CHINA RENJI Medical Group Ltd.
中國仁濟醫療集團有限公司

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(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

2012 FINAL RESULTS

The board of directors (the "Board" or the "Directors") of **China Renji Medical Group Limited** (the "Company") hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Turnover	2	**134,438**	152,302
Cost of services		**(40,293)**	(68,677)
Gross profit		**94,145**	83,625
Other gains and losses	4	**13,559**	(1,411)
Administrative expenses		**(47,428)**	(58,931)
Impairment loss on property, plant and equipment		**—**	(93,285)
Impairment loss on other intangible assets		**—**	(66,876)
Impairment loss on assets classified as held for sale		**—**	(125,638)
Finance costs		**(3,306)**	(2,988)
Profit/(loss) before taxation		**56,970**	(265,504)
Income tax	5	**4,291**	(1,385)
Profit/(loss) for the year	6	**61,261**	(266,889)
Profit/(loss) for the year attributable to:			
Owners of the Company		**61,261**	(266,889)
Non-controlling interests		**—**	—
		61,261	(266,889)
Earnings/(loss) per share attributable to owners of the Company ***(HK cents)***	8		
— Basic		**0.45**	(1.97)
— Diluted		**0.45**	(1.97)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the year	**61,261**	(266,889)
Other comprehensive income for the year, net of tax		
Exchange differences on translating foreign operations	**—**	30,962
Total comprehensive income/(loss) for the year	**61,261**	(235,927)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**61,261**	(235,927)
Non-controlling interests	**—**	—
	61,261	(235,927)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**167,137**	143,894
Land use right		**3,884**	3,970
Other intangible assets		**84,537**	93,466
Promissory note receivable		**—**	450
Deposit paid for acquisition of property, plant and equipment		**67,681**	56,880
		323,239	298,660
Current assets			
Land use right		**86**	86
Promissory note receivable		**478**	—
Trade receivables	9	**46,947**	77,808
Other receivables, prepayments and deposits		**175,830**	28,234
Amount due from a non-controlling shareholder of a subsidiary		**5,556**	—
Tax recoverable		**—**	994
Cash and bank balances		**115,980**	49,706
		344,877	156,828
Assets classified as held for sale		**—**	142,593
		344,877	299,421
Current liabilities			
Other payables and accruals		**32,998**	39,234
Amount due to a director		**5,250**	—
Tax payable		**2,730**	—
Borrowings		**93,691**	105,026
Guaranteed convertible note		**1,000**	1,000
		135,669	145,260
Liabilities directly associated with assets classified as held for sale		**—**	12,345
		135,669	157,605
Net current assets		**209,208**	141,816
Total assets less current liabilities		**532,447**	440,476

	2012	2011
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liabilities	**5,647**	6,041
Net assets	**526,800**	434,435
CAPITAL AND RESERVES		
Share capital	**1,354,511**	1,354,511
Reserves	**(858,822)**	(920,076)
Equity attributable to owners of the Company	**495,689**	434,435
Non-controlling interests	**31,111**	—
Total equity	**526,800**	434,435

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance.

These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The Directors anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
HK(IFRIC)—Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or oss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards will have no impact to the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the Related Disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

2. TURNOVER

Turnover, which is also revenue, represents the amounts received and receivable for services provided, net of discounts and sales related taxes, by the Group to outside customers.

All of the Group's turnover for the years ended 31 December 2012 and 2011 represented the leasing and service income from operations of medical equipment.

3. SEGMENT INFORMATION

During the years ended 31 December 2012 and 2011, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of services on operation of medical equipment in the People's Republic of China (the "PRC" or "China") and most of the assets of the Group are located in the PRC as at 31 December 2012 and 2011.

For the year ended 31 December 2012, there were 4 customers with whom transactions have exceeded 10% of the Group's revenues, which amounted to approximately HK$30,264,000, HK$30,108,000, HK$19,598,000 and HK$16,641,000, respectively.

For the year ended 31 December 2011, there were 3 customers with whom transactions have exceeded 10% of the Group's revenues, which amounted to approximately HK$41,482,000, HK$32,043,000 and HK$20,819,000, respectively.

4. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Interest income on:		
Bank balances	**419**	163
Promissory note receivable	**28**	28
	447	191
Loss on disposal of property, plant and equipment	**(7)**	—
Write-off of property, plant and equipment	**(82)**	(2,948)
Gain on disposal of promissory note	**—**	1,000
Exchange gain, net	**12,672**	—
Bad debts written back	**466**	—
Others	**63**	346
	13,559	(1,411)

5. INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
PRC Enterprise income tax	**8,448**	9,460
Deferred taxation	**(12,739)**	(8,075)
Tax (credit)/charge for the year	**(4,291)**	1,385

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2011: HK$ Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC Enterprise income tax rate is 25% for the years ended 31 December 2012 and 2011.

6. PROFIT/(LOSS) FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,408**	27,451
Depreciation of jointly-controlled assets	**3,557**	8,475
Amortisation of other intangible assets included in cost of services	**8,929**	23,612
Amortisation of land use right	**86**	86
Total depreciation and amortisation	**26,980**	59,624
Auditors' remuneration	**1,237**	1,237
Write off of trade receivables	**—**	809
Exchange loss, net	**—**	1,472
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**22,342**	25,928

7. DIVIDEND

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: HK$ Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share is based on the earnings/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share is based on the earnings/(loss) for the year attributable to owners of the Company, adjusted to reflect the interest on the guaranteed convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(loss)

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the purpose of basic earnings/(loss) per share	**61,261**	(266,889)
Interest on guaranteed convertible note*	**—**	—
Profit/(loss) for the purpose of diluted earnings/(loss) per share	**61,261**	(266,889)

Number of shares

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**13,545,113**	13,545,113
Effect of diluted potential ordinary shares:		
— Share options*	**—**	—
— Guaranteed convertible note*	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**13,545,113**	13,545,113

* The guaranteed convertible note and share options have an anti-dilutive effect on the basic earnings/(loss) per share of the Group for the years ended 31 December 2012 and 2011. Accordingly, the effect of the guaranteed convertible note and share options was not included in the calculation of diluted earnings/(loss) per share for the years ended 31 December 2012 and 2011.

9. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**46,947**	77,808

The Group generally allows an average credit period of 180 days (2011: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	2012	2011
	HK$'000	*HK$'000*
0–180 days (neither past due nor impaired)	**46,947**	70,754
181–270 days (1 to 3 months past due)	**—**	7,054
	46,947	77,808

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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.

Each medical centre is located at the premises of the Group's hospital partners and is typically equipped with a primary unit of radiotherapy and/or diagnostic imaging equipment, such as linear accelerators, head gamma knife systems, body gamma knife systems, positron emission tomography-computed tomography ("PET-CT") scanners or magnetic resonance imaging ("MRI") scanners. Most of the medical centres in the Group's network are established through long-term lease and management service arrangements entered into with hospital and/or other business partners, such that the Group's hospital partners are responsible for the provision of premises for the medical centres, whereas the Group provides medical equipment to the medical centre through long-term leasing arrangement and the Group and/or the Group's business partners provide management services for the medical centres.

Under this arrangement, the Group generally receives a contracted percentage of each medical centre's net income, representing the revenue of each medical centre, less the specified operating expenses including variable expenses such as salaries and benefits of the medical and other personnel at the medical centre, the cost of medical consumables, marketing commissions and expenses, training expenses, utility expenses and routine equipment repair and maintenance expenses.

The Group's turnover mainly derives from the leasing and service income from the operation of medical equipment. The Group's principal cost of services comprises (i) equipment and facility costs (mainly including depreciation and amortisation expenses) and (ii) the salary and services for its physicians and technical staff.

With a view to minimising potential risks associated with the medical assets (comprising property, plant and equipment and other intangible assets) operated by the Group's medical centres that lacks the necessary licenses (collectively referred to as the "Non-licensed Medical Assets"), during the year, the Group has disposed of all such Non-licensed Medical Assets. As at 31 December 2012, all the medical assets operated by the medical centres underlying the Group's medical network possesses the required licenses for operations.

FINAL RESULTS REVIEW

Turnover

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$134,438,000 (2011: HK$152,302,000), representing a decrease of approximately 11.73% from last year. The turnover for the year was derived from the medical business operated by the Group. The decline in turnover was primarily due to the aforementioned disposals of the Group's Non-licensed Medical Assets in 2012.

Gross profit

For the year ended 31 December 2012, the Group recorded a gross profit of approximately HK$94,145,000 (2011: HK$83,625,000) and a gross profit margin of approximately 70.03% (2011: 54.91%) from its medical network business. The increase in gross profit was primarily attributable to the Group's completion of disposals of the Non-licensed Medical Assets in 2012 to the effect that the depreciation and amortisation expenses in connection with the Group's medical assets and other intangible assets have been significantly decreased.

Impairment losses on property, plant and equipment and other intangible assets

The Group reassessed the recoverable amount of property, plant and equipment and other intangible assets as at 31 December 2012 and no impairment losses on property, plant and equipment and other intangible assets for the year ended 31 December 2012 was recorded (2011: HK$93,285,000 and HK$66,876,000, respectively).

Impairment loss on assets classified as held for sale

In late 2011 and during 2012, the Group implemented a plan to dispose of the Non-licensed Medical Assets. The Non-licensed Medical Assets were recorded as assets classified as held for sale in the financial statements of the Group as at 31 December 2011 and an impairment loss of HK$125,638,000 was recorded thereon for the year ended 31 December 2011 as a result of the writing down of the Non-licensed Medical Assets to their estimated net realisable value. No impairment loss on assets classified as held for sale was made during the year ended 31 December 2012.

Profit for the year

The profit attributable to owners of the Company for the year ended 31 December 2012 was approximately HK$61,261,000 (2011: loss of HK$266,889,000). The turnaround to profit this year was mainly attributable to, among other things, (i) the Group's completion of disposals of the Non-licensed Medical Assets to the effect that the depreciation and amortisation expenses, as well as the deferred tax liabilities in connection with the Group's medical assets and other intangible assets have been significantly decreased; (ii) the exchange gain relating to a loan of the Group denominated in Japanese Yen; (iii) the reduction in the operating cost due to the continuous implementation of the Group's various cost control measures; and (iv) the significant decrease in impairment losses recorded by the Group when compared with the same period in pervious year.

Basic earnings per share for the year was approximately HK0.45 cents (2011: basic loss per share of HK1.97 cents).

BUSINESS REVIEW

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 China.

The increasingly challenging business environment in 2012 for the Group's medical business in the PRC resulting from the healthcare reform policies implemented by the PRC government since 2009 has led to, among other things, a reduction in the examination fees and treatment fees received from the operations of the Group's medical equipment (such as radiotherapy and/or diagnostic imaging equipment), an increase in the specified operating expenses of the medical centres and a decline in the Group's contracted revenue-sharing percentage with its hospital and business partners. Furthermore, as mentioned in the Group's annual report for the year ended 31 December 2011, non-civilian medical institutions in the PRC are not 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 at market rates if they do not have adequate funds to purchase the medical equipment. Since most of the medical centres in the Group's network are established through the entering into of long-term lease and management arrangement with hospital and/or other business partners, the tightening implementation of the existing rules and regulations in the PRC such as the above has casted uncertainties to the business model of the Group's medical business. Although in general, the business models which the market operates are the same as or similar to the Group's, the Group's existing business models may be exposed to challenges if the relevant health departments in the PRC at the national or local levels have different interpretation that the Group's lease and management agreements with the hospital partners and/or business partners are not in compliance with the tightened rules and regulations. All of these, together with the growing competitions amongst the industry and the increase in financial strength of the hospitals in the PRC, have posed significant pressure on the growth of the Group's medical network business and thus its financial performance.

During the year, the management of the Company has endeavoured to maintain the competitiveness of the Group's existing medical network and at the same time, seek potential investment/business opportunities in other business areas so as to enhance the Group's income base and revamp the lasting damages inherited from the disputes among previous management and shareholders.

Update on the progress of resumption in trading

As disclosed in the announcements of Company dated 26 September 2012, 7 December 2012, 11 January 2013 and 5 March 2013, the Company has been taking steps to resume the trading of its shares. On 26 March 2013, the Company received a letter from the Stock Exchange setting out the following conditions for resumption of trading in the shares of the Company:

(i) publication of an announcement (the "Clarification Announcement") setting out details of the allegations (the "Allegations") against the Company and its previous management, findings of the investigation of the independent profession adviser of the Company on the Allegations and the assessment of the special investigation committee established by the Company on how the Allegations have been addressed, together with the basis thereof; and

(ii) the publication of the annual results for the year ended 31 December 2012 with audit qualifications that will not adversely affect the Stock Exchange's assessment on the Company's suitability for resumption.

The Company is in the course of preparing the Clarification Announcement with a view to resuming the trading of its shares as soon as practicable.

Corporate Governance

During 2012, as part of the Group's proposal for resumption in trading of its shares, the Company has engaged SHINEWING Risk Services Limited ("SHINEWING") to perform a review on the Group's financial reporting procedures and internal control systems in accordance with recognised framework. The Group has adopted the recommendations proposed by SHINEWING in connection to the weaknesses identified in our internal control system and is in the course of implementing them.

PROSPECTS

With the challenging operating environment, whilst the Group will continue to formulate strategies to maintain the competitiveness of its medical business, the management of the Company has also keep abreast of any potential investment/business opportunities in other business areas, including hospitals, green/recyclable and resources related businesses in the PRC and Asia.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's major financial resources were derived from borrowings and cash generated from operating activities of approximately HK$3,507,000 for the year ended 31 December 2012 (2011: HK$92,546,000). The net cash generated from operating activities was derived primarily from cash proceeds received from our medical network business.

For the year ended 31 December 2012, the net cash generated from investing activities amounted to approximately HK$37,219,000 (2011: outflow of HK$80,612,000) and the net cash generated from financing activities amounted to approximately HK$25,548,000 (2011: outflow of HK$17,291,000). The net cash inflow in investing activities mainly resulted from proceeds received from disposal of non-licensed medical assets in China. The net cash inflow in financing activities mainly resulted from capital injection from a non-controlling shareholder of a subsidiary.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2012 a net cash inflow of approximately HK$66,274,000 (2011: outflow of HK$5,357,000).

As at 31 December 2012, the Group maintained bank balances and cash amounting to approximately HK$115,980,000 (2011: HK$49,706,000).

As at 31 December 2012, the Group's total borrowings amounted to approximately HK$94,691,000 (2011: HK$106,026,000) which included borrowings of approximately HK$93,691,000 (2011: HK$105,026,000) and guaranteed convertible note of approximately HK$1,000,000 (2011: HK$1,000,000). Borrowings of approximately HK$94,691,000 were repayable within one year (2011: HK$106,026,000).

The borrowings are denominated in Hong Kong dollars and Japanese Yen. The Board expects that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2012, the Group's net asset value was approximately HK$526,800,000 (2011: HK$434,435,000) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 2.54 times (2011: 1.90 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings to the total equity attributable to the owners of the Company) was 19.10% (2011: 24.41%). The decrease in gearing ratio was mainly due to profit generated during the year.

Capital structure

There was no change in the Company's capital structure during the year ended 31 December 2012.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars; whilst the assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities held are mainly denominated in Japanese Yen. Therefore, the impact of continued Renminbi appreciation may lower the costs for the repayment of foreign debts. The Group currently does not have a foreign currency hedging policy. However, management does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

Charge on Group assets

As at 31 December 2011, certain of the Group's medical assets amounted to HK$13,009,000 and assets classified as held for sale amounted to HK$22,222,000 were pledged to secure general banking facilities granted to the Group. No assets of the Group was pledged as at 31 December 2012.

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.

As at the date of this announcement, no notice of intention had been received by Fair Winner. In the opinion of the Directors, based on legal advice, 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 in the consolidated financial statements of the Group for the year ended 31 December 2012.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract from the report issued by HLB Hodgson Impey Cheng Limited on the consolidated financial statements of the Group for the year ended 31 December 2012:

Basis of Qualified Opinion

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of the inability to obtain sufficient appropriate audit evidence for our audit, details of which are set out in our audit report dated 28 February 2012. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the net assets of the Group as at 31 December 2011 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements of the Company and of the Group for the year ended 31 December 2011 were fairly stated. Any adjustment found to be necessary may affect the net assets of the Company and the Group as at 31 December 2011 and the results and cash flows and the related disclosures in the notes to the consolidated financial statements. Therefore, the comparative figures may not be comparable and any adjustment to these figures that might have been found necessary in respect would have had a consequential impact on the opening balances of net assets of the Group and the Company as at 1 January 2012, the opening balances of the accumulated losses of the Group and the Company as at 1 January 2012, the Group's results for the year ended 31 December 2012 and the related disclosures thereof in the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the total number of employees of the Group was 141. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the year ended 31 December 2012, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code provision A.4.1

None of the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

AUDIT COMMITTEE

The principal responsibilities of the Audit Committee include: to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors; to review and monitor the external Auditors' independence and objectivity; to develop and implement policy on the engagement of the external Auditors to supply non-audit services; to monitor integrity of the interim and annual financial statements, interim and annual reports and accounts; to review significant financial reporting judgments particularly on any changes in accounting policies and practices; to ensure that management has discharged its duty to have an effective internal control system and to consider any findings of major investigations of internal control matters; to review the external Auditors' management letter, any material queries raised by the Auditors to management in respect of the accounting records, financial statements or systems of control and management's response. The final results of the Group for the year ended 31 December 2012 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2012.

ANNUAL REPORT

The 2012 annual report of the Company will be despatched to shareholders and published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.renjimedical.com) as soon as possible.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended since 18 October 2010 and shall remain suspended until further notice.

By Order of the Board of
China Renji Medical Group Limited
TANG CHI CHIU
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tang Chi Chiu and Mr. Wang Jianguo; and three independent non-executive Directors, namely, Mr. Kwok Chung On, Mr, Wu Chi Keung and Ms. Wu Yan.