our BUY call on China Renji, maintaining our target price at HK\$0.45, representing 35.0x FY12/08F earnings. The counter is undemanding, trading at 12.4x FY12/08F P/E.

Table 1: Financial summary

Year to Dec	Net profit HK\$m	EPS HK\$	EPS Δ %	P/E x	P/B x	EV/EBITDA x	Yield %	ROE %	ROCE %	N. Gearing %
05A	(93.6)	(0.022)	na	na	9.7	na	-	na	na	Cash
06A	(83.0)	(0.018)	(19.3)	na	8.3	795.6	-	na	na	Cash
07F	(6.0)	(0.001)	(95.8)	na	2.8	36.5	-	na	5.1	Cash
08F	160.5	0.013	na	12.4	2.1	7.9	-	21.0	14.7	Cash
09F	199.7	0.016	24.4	10.0	1.7	6.3	-	20.6	15.4	Cash

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Disclosure of interests: SBI E2-Capital Securities Ltd. acted as the sole bookrunner and placing agent for the China Renji Medical Group Ltd (formerly known as Softbank Investment International (Strategic) Ltd) in April 2007.

An Executive Director of SBI E2-Capital Securities Ltd. is also an Executive Director of China Renji Medical Group Ltd.