CHINA RENJI
Medical Group Ltd.
中國仁濟醫療集團有限公司
(HKSE: 00648)


# Annual Report 2007

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors :

YANG Yifei *(Chairman)*
Dato' WONG Sin Just DIMP *(Vice Chairman)*
SHENG Yang *(Vice Chairman)*
YU Chung Hang, Lucian *(Chief Executive Officer)*
DUAN Xuzhen

### Non-executive Directors :

YU Kam Yuen, Lincoln
SUN Huali
WONG Kean Li

### Independent Non-executive Directors :

LO Wing Yan, William JP
NG Sau Kei, Wilfred
LI Yang

## AUDIT COMMITTEE

LO Wing Yan, William JP
YU Kam Yuen, Lincoln
NG Sau Kei, Wilfred

## REMUNERATION COMMITTEE

LO Wing Yan, William JP
YU Kam Yuen, Lincoln
NG Sau Kei, Wilfred

## EXECUTIVE COMMITTEE

YANG Yifei
Dato' WONG Sin Just DIMP
SHENG Yang
YU Chung Hang, Lucian
DUAN Xuzhen
YU Kam Kee, Lawrence* BBS, MBE, JP

* Honorary Member (non-voting)

## INVESTMENT COMMITTEE

YANG Yifei
Dato' WONG Sin Just DIMP
SHENG Yang
YU Chung Hang, Lucian
DUAN Xuzhen
YU Kam Kee, Lawrence* BBS, MBE, JP

* Honorary Member (non-voting)

## COMPANY SECRETARY

Mark Alan LOYND Barrister, MCIArb

## QUALIFIED ACCOUNTANT

LAU Miu Man CPA, CPA (Aust.)

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Ltd
Mizuho Corporate Bank, Ltd

## AUDITOR

Deloitte Touche Tohmatsu

## SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

## REGISTERED OFFICE

4th & 5th Floors
SBI Centre
56 Des Voeux Road Central
Hong Kong

## WEBSITE

www.renjimedical.com

## HKSE

00648

TO THE SHAREHOLDERS

On behalf of the board of directors (the "Directors" or "Board") of China Renji Medical Group Limited (the "Company" or "China Renji"), I present herewith the annual report of the Company for the financial year ended 31 December 2007.

## BUSINESS REVIEW

It has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company together with its subsidiaries (the "Group") has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, while near-completing the divestment of its non-core business interests.

I am both honoured and excited to announce that, through the Board's vision and unflagging determination, together with the hard work of the entire China Renji team, the Group's revenue has soared 74.9% to HK$245,641,000 and profits surged by 115.4% to HK$12,809,000. Moreover, each and every profit and income guarantee associated with our acquisitions carried out in the financial year ended 31 December 2007 has been met.

The Company's audited consolidated financial statements reflect that its investment in the Mainland medical and healthcare market, through its main subsidiary, China Renji Medical (BVI) Limited which in turn holds Shanghai Anping Medical Treatment Technology Co., Ltd ("Anping") and its subsidiaries (collectively the "Anping Medical Group"), was a strategically successful and lucrative one. Anping Medical Group contributed towards 23.2% of the revenue and posted a segment profit after amortisation of intangible assets of HK$19,019,000 for the year ended 31 December 2007.

Considering that the Company disposed of its interests in Foshan Chande Knitting Enterprise Company, Limited (a 51% owned garment manufacturer in the PRC) on 31 October 2007 as well as its interests in SBI E2-Capital Limited (a 49% owned financial services provider) on 9 April 2008, it is evident that Anping Medical Group is becoming the main contributor towards the Company's profits and corroborates our belief that the Company's previous readjustment of strategic focus is bearing fruit.

Also particularly noteworthy are the facts that, firstly, while a fairly significant provision for impairment loss was made for the year of 2006, the subsequent disposal of non-core assets and interests has generated an actual sum in excess of the provision itself; and secondly, the operating cash flow position of the Group has improved significantly, with a larger portion of non-cash items such as share option expenses and amortization of intangible assets. We believe this has established firm foundations for further growth in future years.

During the course of the year ended 31 December 2007, the Group acquired medical equipment facilities in Shanghai, Nanchang, Hefei, Shenyang and Beijing, and cooperated with a number of reputable medical institutions such as the Shanghai Renji Hospital, the People's Liberation Army of the PRC 411 Hospital, the People's Liberation Army of the PRC 455 Hospital, the Main Hospital of the Second Artillery Force of the People's Liberation Army of the PRC, the Hefei Gamma Knife Specialty Hospital and the People's Liberation Army of the PRC Shenyang 463 Hospital, thereby significantly expanding its network and potential client base across the PRC and further establishing China Renji as a leading medical services provider of cancer diagnostics and cancer treatment in the PRC.

## PROSPECTS

The Group strongly believes that the demand for cancer diagnosis and treatment will continue to increase in the PRC, where its core business is based. It also looks positively that the market potential will be sustained, with the onset of cancer as one of the top causes of death in the PRC, exacerbated by an ageing population, the increase in smoking, drinking, pollution and unhealthy eating habits, as well as growing concern over healthcare and well-being in the PRC. The Board has thus worked hard, and believe we have successfully established China Renji as one of the outstanding powerhouses in clinical treatment and research in the realm of cancer diagnosis and treatment in the PRC.

That said, it has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company together with its subsidiaries has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business of provding cancer diagnostics and cancer treatment services through its network of medical centres into various main cities in the PRC, while near-completing the divestment of its non-core business interests. The Group successfully posted a profit of HK$12,809,000, which reflects that the Group's vision and perseverance with its strategic refocusing has borne fruit.

We foresee that we will continue this mission and complete our relinquishment of interest in all non-core business areas, while continuing to strive to build upon our existing areas of strength and at the same time forging new frontiers both geographically by further expanding our network in the Mainland and other potential areas of strategic growth, as well as to continue promoting the China Renji name.

## APPRECIATION

On behalf of the Board, I would like to express the greatest appreciation to the entire staff of the Group for all their hard work and effort. I would also like to extend sincere gratitude to our investors, business partners, and shareholders for their support and confidence in the Group over the past years. I am highly confident that the Group will continue to grow and create significant value to our shareholders. I look forward to sharing with you more positive developments in years to come.

**YANG YIFEI**
*Chairman*

HONG KONG, 21 April 2008

## FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$245,641,000 for the year ended 31 December 2007 (2006: HK$140,422,000). This represents an increase of approximately HK$105,219,000, or 74.9%, as compared with last year. Revenue for (i) the medical network contributed approximately HK$56,994,000, or 23.2%, towards the Group; (ii) investment holding decreased by HK$4,979,000, or 78.4%, from that of last year; and (iii) media, consulting, marketing and technology services decreased by HK$2,670,000, or 96.7%, from that of last year. Revenue from the discontinued operations for (i) financial services increased by HK$54,009,000, or 91.3%, from that of last year; (ii) garment manufacturing increased by HK$2,926,000, or 4.6%, from that of last year; and (iii) property holding and others decreased by HK$1,061,000, or 13.4%, from that of last year.

The profit attributable to equity holders of the Company for the year ended 31 December 2007 was approximately HK$12,809,000, representing an improvement of HK$95,815,000 from a loss of HK$83,006,000 for last year. This was mainly attributable to revenue and profit generated through the Company's investment in the Medical Network Division, the Financial Services Division and from divestment of its non-core businesses.

Basic earnings per share was HK 0.16 cents (2006: basic loss per share of HK 1.75 cents).

## BUSINESS REVIEW

It has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, while near-completing the divestment of its non-core business interests.

The Medical Network Division is principally engaged in the provision of medical equipment leasing and consultancy services, specialising in the diagnosis and treatment of cancer in the PRC. Within a short period of six months, this division recorded a revenue of approximately HK$56,994,000, or approximately 23.2% of the Group's revenue. A segment profit before amortisation of intangible assets of approximately HK$45,953,000, and after deducting the amortisation of intangible assets of approximately HK$26,934,000 was reported due to the acquisition of the medical network, resulting in a net segment result of approximately HK$19,019,000 for the year ended 31 December 2007.

The Investment Holding Division contributed towards approximately 0.6% of the Group's revenue. It recorded a revenue of HK$1,369,000 (2006: HK$6,348,000) and segment loss of HK$19,201,000 (2006: HK$45,683,000) for the year ended 31 December 2007.

The Media, Consulting, Marketing and Technology Services Division contributed approximately 0.04% of the Group's revenue. It recorded a revenue of HK$90,000 (2006: HK$2,760,000) and segment loss of HK$871,000 (2006: profit of HK$908,000) for the year ended 31 December 2007.

## BUSINESS REVIEW (continued)

### 1. Core Businesses

The Company has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, whilst embarking upon the divestment of its non-core business interests. Of particular notice has been the Group's entry into the PRC medical and healthcare industry; namely, through its acquisition of 100% equity interest in China Renji Medical (BVI) Limited which holds 100% equity interest in Shanghai Anping Medical Treatment Technology Co., Ltd. ("Anping").

On 21 September 2007, Anping entered into an acquisition agreement with Shanghai Rentung Hospital Investment Management Limited ("Shanghai Rentung"), a company principally engaged in the investment and management of medical equipment and the provider of medical services in a number of medical centres in the PRC, to acquire 51% of Shanghai Rentung's interest in medical equipment, comprising of a head and body gamma system, linear accelerator, CT scanner, tumour heat therapy system and an EP 3D localization system which are wholly-owned by Shanghai Rentung, as well as Shanghai Rentung's 51% interest in one PET-CT which is equally owned by Shanghai Rentung and the Main Hospital of the Second Artillery Force of the People's Liberation Army of the PRC (the "Main Hospital of the Second Artillery Force").

The consideration for the acquisition amounted to RMB74.12 million (equivalent to approximately HK$76.93 million). Shanghai Rentung also guaranteed that the net income attributable to the Group's interest in the acquired medical equipment for the year ending 31 December 2008 would be no less than RMB10.20 million (equivalent to approximately HK$10.59 million), and in the event that the actual net income derived from the acquired medical equipment attributable to the Group is less than RMB10.20 million, Shanghai Rentung will compensate Anping by way of cash payment, with a ceiling of RMB38.00 million (equivalent to approximately HK$39.44 million).

The centres in which the said equipment are located are based in Beijing, which will expand the geographic coverage of the Group's medical centres in the PRC. Furthermore, the Main Hospital of the Second Artillery Force is one of the most prominent hospitals in the PRC, and in particular, due to its location in Beijing, the capital city of the PRC, the Directors believe that not only will the acquisition increase the number of patient visits, but will also further establish the China Renji name in the PRC.

On 11 October 2007, Anping entered into the acquisition agreement to acquire medical equipment from Shanghai Rentung, comprising of one head gamma system, one body gamma system and one magnetic resonance imaging ("MRI") equipment, which are the only fixed assets used by Hefei Gamma Knife Specialty Hospital (the "Hefei Hospital") for the diagnosis of cancer and other conditions using MRI equipment and the gamma system for treatment of tumours. The consideration of the acquisition amounted to RMB46.2 million (equivalent to approximately HK$47.95 million).

Pursuant to the acquisition agreement, Shanghai Rentung has warranted that the net income for the period from 1 July 2007 to 31 December 2007 and the year ending 31 December 2008 will be no less than RMB5 million (equivalent to approximately HK$5.19 million) and RMB12 million (equivalent to approximately HK$12.46 million), respectively. In the event that the said actual net income falls below the warranted net income for any of the period/year as mentioned above, Anping will be entitled to compensation by way of cash payment.

**BUSINESS REVIEW** (continued)

1. Core Businesses (continued)

Hefei Hospital was established in September 2002. It is currently the only hospital in Anhui Province providing gamma system treatment to cancer and tumour patients and one of the first few privately owned hospitals in Anhui Province to provide specialty medical services. Given the fact that gamma system treatment is covered by the social insurance scheme of Hefei City, the sizeable population base of Hefei City will ensure a significant clientele for Hefei Hospital. In addition, the specialty medical services of Hefei Hospital also extends to cover peripheral areas such as Bangpu City, Chaohu City, and the northern and western regions of Anhui Province. The medical equipment are the only fixed assets used by Hefei Hospital for the diagnosis of cancer and other conditions using MRI equipment and gamma system treatment of tumours. The location of Hefei Hospital in Anhui Province will expand the geographic coverage of the Group's medical centres to the western region of the PRC. Hefei Hospital is currently the only hospital in Hefei City providing gamma system treatment for tumours.

On 9 November 2007, Anping entered into an acquisition agreement with Chengdu Daicheng Professional Electrical Appliance Market New Century Electrical Appliance ("Chengdu Daicheng") to acquire medical equipment from Chengdu Daicheng, which comprises of one head gamma system, one body gamma system and one (Cobalt-60 generated) gamma radiation therapy equipment, as well as entitlement to the net income therefrom. The acquired equipment is the only fixed assets used at the Shenyang 463 Hospital Gamma Knife Therapy and Research Centre (the "Gamma Knife Centre") and the Cobalt-60 Radiation Therapy Equipment Non-Invasive Therapy and Research Centre (the "Radiation Therapy Centre") at the People's Liberation Army of the PRC Shenyang 463 Hospital (the "PLA 463 Hospital"). The consideration of the acquisition amounted to RMB41.00 million (equivalent to approximately HK$42.56 million).

Pursuant to the said acquisition agreement, Chengdu Daicheng has warranted that the net income for each of the periods from 1 July 2007 to 30 June 2008 and from 1 July 2008 to 30 June 2009 will be no less than RMB10 million (equivalent to approximately HK$10.38 million), respectively. In the event that the actual net income falls below the warranted net income of RMB10 million for any of the two periods as mentioned above, Anping will be entitled to compensation.

As a renowned "3A Grade" hospital in the PRC, the PLA 463 Hospital has an operating history of more than 50 years and is reputable in the northeastern region of the PRC for its various advanced research projects. The Gamma Knife Centre and the Radiation Therapy Centre were established by Chengdu Daicheng and the PLA 463 Hospital in April 2004 with a view to providing gamma system treatment for tumours and radiotherapy services to the public in Shenyang City and neighboring cities. The acquired medical equipment are the only fixed assets used by the Gamma Knife Centre and the Radiation Therapy Centre for provision of precision radiotherapy services such as gamma system treatment of tumours and neurosurgical diseases.

Based in Shenyang City, the centres have developed an extensive services network of tumour treatment among neighbouring cities. The PLA 463 Hospital is responsible for the provision of medical services and technical support for the operations of the Gamma Knife Centre and the Radiation Therapy Centre. The Group believes that this acquisition will further enhance its brand recognition and expand the geographic coverage of the Group's tumour diagnosis and treatment network into the northeastern region of the PRC.

**BUSINESS REVIEW** (continued)

1. Core Businesses (continued)

Whereas Anping had entered into an acquisition agreement with Shanghai Rentung on 21 September 2007 to acquire 51% of Shanghai Rentung's interest in medical equipment, which comprises of a head and body gamma system, linear accelerator, CT scanner, tumour heat therapy system and EP 3D localization system which are wholly-owned by Shanghai Rentung, as well as Shanghai Rentung's entire interest in one PET-CT which is equally owned by Shanghai Rentung and the Main Hospital of the Second Artillery Force; subsequent to the year end, on 23 January 2008, Anping entered into a further acquisition agreement with Shanghai Rentung to acquire Shanghai Rentung's remaining interest in the medical equipment at the Main Hospital of the Second Artillery Force. The aforesaid equipment comprised of Shanghai Rentung's remaining 49% interest in one each of the head and body gamma systems, linear accelerator, CT scanner, tumour heat therapy system and EP 3D localization system and 24.5% interest in one PET-CT equipment, respectively.

The consideration of the further acquisition amounted to RMB71.22 million (equivalent to approximately HK$76.21 million). Pursuant to this further acquisition agreement, Shanghai Rentung guaranteed that the net income attributable to the remaining interest for the year ending 31 December 2008 will not be less than RMB9.80 million (equivalent to approximately HK$10.49 million). In the event that the actual net income attributable to the remaining interest is less than RMB9.80 million, Shanghai Rentung will compensate Anping, with a ceiling of RMB36.5 million (equivalent to approximately HK$39.06 million).

2. Non-core Businesses

The Group was also engaged in the businesses of (i) the provision of financial services (financial services segment); (ii) garment manufacturing (garment manufacturing segment); and (iii) leasing of investment properties and country club operations (property holding and others segment) in previous years. The Garment Manufacturing Division, and the Property Holding and Others Division were discontinued during the year ended 31 December 2007, and the Financial Services Division was discontinued subsequent to the year ended 31 December 2007.

i. Financial Services Division
The Financial Services Division contributed approximately 46.1% of the Group's revenue. It recorded a revenue of HK$113,181,000 (2006: HK$59,172,000) and segment profit of HK$24,338,000 (2006: HK$15,031,000) for the year ended 31 December 2007.

ii. Garment Manufacturing Division
The Garment Manufacturing Division contributed approximately 27.3 % of the Group's revenue. It recorded a revenue of HK$67,135,000 (2006: HK$64,209,000) and segment profit of HK$1,093,000 (2006: HK$1,430,000) for the year ended 31 December 2007.

iii. Property Holding and Others Division
The Property Holding and Others Division contributed approximately 2.8 % of the Group's revenue. It recorded a revenue of HK$6,872,000 (2006: HK$7,933,000) and segment loss of HK$782,000 (2006: profit of HK$5,347,000) for the year ended 31 December 2007.

## MATERIAL DISPOSALS OF SUBSIDIARIES, ASSOCIATES, JOINTLY CONTROLLED ENTITIES AND INVESTMENTS

As part of its ongoing strategy to focus on its core business and divest in non-core businesses, the Group carried out a number of divestments over the course of the financial year ended 31 December 2007. Details of these disposals have been published (if required) in strict accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), although the major disposals are summarised below.

In July 2007, the Group disposed of 16,399,144 shares in Zhongtian International Limited as part of its ongoing strategy to focus on its core business and divest in non-core businesses. The total net proceed was approximately HK$11,860,000.

In August 2007, the Company disposed of 22,750,000 shares in E2-Capital (Holdings) Limited. The total net proceed was approximately HK$23,210,000.

Also in August 2007, the Company entered into an agreement to dispose of its entire interest in Dragon Lion Limited at a cash consideration of HK$20,005,000. Dragon Lion Limited is an investment holding company and its major asset is a 51% equity interest in Foshan Chande Knitting Enterprise Company Limited which is engaged in the garment manufacturing business, representing the Group´s garment manufacturing operation. Accordingly, the business segment of garment manufacturing was discontinued upon completion of the disposal of Dragon Lion Limited during the year ended 31 December 2007.

In October 2007, the Group disposed of 20% equity interest in China Gloria Consultants (Shanghai) Limited, an associate company, at a consideration of HK$15,000,000.

In December 2007, the Company entered into an agreement to dispose of its entire interest in Gesway Investment Limited at a consideration of HK$52,000,000 and the shareholder's loan of Gesway Investment Limited due to the Company amounting to HK$39,576,000 was also undertaken to be settled by the purchaser with the aggregate consideration amounting to HK$91,576,000. Gesway Investment Limited is an investment holding company and its major asset is a 57.89% interest in Peach Garden Country Club (Foshan Nanhai) Co., Limited which carries out a country club operation in Foshan, the PRC. The country club operation was previously grouped under the business segment of "property holding and others".

The business segment of property holding and others was discontinued upon the completion of the disposal of Gesway Investment Limited and the disposal of all the Group´s investment properties. During the year, the Group disposed of all its investment properties at a total consideration of HK$52,625,000.

Other than the transactions referred to above, there were no material acquisitions or disposals of subsidiaries, associates, jointly controlled entities and investments during the year.

And subsequent to the year ended 31 December 2007, the Group disposed of its entire equity interest in a 49% jointly controlled entity, SBI E2-Capital Limited (a company which carries out all of the Group´s financial services business segment) at a consideration of HK$81,000,000.

The net gain on disposal of discontinued operations of HK$73,534,000 comprised of the gain on disposal of subsidiaries which were engaged in country club operations (Property Holding and Others Division) of HK$73,679,000, loss on disposal of subsidiaries engaged in the Garment Manufacturing Division of HK$6,540,000 and gain on disposal of investment properties (Property Holding and Others Division) of HK$6,395,000 for the year ended 31 December 2007.

## PROSPECTS

The Group firmly believes that the demand for cancer diagnosis and treatment will continue to increase on the Mainland, where its main operations are based. Other than inherent extrinsic factors, such as the fact that cancer has become one of the Mainland's top causes of death, exacerbated by an ageing population, as well as the increase in smoking, drinking, pollution and unhealthy eating habits, the Group believes that the sustained potential in this market is also reflected by the increasing number of companies engaging in this space. The Board has thus worked hard, and believe we have successfully established China Renji as one of the outstanding powerhouses in clinical treatment and research in the realm of cancer diagnosis and treatment in the PRC.

That said, it has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company together with its subsidiaries have continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, while near-completing the divestment of its non-core business interests. The Group successfully posted a profit of HK$12,809,000, which reflects that the Group's vision and perseverance with its strategic refocusing has borne fruit.

We foresee that we will continue this mission and complete our relinquishment of interest in all non-core business areas, while continuing to strive to build upon our existing areas of strength and at the same time forging new frontiers both geographically by further expanding our network in the Mainland and other potential areas of strategic growth, as well as to continue promoting the China Renji name.

## LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to equity holders of the Company amounted to HK$1,251,484,000 as at 31 December 2007, representing an increase of HK$1,034,337,000, or approximately 476.3% from that of 31 December 2006.

The Group's major finance resources consisted of cash inflow from operating activities; proceeds from the issuance of new ordinary shares, issuance of convertible notes and exercise of share options which resulted in a substantial cash inflow and a significant contribution towards the Group's financial position.

Cash generated from operating activities for 2007 was approximately HK$47,917,000 (2006: HK$15,930,000); this increase was primarily due to the improvement in the profit for the year contributed by the Medical Network and Financial Services Divisions. The net profit of the Company was affected by non-cash expenses of share-based payments expenses of HK$17,389,000, amortisation of intangible assets of HK$26,934,000 and amortised costs of the promissory notes included in the finance cost of HK$17,785,000.

The Group's maintained bank balances and cash totalled HK$270,773,000 of which HK$102,611,000 comprised of bank balances and cash included in assets classified as held for sales (2006: HK$96,838,000).

As at 31 December 2007, the Group's total borrowings amounted to HK$191,229,000 (2006: HK$90,078,000) which includes borrowings of HK$73,360,000 (2006: HK$72,614,000), guaranteed convertible notes of HK$7,698,000 (2006: HK$17,464,000) and promissory notes of HK$110,171,000 (2006: NIL) with HK$78,251,000 (2006: HK$3,984,000) repayable within one year and HK$112,978,000 (2006: HK$86,094,000) repayable after one year. All borrowings are denominated in Hong Kong dollars and Japanese Yen. The Directors expect that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continued to provide funding to the Group's operation.

## LIQUIDITY AND FINANCIAL RESOURCES (continued)

The liquidity of the Group is demonstrated by the current ratio (current assets/current liabilities) strengthened to 2.64 times as at 31 December 2007 compared to 2.19 times as at 31 December 2006.

The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guaranteed convertible notes and promissory notes over the equity attributable to equity holders of the Company) also improved from 41.5% to 15.3%.

The Group has adhered to its prudent financial management policy. Whilst some funding has been used for strategic acquisitions and investments in production facilities during the year, sufficient working capital was ensured for day to day operating activities and other funding requirements.

## CAPITAL STRUCTURE

During the year, 561,048,000 ordinary shares in the Company were issued for HK$57,136,000 as a result of the exercise of share options. Convertible notes with the principal amount of HK$100,500,000 were convertible into 1,005,000,000 ordinary shares at a conversion price of HK$0.10 per share. The Company also issued 2,000,000,000 new ordinary shares at a placing price of HK$0.125 per share in July 2007 to independent investors pursuant to a placing agreement dated 24 April 2007 between the Company and the placing agent, SBI E2 Capital Securities Limited.

## 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 held are mostly denominated in Renminbi, Hong Kong dollars and the liabilities held are in Renminbi, Hong Kong dollars and 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 monitors does and will continue to monitor the foreign exchange exposure and will consider hedging if there is significant foreign currency exposure.

## CHARGES ON GROUP ASSETS

As at 31 December 2007, no assets were pledged by the Group. As at 31 December 2006, the Group's banking facilities were secured by properties of the Group with carrying value of HK$5,433,000.

## GUARANTEES

Details of guarantees are set out in note 44 to the consolidated financial statements.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the total number of employees of the Group was approximately 35 (excluding employees of jointly controlled entities). The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

By order of the Board

**YU CHUNG HANG, LUCIAN**
*Chief Executive Officer*

HONG KONG, 21 April 2008

**YANG YIFEI**

*(Chairman)*

Mr Yang Yifei, aged 57, was appointed as Chairman and Executive Director of the Company in January 2008. Mr Yang graduated from the University of Jiangxi, PRC, and served in the People's Liberation Army between December 1968 and August 1975. From September 1978 to April 1981, Mr Yang taught at the Harbin University of Science and Technology, PRC. Since 1981, Mr Yang has worked for the Jiangxi Province Transport Bureau, where he was responsible for handling technical works, as well as having engaged in the tourism and international trade business while based in Shenzhen and Hong Kong. He has also acted as Chairman to several large-scale companies in the Mainland, including 安徽東方紙業有限公司, 蕪湖東泰實業有限公司 and Shenzhen-listed 四川東泰產業（控股）股份有限公司. Mr Yang has been involved in the Mainland health and medical market since 2001 focusing on the investment management and holding of heavy medical equipment and machinery. Mr Yang also founded the series of Shanghai Anping medical assets based in Shanghai and Beijing, which currently constitute the main medical assets of the Company.

**WONG SIN JUST**

*(Vice Chairman)*

Dato' Wong Sin Just, DIMP, aged 42, is currently the Vice Chairman of the Company. He was first appointed as Executive Director and Chief Executive Officer of the Company in April 2001. Dato' Wong possesses over 19 years of accounting, investment banking and venture capital experience. He held senior positions with a number of premier international investment banks prior to joining the Company and holds a Bachelor Degree in Engineering from the University of London, England. He is also the Executive Chairman of Suncorp Technologies Limited, the Executive Co-Chairman of E2-Capital (Holdings) Limited and an Independent Non-executive Director of both China.com Inc. and Capital Strategic Investment Limited (all are listed on the Hong Kong Stock Exchange). He is a Non-Independent Non-Executive Director of Intelligent Edge Technologies Berhad (listed on the Malaysia MESDAQ). Dato' Wong is involved in various social and charitable organizations in Hong Kong and China and is a Campaign Committee Member of The Community Chest of Hong Kong.

## SHENG YANG

*(Vice Chairman)*

Mr Sheng Yang, aged 51, is currently the Vice Chairman of the Company. He was first appointed as Executive Director and Co-Chairman of the Company in July 2007. He is also currently President of Shanghai Anping Medical Treatment Technology Co., Ltd., a subsidiary of the Company, and was General Manager of Shanghai SLK Medical Equipment Co., Ltd., in charge of the overall operational management of these companies. Before that, Mr Sheng was Chairman of 武漢新一代科技發展有限公司. Mr Sheng was also previously a member of the senior management and a member of the Board of Directors of various listed companies in China with more than 20 years of extensive experience in finance, capital operation, medical equipment investment and operational management. He holds a Bachelor Degree in Economics from the Anhui University of China and possesses the qualification of Economist on the Mainland. He completed the People's Republic of China Advanced Securities Study Program jointly run by the Chinese Government and Merrill Lynch of the United States in 1993 and obtained the Certificate for Leading Officials of Medium-to-large-sized Enterprises of China (大中型企業領導幹部崗位任職資格證書) in 1994.

## YU CHUNG HANG, LUCIAN

*(Chief Executive Officer)*

Mr Yu Chung Hang, Lucian, aged 32, the nephew of Mr Yu Kam Yuen, Lincoln, was appointed as Executive Director of the Company in January 2006. Subsequently, in April 2007, he was also appointed as Chief Executive Officer of the Company. He first joined the Company as a Manager in January 2005 specialising in investment assessment and management, group business development and project origination. Prior to this, Mr Yu spent more than 4 years within the investment teams of several group related companies focusing on fund raising, venture capital fund management and investment portfolio monitoring, and from which he gained extensive experience in fund investment activities and corporate finance transactions. He holds a Masters Degree in Engineering from the University of London, England.

## DUAN XUZHEN

*(Executive Director)*

Ms Duan Xuzhen, aged 58, was appointed as Executive Director of the Company in July 2007, responsible for financial management. She is currently Chairlady of Shanghai Anping Medical Treatment Technology Co., Ltd., a subsidiary of the Company, principally responsible for the finance and capital management of the company. Prior to this, she was Deputy General Manager of 深圳奧冠投資有限公司. Ms Duan has more than 20 years of extensive experience in the operational management and financial management of large state-owned enterprises and large medical equipment investment enterprises in China.

## YU KAM YUEN, LINCOLN

*(Non-executive Director)*

Mr Yu Kam Yuen, Lincoln, aged 53, the uncle of Mr Yu Chung Hang, Lucian, was appointed as Non-executive Director of the Company in September 2003. Mr Yu is the holder of a Bachelor Degree in Economics from the University of Western Ontario, Canada and underwent training in dyestuffs technology at Bayer AG and Hoechst AG in Germany. Mr Yu is the President of the Hong Kong Dyestuffs Merchants Association Limited. He also enthuses for participating in many charitable organizations. Mr Yu is also an Independent Non-executive Director of Innovo Leisure Recreation Holdings Limited.

## SUN HUALI

*(Non-executive Director)*

Ms Sun Huali, aged 43, was appointed as Non-executive Director of the Company in July 2007. Ms Sun is currently the Chairperson of Smart House Library (錦鸞宮), a famous high-end home lifestyle retail chain store in the PRC. Up until December 2007, Ms Sun was a Director of SBI E2-Capital (HK) Limited. She possesses over 16 years of experience in the corporate finance and investment banking sectors covering Hong Kong and China. Ms Sun helped secure several prominent mandates including the highly successful H share IPO of Yanzhou Coal Mine Company in the course of her investment banking career. She holds a Bachelor Degree in English and American Literature from the Anhui University of China.

## WONG KEAN LI

*(Non-executive Director)*

Mr Wong Kean Li, aged 37, was re-designated as Non-executive Director of the Company in January 2008. He first joined the Company in March 2001. Subsequently, in September 2002 and October 2003, he was appointed as Executive Director and President, respectively. Mr Wong is also an Executive Director and Managing Director of Intelligent Edge Technologies Berhad (listed on Malaysia MESDAQ). Formerly the Vice President, Business Development, of China.com Inc. and Senior Counsel and Business Development Director in CDC Corporation and prior to that, he was an associate lawyer with the international law firm Clifford Chance where he specialised in China law as well as corporate and Internet/ technology matters. He holds a Master of Arts Degree in Law from Cambridge University, England.

## LO WING YAN, WILLIAM

*(Independent Non-executive Director)*

Dr Lo Wing Yan, William, JP, aged 47, was appointed as Independent Non-executive Director of the Company in April 2002. He is currently the Vice Chairman, Managing Director & Chief Financial Officer of I.T Limited (listed on the Main Board of the Hong Kong Stock Exchange), a well established trend setter in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan and Malaysia. He is also an Independent Non-executive Director of Nam Tai Electronics, Inc. (listed on New York Stock Exchange), South China Land Limited (listed on the GEM Board of the Hong Kong Stock Exchange) and Varitronix International Limited (listed on the Main Board of the Hong Kong Stock Exchange). In 1999, Dr Lo was appointed as a Justice of the Peace (JP) by the Hong Kong SAR Government. In 2003, he was appointed as a Committee Member of Shantou People's Political Consultative Conference. Dr Lo holds a M.Phil. Degree in Molecular Pharmacology and a Ph.D. in Genetic Engineering, both from Cambridge University, England.

## NG SAU KEI, WILFRED

*(Independent Non-executive Director)*

Mr Ng Sau Kei, Wilfred, aged 43, was appointed as Independent Non-executive Director of the Company in April 2007. He has been a Director of Fidelity Garment Manufactory Limited since June 1986. He has accumulated more than 20 years of extensive experience in management, particularly in the garment industry. He also serves on many charitable and social organisations. Mr Ng is now the Vice Chairman of Yan Chai Hospital 40th Term Board of Directors and the president of The Hong Kong Racehorse Owners Association Limited. He is the holder of a Bachelor Degree in Social Science from the University of Western Ontario, Canada.

## LI YANG

*(Independent Non-executive Director)*

Dr Li Yang, aged 56, was appointed as Independent Non-executive Director of the Company in October 2007. He currently serves as a Member of the Chinese Academy of Social Sciences (CASS); where he acts as Director General of the Institute of Finance and Banking (IFB), CASS. Dr Li is also a Researcher, Professor and Tutor of Doctors of CASS. He is Pluralistic Professor of a number of reputable institutions in the PRC, including Beijing University, Tsinghua University, Renmin University of China, Fudan University, Nanjing University and University of Science and Technology of China. He is also an Independent Director of Shanghai Pudong Development Bank Co., Ltd., CITIC Securities Company Limited and Lawton Development Co., Ltd. (all are listed on the Shanghai Stock Exchange). He is the Deputy President of the China Society of Finance & Banking, the Deputy President of the China Society of International Finance and a Member of the Executive Committee of the China Society of Public Finance. He has also served as a Member of the Monetary Policy Committee of the People's Bank of China. Dr Li's research has covered the areas of monetary policy, finance and banking. He holds the Honorary Title of "The States' Outstanding Specialists with Remarkable Contributions to the Country" awarded by the State Council and was the winner of the "Sun Yefang Economics Prize" on four occasions. Dr Li holds a Doctor's Degree in Economics from the Renmin University of China. During 1998 and 1999, Dr Li also visited the Colombia University as a senior scholar.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2007.

## GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

China Renji Medical Group Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 4th and 5th Floors, SBI Centre, 56 Des Voeux Road Central, Hong Kong.

## PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

An analysis of the Group's revenue and segmental information are set out in notes 8 & 9 to the consolidated financial statements.

## RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 49.

## RESERVES

Movements in the reserves of the Company during the year are set out in note 33 to the consolidated financial statements.

As at 31 December 2007, the Company had no reserves available for distribution under Section 79B of the Hong Kong Companies Ordinance. (2006: Nil)

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment as well as investment properties of the Group and of the Company are set out in notes 16 & 17 to the consolidated financial statements.

## BORROWINGS

Particulars of the Group's and the Company's borrowings at the balance sheet date are set out in note 30 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are shown in note 32 to the consolidated financial statements.

## GUARANTEED CONVERTIBLE NOTES

Details of guaranteed convertible notes issued by a subsidiary of the Company are set out in note 31 to the consolidated financial statements.

## DONATIONS

During the year, the Group made charitable and other donations of approximately HK$274,000. (2006: HK$498,000)

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is shown on page 148.

## DIRECTORS

The Directors during the year and up to the date of this report are:

| | |
|---|---|
| *Executive Directors :* | |
| YANG Yifei | (appointed on 1 January 2008) |
| WONG Sin Just | |
| SHENG Yang | (appointed on 13 July 2007) |
| YU Chung Hang, Lucian | |
| DUAN Xuzhen | (appointed on 13 July 2007) |
| YU Kam Kee, Lawrence | (resigned on 18 April 2007) |
| FU Yan | (resigned on 18 April 2007) |
| ZHAO Jun Jie | (appointed on 13 July 2007 and resigned on 1 January 2008) |
| *Non-executive Directors :* | |
| YU Kam Yuen, Lincoln | |
| SUN Huali | (appointed on 13 July 2007) |
| WONG Kean Li | (re-designated from Executive Director to Non-executive Director on 1 January 2008) |
| *Independent Non-executive Directors :* | |
| LO Wing Yan, William | |
| NG Sau Kei, Wilfred | (appointed on 30 April 2007 and re-elected on 30 May 2007) |
| LI Yang | (appointed on 16 October 2007) |
| CHAN Kai Yu, Rudy | (retired on 10 July 2007) |
| Raja Datuk Karib Shah BIN SHAHRUDIN | (resigned on 16 October 2007) |

## DIRECTORS (continued)

In accordance with articles 104 and 105 of the Company's Articles of Association, Mr Wong Kean Li and Dr Lo Wing Yan, William retire by rotation at the forthcoming annual general meeting. Mr Wong has not offered himself for re-election and Dr Lo offers himself for re-election at the annual gereral meeting.

In accordance with article 110 of the Company's Articles of Association, Mr Yang Yifei, Mr Sheng Yang, Ms Duan Xuzhen, Ms Sun Huali and Dr Li Yang, who were appointed during the year, retire at the forthcoming annual general meeting. Except for Ms Sun, who has not offered herself for re-election, all of the said Directors offer themselves for re-election at the annual gereral meeting.

All Directors (including Non-executive and Independent Non-executive Directors) of the Company are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's Articles of Association.

The Company has received an annual independence confirmation from each Independent Non-executive Director and considers them to be independent.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS

Brief biographical details of the Directors are set out on pages 14 to 17.

## DIRECTORS' EMOLUMENTS

Details of Directors' emoluments in respect of the year are shown in note 14 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 December 2007, the interests of the Directors and chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (A) Interests in the Company (long position)

(1) Shares

| Name of Director | Capacity | Nature of interest | Number of ordinary shares of HK$0.10 each held | Approximate percentage of the issued shares |
|---|---|---|---|---|
| Yu Kam Yuen, Lincoln | beneficial owner | personal | 12,083,885 | 0.11% |
| Wong Sin Just | beneficial owner | personal | 6,502,000 | 0.06% |
| Ng Sau Kei, Wilfred | beneficial owner | personal | 5,458,000 | 0.05% |
| Yu Chung Hang, Lucian | beneficial owner | personal | 3,500,000 | 0.03% |
| Sheng Yang | beneficial owner | personal | 2,000,000 | 0.02% |

(2) Share options

Details of the share options granted to the Directors by the Company and outstanding as at 31 December 2007 are set out under the section "Options granted under the share option scheme" below.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

### (B) Interests in the shares in associated corporations (long position)

| Name of associated corporation | Name of Director | Capacity | Nature of interest | Number of shares held | Approximate percentage of the issued shares |
|---|---|---|---|---|---|
| SBI E2-Capital Limited *(Note 1)* | Wong Sin Just | beneficial owner | personal | 8 | 2% |
| SBI E2-Capital Asia Securities Group Limited *(Note 2)* | Wong Sin Just | beneficial owner | personal | 1,345,368 | 2.24% |

Notes:

(1) Dato' Wong Sin Just holds 8 ordinary shares of HK$1.00 each in the capital of SBI E2-Capital Limited (representing 2% of its issued shares), a company incorporated in the Cayman Islands in which the Company has a 49% indirect interest as at 31 December 2007.

(2) Dato' Wong Sin Just holds 1,345,368 ordinary shares of HK$1.00 each in the capital of SBI E2-Capital Asia Securities Group Limited (representing 2.24% of its issued shares), a company incorporated in the British Virgin Islands in which the Company has a 47.58% indirect interest as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

## SHARE OPTION SCHEME

On 30 October 2001, at the annual general meeting, the Company adopted a share option scheme (the "Scheme") under which the Board of Directors may, at its discretion, offer to any participant an option to subscribe for shares in the Company in accordance with the terms and conditions of the Scheme. A summary of the Scheme is as follows:

### (1) Purposes

The purposes of the Scheme are, inter alia, to attract and retain best available personnel and to provide additional incentive to the participants.

### (2) Participants

The participants include any full time and part time employee, director, consultant or advisor of the Company, any of its subsidiaries or any associated company of the Company.

### (3) Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

### (4) Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the issued share capital of the Company.

### (5) Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

### (6) Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

### (7) Life of the Scheme

The Scheme shall remain in force for a period of 10 years commencing on 30 October 2001 up to 29 October 2011.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

Details of the movements in share options granted under the Scheme during the year were as follows:

| Grantee | Date of grant | Exercisable period | Exercise price per share HK$ | Number of share options: At 1 January 2007 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | At 31 December 2007 |
|---|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | | |
| Wong Sin Just | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | 24,402,000 | — | — | — | — | 24,402,000 |
| | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 35,000,000 | — | — | — | — | 35,000,000 |
| | 24-05-2004 | 24-05-2004 to 23-05-2014 | 0.100 | 1,632,000 | — | — | — | — | 1,632,000 |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 43,112,000 | — | — | — | — | 43,112,000 |
| Sheng Yang | 09-08-2007 | 09-08-2007 to 08-08-2017 | 0.240 | — | 109,332,000 [4] | — | — | (109,332,000 ) | — |
| Yu Chung Hang, Lucian | 29-03-2005 | 29-03-2005 to 28-03-2015 | 0.100 | 10,000,000 | — | — | — | — | 10,000,000 |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 43,112,000 | — | — | — | — | 43,112,000 |
| Duan Xuzhen | 09-08-2007 | 09-08-2007 to 08-08-2017 | 0.240 | — | 30,000,000 [4] | — | — | (30,000,000 ) | — |
| Zhao Jun Jie (ex-Director) | 09-08-2007 | 09-08-2007 to 08-08-2017 | 0.240 | — | 2,000,000 [4] | — | — | (2,000,000 ) | — |
| Wong Kean Li | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | 6,000,000 | — | — | — | — | 6,000,000 |
| | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 35,000,000 | — | — | — | — | 35,000,000 |
| | 24-05-2004 | 24-05-2004 to 23-05-2014 | 0.100 | 1,632,000 | — | — | — | — | 1,632,000 |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 43,112,000 | — | — | — | — | 43,112,000 |
| Yu Kam Yuen, Lincoln | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 20,000,000 | — | (20,000,000)[6] | — | — | — |
| | 24-05-2004 | 24-05-2004 to 23-05-2014 | 0.100 | 15,000,000 | — | — | — | — | 15,000,000 |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 21,556,000 | — | — | — | — | 21,556,000 |
| Sun Huali | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | 1,500,000[21] | — | — | — | — | 1,500,000 |
| | 09-08-2007 | 09-08-2007 to 08-08-2017 | 0.240 | — | 109,332,000 [4] | — | — | (109,332,000 ) | — |
| Lo Wing Yan, William | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 3,632,000 | — | — | — | — | 3,632,000 |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 4,310,000 | — | (4,310,000)[7] | — | — | — |
| Ng Sau Kei, Wilfred | 03-05-2007 | 03-05-2007 to 02-05-2017 | 0.190 | — | 5,458,000 [2] | (5,458,000)[8] | — | — | — |

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

| Grantee | Date of grant | Exercisable period | Exercise price per share HK$ | Number of share options: At 1 January 2007 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | At 31 December 2007 |
|---|---|---|---|---|---|---|---|---|---|
| ***Directors*** (continued) | | | | | | | | | |
| Raja Datuk Karib Shah bin Shahrudin (ex-Director) | 10-04-2006 | 10-04-2006 to 15-01-2008[20] | 0.100 | 4,310,000 | — | — | — | — | 4,310,000 |
| | | | | 313,310,000 | 256,122,000 | (29,768,000 ) | — | (250,664,000 ) | 289,000,000 |
| ***Employees*** | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | 4,700,000[21, 25] | — | — | (2,600,000 ) | — | 2,100,000 |
| | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 25,016,000[25, 26] | — | (25,016,000)[9] | — | — | — |
| | 24-05-2004 | 24-05-2004 to 23-05-2014 | 0.100 | 63,500,000[25] | — | (63,500,000)[10] | — | — | — |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 97,000,000[25, 26] | — | (63,700,000)[11] | (4,300,000 ) | — | 29,000,000 |
| | 26-04-2007 | 26-04-2007 to 25-04-2017 | 0.200 | — | 61,800,000[1] | (400,000)[12] | (17,000,000 ) | — | 44,400,000 |
| | | | | 190,216,000 | 61,800,000 | (152,616,000 ) | (23,900,000 ) | — | 75,500,000 |
| ***Consultants/ Advisors*** | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | 47,002,000[22, 25] | — | — | (15,000,000 ) | — | 32,002,000 |
| | 03-11-2003 | 03-11-2003 to 02-11-2013 | 0.100 | 94,632,000[22, 24, 25, 26] | — | (80,632,000)[13] | — | — | 14,000,000 |
| | 26-01-2004 | 26-01-2004 to 25-01-2014 | 0.120 | 5,000,000 | — | (5,000,000)[14] | — | — | — |
| | 24-05-2004 | 24-05-2004 to 23-05-2014 | 0.100 | 235,264,000[22, 25] | — | (179,264,000)[15] | (30,000,000 ) | — | 26,000,000 |
| | 29-03-2005 | 29-03-2005 to 28-03-2015 | 0.100 | 14,000,000 | — | (14,000,000)[16] | — | — | — |
| | 10-04-2006 | 10-04-2006 to 09-04-2016 | 0.100 | 137,160,000[22, 24, 25, 26] | — | (59,802,000)[17] | — | — | 77,358,000 |
| | 28-04-2006 | 28-04-2006 to 27-04-2016 | 0.104 | 37,466,000[23] | — | (37,466,000)[18] | — | — | — |
| | 26-04-2007 | 26-04-2007 to 25-04-2017 | 0.200 | — | 52,800,000[1] | (2,500,000)[19] | — | — | 50,300,000 |
| | 10-07-2007 | 10-07-2007 to 09-07-2017 | 0.280 | — | 10,000,000[3] | — | — | (10,000,000 ) | — |
| | 09-08-2007 | 09-08-2007 to 08-08-2017 | 0.240 | — | 116,906,000[4] | — | — | (116,906,000 ) | — |
| | 06-11-2007 | 06-11-2007 to 05-11-2017 | 0.202 | — | 100,000,000[5] | — | — | — | 100,000,000 |
| | | | | 570,524,000 | 279,706,000 | (378,664,000 ) | (45,000,000 ) | (126,906,000 ) | 299,660,000 |
| | | | TOTAL : | **1,074,050,000** | **597,628,000** | **(561,048,000 )** | **(68,900,000 )** | **(377,570,000 )** | **664,160,000** |

Notes:

(1) At the date immediately before these options were granted, the closing price per share was HK$0.219.

(2) At the date immediately before these options were granted, the closing price per share was HK$0.187.

(3) At the date immediately before these options were granted, the closing price per share was HK$0.290.

(4) At the date immediately before these options were granted, the closing price per share was HK$0.214.

(5) At the date immediately before these options were granted, the closing price per share was HK$0.200.

(6) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.240.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(7) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.243.

(8) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.310.

(9) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.204.

(10) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.233.

(11) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.202.

(12) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.310.

(13) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.293.

(14) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.275.

(15) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.223.

(16) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.215.

(17) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.262.

(18) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.290

(19) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.306.

(20) The exercisable period in respect of the options held by Raja Datuk Karib Shah bin Shahrudin was shortened from 9 April 2016 to 15 January 2008 as a result of his resignation as Director of the Company on 16 October 2007.

(21) 1,500,000 options (granted on 21 February 2002) previously classified under "Employees" were re-classified under "Directors" as a result of the appointment of Ms Sun Huali as Director of the Company on 13 July 2007.

(22) 24,402,000 options (granted on 21 February 2002), 35,000,000 options (granted on 3 November 2003), 1,632,000 options (granted on 24 May 2004) and 43,112,000 (granted 10 April 2006) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the resignation of Mr Yu Kam Kee, Lawrence as Director of the Company on 18 April 2007 and his appointment as senior advisor of the Company immediately thereafter.

(23) 37,466,000 options (granted on 28 April 2006) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the resignation of Mr Fu Yan as Director of the Company on 18 April 2007 and his appointment as consultant of the Group immediately thereafter.

(24) 3,632,000 options (granted on 3 November 2003) and 4,310,000 options (granted on 10 April 2006) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the retirement of Mr Chan Kai Yu, Rudy as Director of the Company on 10 July 2007 and his appointment as consultant of the Company immediately thereafter.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(25) 5,600,000 options (granted on 21 February 2002), 1,000,000 options (granted on 3 November 2003), 2,000,000 options (granted on 24 May 2004) and 3,000,000 options (granted on 10 April 2006) previously classified under "Employees" were re-classified under "Consultants/Advisors" as a result of certain employees becoming consultants of the Group during the year.

(26) 5,000,000 options (granted on 3 November 2003) and 11,000,000 options (granted on 10 April 2006) previously classified under "Consultants/Advisors" were re-classified under "Employees" as a result of a consultant becoming an employee of the Company during the year.

(27) Options granted to Directors are immediately vested on the date of grant or on a later date in which the grantee became a Director of the Company (as the case may be) except that options granted to certain Directors on 9 August 2007 are vested as follows:

| | |
|---|---|
| On 1st anniversary of the date of grant | 25% vested |
| On 2nd anniversary of the date of grant | further 25% vested |
| On 3rd anniversary of the date of grant | remaining 50% vested |

(28) Options granted to employees are vested as follows:

| **Date of grant** | **Vesting date** | **No. of share options vested** |
|---|---|---|
| 21-02-2002 | 21-02-2002 | 375,000 |
| | 01-11-2002 | 375,000 |
| | 21-02-2003 | 800,000 |
| | 01-11-2003 | 750,000 |
| | 21-02-2004 | 800,000 |
| | 21-02-2005 | 1,600,000 |
| 03-11-2003 | 03-11-2003 | 5,291,000 |
| | 03-11-2004 | 6,175,000 |
| | 03-11-2005 | 13,550,000 |
| 24-05-2004 | 24-05-2004 | 15,650,000 |
| | 26-01-2005 | 15,950,000 |
| | 26-01-2006 | 31,900,000 |
| 10-04-2006 | 10-04-2006 | 24,250,000 |
| | 10-04-2007 | 24,250,000 |
| | 02-10-2007* | 44,200,000 |
| | 10-04-2008 | 4,300,000 |
| 26-04-2007 | 26-04-2007 | 15,450,000 |
| | 26-04-2008 | 15,450,000 |
| | 26-04-2009 | 30,900,000 |

* The vesting date in respect of 44,200,000 options held by certain employees of the Company was revised from 10 April 2008 to 2 October 2007 during the year.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(29) Options granted to consultants/advisors are vested as follows :

| Date of grant | Vesting date | No. of share options vested |
|---|---|---|
| 21-02-2002 | 21-02-2002 | 24,402,000 |
| | 03-08-2002 | 2,000,000 |
| | 17-08-2002 | 3,750,000 |
| | 21-02-2003 | 1,400,000 |
| | 17-08-2003 | 3,750,000 |
| | 03-10-2003 | 7,500,000 |
| | 21-02-2004 | 1,400,000 |
| | 21-02-2005 | 2,800,000 |
| 03-11-2003 | 03-11-2003 | 78,882,000 |
| | 03-11-2004 | 5,250,000 |
| | 03-11-2005 | 10,500,000 |
| 26-01-2004 | 26-01-2004 | 5,000,000 |
| 24-05-2004 | 24-05-2004 | 203,764,000 |
| | 26-01-2005 | 500,000 |
| | 26-03-2005 | 10,000,000 |
| | 26-01-2006 | 1,000,000 |
| | 26-03-2006 | 20,000,000 |
| 29-03-2005 | 29-03-2005 | 11,000,000 |
| | 29-03-2006 | 1,000,000 |
| | 29-03-2007 | 2,000,000 |

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(29) Options granted to consultants/advisors are vested as follows: (continued)

| Date of grant | Vesting date | No. of share options vested |
|---|---|---|
| 10-04-2006 | 10-04-2006 | 121,975,000 |
| | 10-04-2007 | 5,061,500 |
| | 10-04-2008 | 10,123,000 |
| 28-04-2006 | 28-04-2006 | 37,466,000 |
| 26-04-2007 | 26-04-2007 | 51,450,000 |
| | 26-04-2008 | 450,000 |
| | 26-04-2009 | 900,000 |
| 10-07-2007 | 10-07-2008 | 2,500,000 |
| | 10-07-2009 | 2,500,000 |
| | 10-07-2010 | 5,000,000 |
| 09-08-2007 | 09-08-2008 | 29,226,500 |
| | 09-08-2009 | 29,226,500 |
| | 09-08-2010 | 58,453,000 |
| 06-11-2007 | 01-01-2008 | 50,000,000 |
| | 01-07-2009 | 50,000,000 |

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(30) In assessing the fair value of the share options granted during the year, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend rate (if any) of the Company's shares.

The variables of the Black-Scholes Model used in assessing the fair value of the share options granted during the year and the estimated fair values are listed as follows:

| Grantee | Date of grant | Date of vesting | Expected life | Risk-free rate | Expected volatility | Expected dividend yield | Estimated fair value per option HK$ |
|---|---|---|---|---|---|---|---|
| Directors | 03-05-2007 | 03-05-2007 | 5 years | 4.10% | 32.0% | 0% | 0.0597 |
| | 09-08-2007 | 09-08-2008 | 5.5 years | 4.396% | 30.955% | 0% | 0.0778 |
| | | 09-08-2009 | 6 years | 4.396% | 31.580% | 0% | 0.0831 |
| | | 09-08-2010 | 6.5 years | 4.396% | 36.365% | 0% | 0.0958 |
| Employees | 26-04-2007 | 26-04-2007 | 5 years | 4.04% | 32.2% | 0% | 0.0590 |
| | | 26-04-2008 | 5.5 years | 4.06% | 32.3% | 0% | 0.0629 |
| | | 26-04-2009 | 6 years | 4.09% | 35.7% | 0% | 0.0715 |
| Consultants/ Advisors | 26-04-2007 | 26-04-2007 | 5 years | 4.04% | 32.2% | 0% | 0.0590 |
| | | 26-04-2008 | 5.5 years | 4.06% | 32.3% | 0% | 0.0629 |
| | | 26-04-2009 | 6 years | 4.09% | 35.7% | 0% | 0.0715 |
| | 10-07-2007 | 10-07-2008 | 5.5 years | 4.634% | 30.900% | 0% | 0.1021 |
| | | 10-07-2009 | 6 years | 4.634% | 31.910% | 0% | 0.1094 |
| | | 10-07-2010 | 6.5 years | 4.634% | 36.980% | 0% | 0.1249 |
| | 09-08-2007 | 09-08-2008 | 5.5 years | 4.396% | 30.955% | 0% | 0.0778 |
| | | 09-08-2009 | 6 years | 4.396% | 31.580% | 0% | 0.0831 |
| | | 09-08-2010 | 6.5 years | 4.396% | 36.365% | 0% | 0.0958 |
| | 06-11-2007 | 01-01-2008 | 5.08 years | 3.186% | 30.115% | 0% | 0.0640 |
| | | 01-07-2009 | 5.83 years | 3.186% | 31.830% | 0% | 0.0718 |

(a) The expected life is measured from the date of vesting (the "Measurement Date").

(b) The risk-free rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes at the Measurement Date corresponding to the expected life of the options as at the Measurement Date.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(30) (continued)

(c) According to the announcement dated 13 July 2007, there was an acquisition of a network of medical centres by the Company. The Company's principal engagement has been transformed from an investment holding involving the businesses of (a) provision of financial services; (b) provision of media, consulting, marketing and technology services; (c) garment manufacturing; and (d) property holding to the management and operation of a network of medical centres specializing in the diagnosis and treatment of tumours/cancer in the PRC. Due to the recent business transform of the Company, the expected volatility used in the calculation is based on the average annualized standard deviations of the continuously compounded rates of return on the average share price of two comparable companies with similar businesses.

(d) Based on historic pattern, it is assumed that no dividend would be paid out during the expected life of the options.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(30) (continued)

Using the Black-Scholes Model in assessing the fair value of share options granted during the year, the options would have an aggregate estimated fair value of approximately HK$47,885,000, calculated as follows:

| Grantee | Date of grant | Date of vesting | Number of share options granted during the year | Estimated fair value of options granted during the year HK$ |
|---|---|---|---|---|
| ***Directors*** | | | | |
| Ng Sau Kei, Wilfred | 03-05-2007 | 03-05-2007 | 5,458,000 | 326,000 |
| Sheng Yang | 09-08-2007 | 09-08-2008 | 27,333,000 | 2,127,000 |
| | | 09-08-2009 | 27,333,000 | 2,271,000 |
| | | 09-08-2010 | 54,666,000 | 5,237,000 |
| Duan Xuzhen | 09-08-2007 | 09-08-2008 | 7,500,000 | 584,000 |
| | | 09-08-2009 | 7,500,000 | 623,000 |
| | | 09-08-2010 | 15,000,000 | 1,437,000 |
| Zhao Jun Jie | 09-08-2007 | 09-08-2008 | 500,000 | 39,000 |
| (ex-Director) | | 09-08-2009 | 500,000 | 42,000 |
| | | 09-08-2010 | 1,000,000 | 96,000 |
| Sun Huali | 09-08-2007 | 09-08-2008 | 27,333,000 | 2,127,000 |
| | | 09-08-2009 | 27,333,000 | 2,271,000 |
| | | 09-08-2010 | 54,666,000 | 5,237,000 |
| ***Employees*** | 26-04-2007 | 26-04-2007 | 15,450,000 | 911,000 |
| | | 26-04-2008 | 15,450,000 | 972,000 |
| | | 26-04-2009 | 30,900,000 | 2,210,000 |
| ***Consultants/*** | 26-04-2007 | 26-04-2007 | 51,450,000 | 3,036,000 |
| ***Advisors*** | | 26-04-2008 | 450,000 | 28,000 |
| | | 26-04-2009 | 900,000 | 64,000 |
| | 10-07-2007 | 10-07-2008 | 2,500,000 | 255,000 |
| | | 10-07-2009 | 2,500,000 | 274,000 |
| | | 10-07-2010 | 5,000,000 | 625,000 |
| | 09-08-2007 | 09-08-2008 | 29,226,500 | 2,274,000 |
| | | 09-08-2009 | 29,226,500 | 2,429,000 |
| | | 09-08-2010 | 58,453,000 | 5,600,000 |
| | 06-11-2007 | 01-01-2008 | 50,000,000 | 3,200,000 |
| | | 01-07-2009 | 50,000,000 | 3,590,000 |
| | | | TOTAL | 47,885,000 |

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(30) (continued)

Included in the aggregate estimated fair value of share options granted during the year of approximately HK$47,885,000 is a total of 377,570,000 options granted on 10 July 2007 and 9 August 2007 with an estimated fair value of HK$33,548,000, that were cancelled during the same year.

In assessing the aggregate estimated fair value of the share options, no adjustment has been made for possible future forfeiture of the options. Prior to 1 January 2005, no amounts were recognised when grantees were granted share options to acquire shares of the Company. If the grantees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Company recognises the fair value of such share options as an expense in the profit and loss account. A corresponding increase is recognised in the share option reserve under equity. Where the grantees are required to meet vesting conditions before they become entitled to the share options, the Group recognises the fair value of the share options granted as an expense over the vesting period.

If a grantee chooses to exercise options, the respective amount in the share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related share option reserve is transferred directly to another equity to reflect that the share options are no longer outstanding.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Company has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to grantees on or before 7 November 2002; and

(ii) all options granted to grantees after 7 November 2002 but which had vested before 1 January 2005.

It should be noted that the value of options calculated using the Black-Scholes Model is based on various assumptions and is only an estimate of the fair value of share options granted during the year. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value estimated using the Black-Scholes Model at the Measurement Date.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, being 5% or more of the issued shares of the Company:

| Name of substantial shareholder | Capacity | Number of ordinary shares of HK$0.10 each held (long position) | Approximate percentage of the issued shares |
|---|---|---|---|
| Li Juewen | beneficial owner | 2,710,000,000 | 23.77% |
| Martin Currie (Holdings) Limited | interest of corporation controlled | 714,852,000 | 6.27% |

Save as disclosed above, as at 31 December 2007, no person (other than Directors of the Company as disclosed above) had any interest or short position in any shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007:

(A) The percentage of the aggregate amount of purchases attributable to the Group's major suppliers are as follows:

| | |
|---|---|
| — the largest supplier | 21.07% |
| — five largest suppliers combined | 45.29% |

(B) The percentage of the aggregate amount of sales attributable to the Group's major customers are as follows:

| | |
|---|---|
| — the largest customer | 12.09% |
| — five largest customers combined | 20.79% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## CONNECTED TRANSACTION

On 12 December 2005, the Company entered into a tenancy agreement with Fung Choi Properties Limited ("Fung Choi") in relation to the renewal of the tenancy for its headquarter office for a further term of three years commencing from 1 January 2006 to 31 December 2008 at a monthly rental of HK$132,804, which was confirmed by an independent property valuer as fair and reasonable when the agreement was entered into. On 14 December 2007, the Company entered into a surrender agreement with Fung Choi whereby the Company surrendered part of its headquarter office and accordingly the monthly rental has been reduced to HK$88,536 with effect from 1 December 2007. During the year, rental expense of HK$1,549,000 was charged to the consolidated income statement.

Fung Choi is beneficially owned as to 19.8% by Mr Yu Kam Yuen, Lincoln, a Non-executive Director of the Company, while the remaining shareholdings are beneficially owned by his two brothers, including 60.4% owned by Mr Yu Kam Kee, Lawrence, formerly an Executive Director who was re-designated as Senior Advisor of the Company during the year. Therefore, the transaction constituted a related party transaction and a continuing connected transaction under Chapter 14A of the Listing Rules. Details of the transaction have been disclosed in an announcement issued by the Company on 9 November 2005.

Save as disclosed above, no contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

At 31 December 2007, the aggregate amount of the financial assistance and guarantees provided by the Group to SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities"), an affiliated company as defined in the Listing Rules exceeded the relevant percentage ratio of 8% under the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the combined balance sheet of SECA Securities as at 31 December 2007 and the Group's attributable interest therein are set out as follows:

| | Combined balance sheet HK$'000 | Group's attributable interest HK$'000 |
|---|---|---|
| Non-current assets | 2,523 | 720 |
| Current assets | 176,806 | 50,474 |
| Current liabilities | (74,943) | (21,394) |
| | 104,386 | 29,800 |
| Share capital and reserves | 104,386 | 29,800 |

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, none of the Directors (not including Independent Non-executive Directors) or their respective associates has any interest in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 38 to 46.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2007.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer itself for re-appointment.

Deloitte Touche Tohmatsu was appointed as auditor in place of the retired auditor, PricewaterhouseCoopers, on 30 July 2007.

By Order of the Board

**YANG YIFEI**
*Chairman*

HONG KONG, 21 April 2008

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognizes that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board has reviewed and proposed necessary amendments to the articles of association of the Company to bring the constitution of the Company in line with certain provisions of the CG Code. Such proposed amendments were adopted and approved by the shareholders on 18 May 2006. The Company reviews its corporate governance practices periodically to ensure continued compliance with the CG Code.

## COMPLIANCE WITH THE CG CODE

During the year ended 31 December 2007, the Company has complied with all the code provisions of the CG Code except for the following deviation:

### Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

Not all 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.

## THE BOARD

The Board, which meets at least four times a year with additional meetings arranged when necessary, has a schedule of matters reserved for its approval. The specific responsibility reserved for the Board include matters in relation to the strategy and overall management of the Group; capital, corporate and control structures; financial reporting and controls; internal controls; major capital projects and contracts; communication with the shareholders; Board membership and the appointment of Company Secretary and Auditors; Directors' remuneration; delegation of authority to committees and the Group's overall corporate governance arrangements.

Save as those matters mentioned above as specifically reserved for the Board, the Board has delegated general powers to the management to deal with the daily operations of the Company under the supervision of the Chief Executive Officer and various Board Committees.

## THE BOARD (continued)

The existing Board comprises eleven members with a wide range of business, financial, accounting and legal skills and experience as well as a balanced composition of Executive and Non-executive Directors (including Independent Directors) to ensure independent judgment and effective operation of the Board. Changes to the Board during the year and up to the date of this report (which are mainly due to the major transaction involving the acquisition of a network of medical centres in the PRC) as well as the number of Board meetings held and attended by each individual Director during their respective term of office in the year are as follows:

| | | Board Meetings Attended/Held | | |
|---|---|---|---|---|
| | | Nomination related | Other than nomination | Total |
| **Executive Directors:** | | | | |
| Yang Yifei *(Chairman)* | appointed on 1 January 2008 | NA | NA | NA |
| Wong Sin Just *(Vice Chairman)* | | 1/1 | 3/3 | 4/4 |
| Sheng Yang *(Vice Chairman)* | appointed on 13 July 2007 | 1/1 | 2/2 | 3/3 |
| Yu Chung Hang, Lucian *(Chief Executive Officer)* | | 1/1 | 3/3 | 4/4 |
| Duan Xuzhen | appointed on 13 July 2007 | 1/1 | 2/2 | 3/3 |
| Yu Kam Kee, Lawrence | resigned on 18 April 2007 | 0/0 | 1/1 | 1/1 |
| Fu Yan | resigned on 18 April 2007 | 0/0 | 1/1 | 1/1 |
| Zhao Jun Jie | appointed on 13 July 2007 and resigned on 1 January 2008 | 1/1 | 2/2 | 3/3 |
| **Non-executive Directors:** | | | | |
| Yu Kam Yuen, Lincoln | | 0/1 | 3/3 | 3/4 |
| Sun Huali | appointed on 13 July 2007 | 1/1 | 1/2 | 2/3 |
| Wong Kean Li | re-designated from Executive Director to Non-executive Director on 1 January 2008 | 0/1 | 2/3 | 2/4 |
| **Independent Non-executive Directors:** | | | | |
| Lo Wing Yan, William | | 1/1 | 3/3 | 4/4 |
| Ng Sau Kei, Wilfred | appointed on 30 April 2007 | 1/1 | 1/2 | 2/3 |
| Li Yang | appointed on 16 October 2007 | 0/1 | 0/1 | 0/2 |
| Chan Kai Yu, Rudy | retired on 10 July 2007 | 0/0 | 1/1 | 1/1 |
| Raja Datuk Karib Shah bin Shahrudin | resigned on 16 October 2007 | 0/0 | 1/1 | 1/1 |

The biographical details of each Director, including family relationships between two members of the Board, namely Mr Yu Chung Hang, Lucian and Mr Yu Kam Yuen, Lincoln, are set out on pages 14 to 17.

## THE BOARD (continued)

### Roles of the Chairman and Chief Executive Officer

To ensure a balance of power and authority, a clear division of the responsibilities of the Chairman of the Board and the Chief Executive Officer has been set out in writing.

The Chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interests of the Group.

The Chief Executive Officer is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operations of the Group.

### Nomination of Directors

In view of the size of the Company, no Nomination Committee has been established by the Board. Nevertheless, the Board itself should discharge all duties expected to be dealt with by a Nomination Committee. During the year, the Board has considered and approved various changes to the Board including the appointment of new Directors after the major transaction involving the acquisition of a network of medical centres in the PRC. There was one Board meeting held during the year in relation to nomination of Directors. Individual attendance of Directors at the meeting is set out above under Board meetings.

To ensure that there is a formal, considered and transparent process for the appointment of new Directors to the Board, nomination procedures adopted which should normally be followed when a need is identified for the appointment of a new Director are: to compile a list of potential candidates; to evaluate potential candidates in the context of the current composition of the Board, the current needs of the Board and the long-term interests of shareholders; (following the initial evaluation) to select and recommend one or more candidates for interview by at least two members of the Board, normally including the Chairman of the Board (subsequent interviews may also be arranged with the other members of the Board, if appropriate); and to recommend the best available candidate for consideration by the whole Board.

The criteria for evaluation of potential candidates include: character and integrity; commitment to the long-term growth and profitability of the Company; willingness and ability to give sufficient time and attention to the affairs of the Company; accomplishment in his own field; professional or personal reputation; knowledge about issues affecting the Company; particular experience or expertise relevant to the current needs of the Board; and, in case of a new independent Director candidate, whether he would be considered independent

### Re-election of Directors

Save as Ms Sun Huali who was appointed for a term of two years up to 12 July 2009, none of the existing Non-executive Directors of the Company was appointed for a specific term.

Every Director is subject to retirement by rotation and re-election once for every three years at the annual general meeting pursuant to the articles of association of the Company. Any new Director appointed by the Board during the year is also subject to retirement and re-election by the shareholders at the next annual general meeting following his appointment.

## BOARD COMMITTEES

The Board is supported by four committees - the Executive Committee, the Investment Committee, the Audit Committee and the Remuneration Committee. Each of them has defined terms of reference covering its constitution, duties and authorities. Such terms of reference are available on the Company's website.

### Executive Committee

The Executive Committee has all the general powers delegated by the Board to deal with the management and daily operation of the Company save as those matters specifically set out in the schedule of matters reserved for the Board mentioned above.

The Executive Committee currently comprises six members. Changes of the members during the year and up to the date of this report as well as the number of Executive Committee meetings held and attended by each individual member during their respective term of office in the year are as follows:

| | | **Executive Committee Meetings Attended/Held** |
|---|---|---|
| Yang Yifei *(Chairman)* | appointed on 1 January 2008 | NA |
| Wong Sin Just | | 83/84 |
| Sheng Yang | appointed on 5 November 2007 | 2/2 |
| Yu Chung Hang, Lucian | | 84/84 |
| Duan Xuzhen | appointed on 5 November 2007 | 2/2 |
| Yu Kam Kee, Lawrence | ceased to act on 18 April 2007 and appointed as Honorary Member (non-voting) on 1 January 2008 | 6/6 |
| Wong Kean Li | ceased to act on 5 November 2007 | 82/82 |

## BOARD COMMITTEES (continued)

### Investment Committee

Save as those matters specifically set out in the schedule of matters reserved for the Board mentioned above, the Committee is principally responsible for making recommendations to the Board on the investment policy and strategy of the Group taken into account the dynamic market conditions; and to evaluate, consider and approve proposed investments and divestments of the Group involving an amount not over HK$25 million.

The Investment Committee currently comprises six members. Changes of the members during the year and up to the date of this report as well as the number of Investment Committee meetings held and attended by each individual member during their respective term of office in the year are as follows:

| | | Investment Committee Meetings Attended/Held |
|---|---|---|
| Yang Yifei *(Chairman)* | appointed on 1 January 2008 | NA |
| Wong Sin Just | | 12/12 |
| Sheng Yang | appointed on 5 November 2007 | 2/2 |
| Yu Chung Hang, Lucian | | 12/12 |
| Duan Xuzhen | appointed on 5 November 2007 | 2/2 |
| Yu Kam Kee, Lawrence | ceased to act on 18 April 2007 and appointed as Honorary Member (non-voting) on 1 January 2008 | 1/1 |
| Wong Kean Li | ceased to act on 5 November 2007 | 10/10 |

### 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 accounts or systems of control and management's response.

During the year, the Audit Committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to Board approval; reviewing the external Auditors' reports and findings on the work performed and the related internal control matters; reviewing and approving the external Auditors' terms of engagement (including audit fee quotation); and to give authorisation in relation to the appointment of new external Auditor to fill the vacancy caused by the retirement of the former external Auditor.

## BOARD COMMITTEES (continued)

### Audit Committee (continued)

The Audit Committee currently comprises three members, all of which are non-executive and a majority of them are independent. All members possess diversified expertise and experience, including those in finance and accounting matters. Changes of the members during the year and up to the date of this report as well as the number of Audit Committee meetings held and attended by each individual member during their respective term of office in the year are as follows:

| | | **Audit Committee Meetings Attended/Held** |
|---|---|---|
| Lo Wing Yan, William *(Chairman)* | | 2/2 |
| Yu Kam Yuen, Lincoln | | 2/2 |
| Ng Sau Kei, Wilfred | appointed on 30 April 2007 | 1/1 |
| Chan Kai Yu, Rudy | ceased to act on 10 July 2007 | 1/1 |
| Raja Datuk Karib Shah bin Shahrudin | ceased to act on 16 October 2007 | 1/2 |

### Remuneration Committee

The Remuneration Committee is principally responsible for recommending to the Board on the Company's remuneration policy and structure for all remuneration of Directors and senior management; determining the specific remuneration packages of all Executive Directors and senior management; recommending to the Board the remuneration of Non-Executive Directors; reviewing performance-based remuneration; determining compensation payable to Executive Directors and senior management in connection with any loss or termination of office.

During the year, the Remuneration Committee has reviewed the Company's policy and structure for remunerating all Directors; approved the remuneration package of each Executive Directors in respect of the year 2007; and determined the remuneration of the newly appointed and re-designated (if applicable) Executive Directors.

The Remuneration Committee currently comprises three members, all of which are non-executive and a majority of them are independent. Changes of the members during the year and up to the date of this report as well as the number of Remuneration Committee meetings held and attended by each individual member during their respective term of office in the year are as follows:

| | | **Remuneration Committee Meetings Attended/Held** |
|---|---|---|
| Lo Wing Yan, William *(Chairman)* | | 2/2 |
| Yu Kam Yuen, Lincoln | | 1/2 |
| Ng Sau Kei, Wilfred | appointed on 30 April 2007 | 1/2 |
| Chan Kai Yu, Rudy | ceased to act on 10 July 2007 | 0/0 |

## REMUNERATION OF DIRECTORS

The Board has set out a formal policy for determining Directors' remuneration, the main elements involved are:

- There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors and no individual should determine his own remuneration.
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals but the Group should avoid paying more than is necessary for these purposes.
- The total remuneration package should be competitive in relation to comparable organizations in each of the countries or regions in which the Group operates.

### Remuneration of Executive Directors

The key components to Executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits.

The remuneration of ongoing Executive Directors are mainly subject to an annual performance appraisal. A performance standard is established and fixed for duties and responsibilities of each single Executive Director and appraisal results are discussed with the Chairman and Chief Executive Officer by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee should then consult the Chairman and/or the Chief Executive Officer regarding their proposals relating to the remuneration of the Executive Directors. It is a duty of the Remuneration Committee to determine the specific remuneration packages of all Executive Directors by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Executive Directors, employment conditions elsewhere in the Group and individual performance. No Executive Director serves on the Remuneration Committee.

### Remuneration of Non-executive Directors

In view of the growing responsibilities of Non-executive Directors, their role has become more complex and demanding. The remuneration for any particular Non-executive Director should reflect the likely workload and responsibility involved, the scale and complexity of the business and the market practice.

The directors' fees of Non-executive Directors are based on a formal independent review undertaken no less frequently than every three years. Such fees should be proposed by the executive management, reviewed and recommended to the Board by the Remuneration Committee and approved by the shareholders at each annual general meeting.

## REMUNERATION OF DIRECTORS (continued)

### Share Options

A Director (either Executive or Non-executive Director) may also benefit from the share option scheme adopted by the Company. Such reward is to provide additional incentive to Directors and to reward loyal Directors who have contributed to the Company's success in various ways. Any share options granted to a Director should be approved by all Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options) or approved by shareholders whenever it is applicable pursuant to the scheme rules and the Listing Rules. Such options are exercisable during a period not exceeding ten years from the date of grant subject to vesting or other conditions (if any) and under an exercise price to be determined by the Board with reference to the prevailing market price, and in any event not less than the nominal value of HK$0.1 per share.

Details of share options granted to the Directors by the Company are set out in the Report of Directors on pages 24 to 33.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 2007.

## COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the annual reports and the financial statements as well as the interim reports which are sent to shareholders on a timely basis. All shareholders are encouraged to attend the general meetings of the Company to discuss the businesses of the Group.

## FINANCIAL REPORTING

The Directors hereby acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The interim and annual results of the Group are announced on a timely manner within the time limits set by the regulatory authorities.

In preparing the financial statements for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable.

The statement of the Auditor of the Company regarding its reporting responsibilities is set out in the Independent Auditor's Report on pages 47 and 48.

## INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the year, the Board has conducted a review of the effectiveness of the systems of internal control of the Group.

## AUDITOR'S FEES

The Company's external Auditor is Deloitte Touche Tohmatsu. For the year ended 31 December 2007, the fees payable to the external Auditor for audit service and review service (non-audit service) were HK$3,630,000 and HK$350,000 respectively.

By Order of the Board

**MARK ALAN LOYND**
*Company Secretary*

Hong Kong, 21 April 2008

**Deloitte.**
**德勤**

**TO THE MEMBERS OF CHINA RENJI MEDICAL GROUP LIMITED**
**中國仁濟醫療集團有限公司**
(FORMERLY KNOWN AS SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED 軟庫發展有限公司)
*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of China Renji Medical Group Limited 中國仁濟醫療集團有限公司 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 147, which comprise the consolidated and the Company's balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**TO THE MEMBERS OF CHINA RENJI MEDICAL GROUP LIMITED**
**中國仁濟醫療集團有限公司**
(FORMERLY KNOWN AS SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED 軟庫發展有限公司)
*(incorporated in Hong Kong with limited liability)*

## OPINION

In our opinion, 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 2007 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.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
21 April 2008

| | NOTES | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 8 | **58,453** | 9,108 |
| Cost of services | 8 | **(33,849)** | — |
| Cost of sales | | **—** | (946) |
| Gross profit | | **24,604** | 8,162 |
| Other income | | **5,046** | 5,946 |
| Administrative expenses | | **(64,131)** | (39,996) |
| Impairment loss on available-for-sale investments | 23 | **(15,600)** | (22,148) |
| Impairment loss on loans receivable | | **—** | (1,560) |
| Change in fair value of financial assets at fair value through profit or loss | | **3,010** | (2,030) |
| Loss on disposal of subsidiaries | 39 | **(5,884)** | — |
| Net gain on disposal of associates | 22 | **9,813** | 11,352 |
| Loss on disposal of available-for-sale investments | | **(4,970)** | (1,910) |
| Finance costs | 10 | **(26,566)** | (3,940) |
| Share of results of associates | | **(721)** | (54,626) |
| Loss before taxation | | **(75,399)** | (100,750) |
| Income tax expense | 11 | **(1,507)** | — |
| Loss for the year from continuing operations | | **(76,906)** | (100,750) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 12 | **93,714** | 17,332 |
| Profit (loss) for the year | 13 | **16,808** | (83,418) |
| Attributable to: | | | |
| Equity holders of the Company | | **12,809** | (83,006) |
| Minority interests | | **3,999** | (412) |
| | | **16,808** | (83,418) |
| Earnings (loss) per share, in HK cents | 15 | | |
| **Continuing and discontinued operations** | | | |
| Basic | | **0.16** | (1.75) |
| Diluted | | **N/A** | N/A |
| **Continuing operations** | | | |
| Basic | | **(0.96)** | (2.12) |
| Diluted | | **N/A** | N/A |

# CONSOLIDATED BALANCE SHEET

*At 31 December 2007*

| | NOTES | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **242,335** | 54,873 |
| Investment properties | 17 | **—** | 46,230 |
| Leasehold land and land use rights | 18 | **—** | 11,198 |
| Goodwill | 19 | **578,946** | — |
| Intangible assets | 20 | **332,453** | — |
| Interests in associates | 22 | **—** | 24,829 |
| Available-for-sale investments | 23 | **—** | 48,870 |
| Other assets | | **—** | 2,708 |
| | | **1,153,734** | 188,708 |
| **CURRENT ASSETS** | | | |
| Inventories | 25 | **—** | 10,643 |
| Trade receivables | 26 | **11,277** | 53,352 |
| Other receivables, prepayments and deposits | 26 | **153,630** | 47,627 |
| Available-for-sale investments | 23 | **2,095** | 61,904 |
| Financial assets at fair value through profit or loss | | **—** | 2,746 |
| Bank balances and cash | 27 | **168,162** | 96,838 |
| | | **335,164** | 273,110 |
| Assets classified as held for sale | 28 | **175,887** | — |
| | | **511,051** | 273,110 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 29 | **—** | 45,082 |
| Accrued expenses and deposits received | 29 | **33,959** | 74,793 |
| Income tax liabilities | | **18,780** | 744 |
| Borrowings – due within one year | 30 | **73,360** | 3,984 |
| Guaranteed convertible notes | 31 | **4,891** | — |
| | | **130,990** | 124,603 |
| Liabilities directly associated with assets classified as held for sale | 28 | **62,844** | — |
| | | **193,834** | 124,603 |
| **NET CURRENT ASSETS** | | **317,217** | 148,507 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,470,951** | 337,215 |

| | NOTES | **2007** | 2006 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 32 | **1,140,234** | 497,629 |
| Reserves | | **111,250** | (280,482) |
| Equity attributable to equity holders of the Company | | **1,251,484** | 217,147 |
| Minority interests | | **23,376** | 32,207 |
| | | **1,274,860** | 249,354 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings – due after one year | 30 | **—** | 68,630 |
| Guaranteed convertible notes | 31 | **2,807** | 17,464 |
| Promissory notes | 34 | **110,171** | — |
| Deferred tax liabilities | 35 | **83,113** | 1,767 |
| | | **196,091** | 87,861 |
| | | **1,470,951** | 337,215 |

The consolidated financial statements on pages 49 to 147 were approved and authorised for issue by the Board of Directors on 21 April 2008 and are signed on its behalf by:

| | |
|---|---|
| **YANG YIFEI** | **WONG SIN JUST** |
| *DIRECTOR* | *DIRECTOR* |

# BALANCE SHEET

*At 31 December 2007*

| | NOTES | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **134** | 274 |
| Interests in subsidiaries | 21 | **921,719** | 6,876 |
| Amounts due from subsidiaries | 21 | **277,381** | 207,898 |
| Available-for-sale investments | 23 | **—** | 21,568 |
| | | **1,199,234** | 236,616 |
| **CURRENT ASSETS** | | | |
| Other receivables, prepayments and deposits | 26 | **142,031** | 3,430 |
| Available-for-sale investments | 23 | **—** | 22,604 |
| Financial assets at fair value through profit or loss | | **—** | 2,719 |
| Bank balances and cash | 27 | **63,433** | 12,607 |
| | | **205,464** | 41,360 |
| **CURRENT LIABILITIES** | | | |
| Accrued expenses and deposits received | 29 | **6,395** | 18,965 |
| Amounts due to subsidiaries | 21 | **57,403** | 39,044 |
| Borrowings – due within one year | 30 | **73,360** | — |
| | | **137,158** | 58,009 |
| **NET CURRENT ASSETS (LIABILITIES)** | | **68,306** | (16,649) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,267,540** | 219,967 |

| | NOTES | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **FINANCED BY:** | | | |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 32 | **1,140,234** | 497,629 |
| Reserves | 33 | **17,135** | (346,292) |
| | | **1,157,369** | 151,337 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings – due after one year | 30 | **—** | 68,630 |
| Promissory notes | 34 | **110,171** | — |
| | | **110,171** | 68,630 |
| | | **1,267,540** | 219,967 |

**YANG YIFEI**
*DIRECTOR*

**WONG SIN JUST**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2007*

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Other properties revaluation reserve | Investment revaluation reserves | Share option reserve | Exchange translation reserve | Guaranteed convertible notes-equity component | Accumulated losses | Subtotal | Minority interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2006 | 431,138 | 646,960 | 1,899 | — | 7,158 | 7,912 | (5,874) | 1,359 | (903,232) | 187,320 | 33,828 | 221,148 |
| Gain on fair value changes of available-for-sale investments | — | — | — | — | 4,219 | — | — | — | — | 4,219 | — | 4,219 |
| Gain on fair value of other properties | — | — | — | 235 | — | — | — | — | — | 235 | — | 235 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | — | — | 2,109 | — | — | 2,109 | 1,414 | 3,523 |
| Net income recognised directly in equity | — | — | — | 235 | 4,219 | — | 2,109 | — | — | 6,563 | 1,414 | 7,977 |
| Loss for the year | — | — | — | — | — | — | — | — | (83,006) | (83,006) | (412) | (83,418) |
| Transferred to consolidated income statement on impairment of available-for-sale investments | — | — | — | — | 22,148 | — | — | — | — | 22,148 | — | 22,148 |
| Transferred to consolidated income statement on sales of available-for-sale investment | — | — | — | — | 1,910 | — | — | — | — | 1,910 | — | 1,910 |
| Reserve released upon reclassification of available-for-sales investment to associate | — | — | — | — | 2,816 | — | — | — | — | 2,816 | — | 2,816 |
| Reserve released upon maturity of convertible notes issued by an investee | — | — | — | — | 5 | — | — | — | — | 5 | — | 5 |
| Total recognised income and expenses for the year | — | — | — | 235 | 31,098 | — | 2,109 | — | (83,006) | (49,564) | 1,002 | (48,562) |
| Issue of ordinary shares | 65,000 | — | — | — | — | — | — | — | — | 65,000 | — | 65,000 |
| Transaction costs attributable to issue of shares | — | (845) | — | — | — | — | — | — | — | (845) | — | (845) |
| Release upon maturity of convertible notes | — | — | — | — | — | — | — | (779) | 779 | — | — | — |
| Extension of convertible notes | — | — | — | — | — | — | — | 1,668 | — | 1,668 | — | 1,668 |
| Fair value of share options credited to share option reserve | — | — | — | — | — | 12,077 | — | — | — | 12,077 | — | 12,077 |
| Exercise of share options | 1,491 | 207 | — | — | — | (207) | — | — | — | 1,491 | — | 1,491 |
| Lapse of share options | — | — | — | — | — | (197) | — | — | 197 | — | — | — |
| Capital contribution from minority shareholders | — | — | — | — | — | — | — | — | — | — | 936 | 936 |
| Deemed disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | (3,204) | (3,204) |
| Dividend paid to minority shareholders | — | — | — | — | — | — | — | — | — | — | (355) | (355) |

| | Attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Other properties revaluation reserve | Investment revaluation reserves | Share option reserve | Exchange translation reserve | Guaranteed convertible notes-equity component | Accumulated losses | Subtotal | Minority interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 31 December, 2006 | 497,629 | 646,322 | 1,899 | 235 | 38,256 | 19,585 | (3,765) | 2,248 | (985,262) | 217,147 | 32,207 | 249,354 |
| Exchange difference arising on translation of foreign operations | — | — | — | — | — | — | 9,587 | — | — | 9,587 | 2,610 | 12,197 |
| Loss on fair value changes of available-for-sale investments | — | — | — | — | (29,124) | — | — | — | — | (29,124) | — | (29,124) |
| Share of exchange translation reserve of associates | — | — | — | — | — | — | 110 | — | — | 110 | — | 110 |
| Net (expenses) income recognised directly in equity | — | — | — | — | (29,124) | — | 9,697 | — | — | (19,427) | 2,610 | (16,817) |
| Profit for the year | — | — | — | — | — | — | — | — | 12,809 | 12,809 | 3,999 | 16,808 |
| Reserve released upon disposal of other properties | — | — | — | (235) | — | — | — | — | 235 | — | — | — |
| Impairment loss on available- for-sale investments | — | — | — | — | (6,583) | — | — | — | — | (6,583) | — | (6,583) |
| Reserve released upon disposal of available – for-sale investments | — | — | — | — | 4,746 | — | — | — | — | 4,746 | — | 4,746 |
| Reserve released upon disposal of associates | — | — | — | — | (7,295) | — | — | — | — | (7,295) | — | (7,295) |
| Reserve released upon disposal of subsidiaries | — | — | — | — | — | — | 2,495 | — | — | 2,495 | (42,467) | (39,972) |
| Total recognised income and expenses for the year | — | — | — | (235) | (38,256) | — | 12,192 | — | 13,044 | (13,255) | (35,858) | (49,113) |
| Issue of ordinary shares | 486,000 | 397,174 | — | — | — | — | — | — | — | 883,174 | — | 883,174 |
| Transaction costs attributable to issue of ordinary shares | — | (9,112) | — | — | — | — | — | — | — | (9,112) | — | (9,112) |
| Recognition of equity components of guaranteed convertible notes | — | — | — | — | — | — | — | 8,846 | — | 8,846 | — | 8,846 |
| Conversion of guaranteed convertible notes | 100,500 | 69 | — | — | — | — | — | (10,410) | — | 90,159 | — | 90,159 |
| Fair value of share options credited to share option reserve | — | — | — | — | — | 17,389 | — | — | — | 17,389 | — | 17,389 |
| Exercise of share options | 56,105 | 13,862 | — | — | — | (12,831) | — | — | — | 57,136 | — | 57,136 |
| Lapse of share options | — | — | — | — | — | (1,525) | — | — | 1,525 | — | — | — |
| Acquisition of subsidiaries | — | — | — | — | — | — | — | — | — | — | 16,077 | 16,077 |
| Capital contribution from minority shareholders | — | — | — | — | — | — | — | — | — | — | 11,949 | 11,949 |
| Dividend paid to minority shareholders | — | — | — | — | — | — | — | — | — | — | (999) | (999) |
| **At 31 December 2007** | **1,140,234** | **1,048,315** | **1,899** | **—** | **—** | **22,618** | **8,427** | **684** | **(970,693)** | **1,251,484** | **23,376** | **1,274,860** |

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 December 2007*

| | NOTES | 2007 | 2006 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **OPERATING ACTIVITIES** | | | |
| Profit (loss) for the year | | **16,808** | (83,418) |
| Income tax expense from continuing operations | | **1,507** | — |
| Income tax expense from discontinued operations | 12 | **3,173** | 2,120 |
| | | **21,488** | (81,298) |
| Adjustments for: | | | |
| Gain on disposal of investment properties | | **(6,395)** | — |
| Net gain on disposal of subsidiaries engaged in discontinued operations | 12 | **(67,139)** | — |
| Share of result of associates | | **721** | 54,669 |
| Finance costs | | **27,971** | 6,348 |
| Interest income | | **(3,076)** | (5,727) |
| Depreciation of property, plant and equipment | | **8,159** | 3,813 |
| Depreciation of jointly controlled assets | | **740** | — |
| Amortisation of leasehold land and land use right | | **353** | 347 |
| Amortisation of intangible assets | | **26,934** | — |
| Impairment loss of available-for-sale investments | | **15,600** | 22,148 |
| Impairment loss on loans receivable | | **—** | 1,560 |
| Impairment loss on assets classified as held for sale | | **7,594** | — |
| Impairment loss on goodwill | | **1,692** | — |
| Discount on acquisition of a jointly controlled entity's subsidiaries | | **—** | (780) |
| Loss on disposal of property, plant and equipment | | **234** | 14 |
| Loss on disposal of subsidiaries | | **5,884** | — |
| Loss on disposal of subsidiaries of a jointly controlled entity | | **4,818** | — |
| Net gain on disposal of associates | | **(9,813)** | (11,352) |
| Allowance for bad and doubtful debts | | **945** | 245 |
| Write back of impairment of doubtful debts on other receivables | | **(1,104)** | (14) |
| Loss on disposal of available-for-sale investments | | **4,746** | 1,910 |
| Change in fair value change of financial assets at fair value through profit or loss | | **(7,448)** | 2,030 |
| Fair value change of investment properties | | **—** | (5,460) |
| Dividend income | | **(1,369)** | (6,348) |
| Share based payment expenses | | **17,389** | 12,077 |

| | NOTES | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| Operating cash flows before movements in working capital | | **48,924** | (5,818) |
| Decrease in other assets | | **708** | 49 |
| Increase in inventories | | **(1,896)** | (3,062) |
| (Increase) decrease in trade receivable | | **(51,794)** | 918 |
| Increase in other receivables, prepayments and deposits | | **(56,183)** | (202) |
| Decrease in trade payable | | **(30,166)** | (2,488) |
| Increase in accrued expenses and deposits received | | **141,234** | 26,105 |
| Cash generated from operations | | **50,827** | 15,502 |
| Interest received | | **3,076** | 5,355 |
| Dividends received | | **1,369** | 1,537 |
| Dividends paid to minority shareholders of subsidiaries | | **(999)** | (355) |
| Interest paid | | **(5,429)** | (5,413) |
| Tax paid | | | |
| Hong Kong profits tax refunded (paid) | | **629** | (427) |
| The People's Republic of China ("PRC") profits tax paid | | **(1,353)** | — |
| Overseas tax paid | | **(203)** | (269) |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | | **47,917** | 15,930 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(99,788)** | (2,460) |
| Purchase of jointly controlled assets | | **(36,443)** | — |
| Acquisition of subsidiaries (net of cash and cash equivalent acquired) | 37 | **(36,070)** | — |
| Acquisition of financial assets at fair value through profit or loss | | **(30,754)** | — |
| Disposal of subsidiaries (net of cash and cash equivalent disposed of) | 39 | **(12,278)** | (1,620) |
| Acquisition of available-for-sale investments | | **(1,970)** | (9,341) |
| Acquisition of subsidiaries of a jointly controlled entity (net of cash and cash equivalent acquired) | 38 | **(1,671)** | 1,968 |
| Acquisition of associates of a jointly controlled entity | | **(1,607)** | (52,175) |
| Proceeds from disposal of available-for-sale investments | | **57,428** | 7,439 |
| Proceeds from disposal of investment properties | | **52,625** | — |
| Proceeds from disposal of associates | | **19,297** | 12,601 |
| Proceeds from disposal of subsidiaries of a jointly controlled entity | 40 | **6,072** | — |
| Proceeds from disposal of property, plant and equipment | | **38** | 35 |
| Proceed from disposal of financial assets at fair value through profit or loss | | **9,756** | — |
| Advance to an associate | | **—** | (1,575) |
| Payment of an investment deposit | | **—** | (7,678) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(75,365)** | (52,806) |

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 December 2007*

| | NOTES | 2007 | 2006 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issue of ordinary shares | | **250,000** | 51,490 |
| Issue of convertible notes, net of transaction cost of HK$1,777,000 | | **87,723** | — |
| Proceeds from exercise of share options | | **57,136** | — |
| Capital contribution of minority shareholders | | **11,949** | 936 |
| New bank loans raised | | **196** | — |
| Redemption of promissory notes | | **(200,000)** | — |
| Expenses on issue of shares | | **(9,112)** | (845) |
| Redemption of convertible notes | | **—** | (1,000) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **197,892** | 50,581 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **170,444** | 13,705 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | **3,491** | — |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **96,838** | 83,133 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **270,773** | 96,838 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS:** | | | |
| Bank balances and cash | | **168,162** | 96,838 |
| Bank balances and cash included in assets classified as held for sales | 28 | **102,611** | — |
| | | **270,773** | 96,838 |

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 48.

The consolidated financial statements are presented in Hong Kong Dollars, which is also the functional currency of the Company.

## 2. SIGNIFICANT EVENTS

During the year, the Group had the following significant events:

### (i) Acquisition of equity interest in Shanghai Anping Medical Treatment Technology Co., Ltd.

On 24 April 2007, the Company entered into an agreement with Mr. Li Juewen (the "Vendor") to acquire a 100% interest in China Renji Medical Group Limited ("Renji Medical", now known as China Renji Medical (BVI) Limited which is incorporated in the British Virgin Islands) including the paid-up capital of Shanghai Anping Medical Treatment Technology Co., Ltd. ("Anping Medical") and its subsidiaries (the "Anping Medical Group") for an aggregate consideration of approximately HK$641,000,000, which was satisfied by (i) cash of HK$50,000,000; (ii) the issue of 2,710,000,000 new ordinary shares of HK$0.10 each in the Company and (iii) the issuance of promissory notes with the principal amount of HK$320,000,000 by the Company.

The 2,710,000,000 shares have been charged in favour of the Company.

Pursuant to the terms of the agreement, the Vendor guaranteed and warranted that the audited consolidated profit after taxation and extraordinary or exceptional items and minority interests of the Anping Medical Group prepared under generally accepted accounting principles in Hong Kong for the year ended 31 December 2007 and for the year ending 31 December 2008 will be no less than HK$80,000,000 (the "2007 Guaranteed Profit") and HK$150,000,000 (the "2008 Guaranteed Profit"), respectively. In the event that the audited consolidated profit for the year ended 31 December 2007 (the "2007 Actual Profit") and the audited consolidated profit for the year ending 31 December 2008 (the "2008 Actual Profit") were less than HK$70,000,000 and HK$150,000,000 respectively, the Vendor must pay to the Company an amount (the "Vendor Compensation Amount'") based on the formula described below by way of either:

(i) cash payment to the Company;

(ii) forfeiting the 2,710,000,000 shares which have been charged in favour of the Company, and which the Company will engage an agent to dispose of;

(iii) cancelling part or all of the outstanding amount of the promissory notes; or

(iv) a combination of any of the above.

## 2. SIGNIFICANT EVENTS (continued)

### (i) Acquisition of equity interest in Shanghai Anping Medical Treatment Technology Co., Ltd. (continued)

Details of the calculation of the Vendor Compensation Amount for the year ended 31 December 2007 and for the year ending 31 December 2008 are as follows:

(a) The Vendor Compensation Amount in respect of the 2007 Guaranteed Profit (the "2007 Valuation Adjustment")

The 2007 Valuation Adjustment is calculated based on the difference between the 2007 Actual Profit and HK$70,000,000 multiplied by 7.0.

In the event that the 2007 Actual Profit is below HK$40,000,000, the Company also has the right to dispose of the entire share capital of the Anping Medical Group to the Vendor and the Vendor undertakes to:

(i) forfeit all 2,710,000,000 ordinary shares which the Company will engage an agent to dispose of;

(ii) pay the cash of HK$50,000,000 to the Company within six months of the issue of the consolidated financial statements of Renji Medical for the year ended 31 December 2007; and

(iii) surrender the then outstanding portion of the promissory notes to the Company at nil consideration and pay to the Company the principal amount of the promissory notes which has been redeemed (if any).

(b) The Vendor Compensation Amount in respect of the 2008 Guaranteed Profit (the "2008 Valuation Adjustment")

The Vendor Compensation Amount is calculated based on the difference between the 2008 Actual Profit and the 2008 Guaranteed Profit multiplied by 3.5.

Details of these are set out in note 37.

The Anping Medical Group is engaged in the business of leasing of medical equipment and the provision of consultancy services with respect of the operation of medical equipment.

Prior to the acquisition of Renji Medical by the Company, the Anping Medical Group would carry out a restructuring such that Renji Medical will have full control over and be entitled to all of the economic benefits generated from the Anping Medical Group and/or interested in the entire paid-up capital of Anping Medical.

The acquisition of Renji Medical including the Anping Medical Group was completed on 13 July 2007. Details of these are set out in the Company's circular dated 18 June 2007.

## 2. SIGNIFICANT EVENTS (continued)

### (ii) Acquisition of various medical equipments

On 21 September 2007, the Anping Medical Group entered into an agreement with Shanghai Rentung Hospital Investment Management Limited ("Shanghai Rentung") to acquire a 51% interest in the gamma knife machines and 25.5% interest in the PET-CT medical equipment respectively held by Shanghai Rentung located in The Main Hospital of the Second Artillery Force of the People's Liberation Army of the People's Republic of China, Beijing, the PRC at a consideration of RMB74,120,000 (equivalent to approximately HK$76,521,000). Pursuant to the terms of the agreement, the Anping Medical Group is entitled to 51% and 25.5% of the income derived from the gamma knife machines and the PET-CT medical equipment, respectively. The acquired medical equipment were accounted for as jointly controlled assets under HKAS 31 "Interest in Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consideration was satisfied by cash of RMB38,000,000 (equivalent to HK$39,231,000) and issue of 150,000,000 new ordinary shares of HK$0.10 each in the Company at an issue price of HK$0.25 per share. The fair value of the consideration for the acquisition is HK$67,731,000 including cash of HK$39,231,000 and market value of the Company's ordinary shares of HK$28,500,000 which was calculated based on the published market price at date of acquisition. Pursuant to the terms of the agreement, the Anping Medical Group is entitled to the income derived from the medical equipment for the period from 1 July 2007 to 20 September 2007 (the date prior to the agreement entered into with Shanghai Rentung). The related pre-acquisition income, amounting to HK$2,788,000, was accounted for as deduction from the consideration for acquisition of those medical equipment accordingly. A guarantee was given by Shanghai Rentung to the Anping Medical Group that the Anping Medical Group will receive income of at least RMB10,200,000 derived from the medical equipment for the period from 1 January 2008 to 31 December 2008.

On 11 October 2007, the Anping Medical Group entered into an agreement with Shanghai Rentung to acquire a 100% interest in the gamma knife machines held by Shanghai Rentung located in Hefei Gamma Knife Specialty Hospital, Hefei, the PRC at a cash consideration of RMB46,200,000 (equivalent to HK$47,697,000). Pursuant to the terms of the agreement, the Anping Medical Group is entitled to 80% of the income derived from the gamma knife machines. A guarantee was given by Shanghai Rentung to the Anping Medical Group that the Anping Medical Group will receive income from the gamma knife machines of at least RMB5,000,000 for the period from 1 July 2007 to 31 December 2007 and RMB12,000,000 for the period from 1 January 2008 to 31 December 2008, respectively.

On 9 November 2007, the Anping Medical Group entered into an agreement with Chengdu Daicheng Professional Electrical Appliance Market New Century Electrical Appliance ("Chengdu Daicheng") to acquire a 100% interest in the gamma knife machines and certain medical equipment held by Chengdu Daicheng located in Shenyang 463 Hospital Gamma Knife Therapy and Research Centre, Shenyang, the PRC at a cash consideration of RMB41,000,000 (equivalent to HK$42,328,000). Pursuant to the terms of the agreement, the Anping Medical Group is entitled to 70% of the income derived from the gamma knife machines and certain medical equipment. A guarantee was given by Chengdu Daicheng to the Anping Medical Group that the Anping Medical Group will receive income of at least RMB10,000,000 for the period from 1 July 2007 to 30 June 2008 and RMB10,000,000 for the period from 1 July 2008 to 30 June 2009, respectively.

## 2. SIGNIFICANT EVENTS (continued)

### (iii) Discontinued operation of garment manufacturing business segment

On 22 August, 2007, the Company entered into an agreement to dispose of its entire interest in Dragon Lion Limited at a cash consideration of HK$20,005,000. Dragon Lion Limited is an investment holding company and its major asset is a 51% equity interest in Foshan Chande Knitting Enterprise Company Limited which is engaged in the garment manufacturing business, and which previously represents the Group's garment manufacturing operation. The disposal of Dragon Lion Limited was completed during the year and accordingly, the business segment of garment manufacturing was presented as discontinued operation.

### (iv) Discontinued operation of property holding and others business segment

During the year, the Group disposed of all its investment properties at a total consideration of HK$52,625,000.

On 11 December 2007, the Company entered into an agreement to dispose of its entire interest in Gesway Investment Limited at a consideration of HK$52,000,000. The shareholder's loan of Gesway Investment Limited due to the Company amounting to HK$39,576,000 was also undertaken to be settled by the purchaser. Gesway Investment Limited is an investment holding company and its major asset is a 57.89% interest in Peach Garden Country Club (Foshan Nanhai) Co., Limited which carries out a country club operation in Foshan, the PRC. The country club operation was previously grouped under the business segment of "property holding and others".

The business segment of property holding and others was discontinued upon the completion of the disposal of Gesway Investment Limited and the disposal of all the Group's investment properties.

### (v) Discontinued operation of financial services business segment

During the year, management of the Company committed a plan to dispose of its 49% jointly controlled entity, namely SBI E2-Capital Limited (a company which carries out all of the Group's financial services business segment) and also actively located potential buyers. In accordance with Hong Kong Financial Reporting Standard 5 "Non-Current Assets Held For Sale and Discontinued Operations" ("HKFRS 5") issued by the HKICPA, the business segment of financial services was required to be presented as discontinued operations and the related assets and liabilities were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively.

The operation of garment manufacturing, property holding and others and financial services were discontinued during the year 31 December 2007 and certain income statement items for the year ended 31 December 2006 have been re-presented under profit for the year from discontinued operations in accordance with HKFRS 5 issued by the HKICPA.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

Except for the changes in disclosures as set out below, the adoption of those new HKFRSs has no material impact on the Group's results and financial position for current or prior years, and does not result in any significant changes in the accounting policies of the Group.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transactions[3] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements[4] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2009
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of any entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Goodwill

#### Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### Joint ventures

#### Jointly controlled assets

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

#### Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

The Group discontinues the use of equity method of accounting from the date that its interests in associates qualifies as held for sale, and the related interests in associates is classified as non-current assets held for sale, which are measured at the lower of the interest in associates' previous carrying amount and the fair value less costs to sell.

A proportionate consolidated jointly controlled entity, a disposal group, classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell as at balance sheet date. Upon classification of the proportionate consolidated jointly controlled entity as held for sale, any assets and liabilities that are not within the scope of the measurement requirements of HKFRS 5 Non-current Assets held for Sale and Discounted Operations but are included in a disposal group classified as held for sale are remeasured in accordance with the relevant applicable accounting policies before the fair value less costs to sell of the disposal group is remeasured.

### Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a basis of specific percentage of the revenue of the lease in accordance with the contractual term of the leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

*Leasehold land and building*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

### Borrowings costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

### Retirement benefits costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered the service entitling them to the contributions.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Intangible assets

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets are classified into one of the three categories including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL represented financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment of financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets* (continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For impairment loss on available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

*Guaranteed convertible notes*

Guaranteed convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the guaranteed convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the guaranteed convertible notes into equity, is included in equity (guaranteed convertible notes – equity reserve).

In subsequent periods, the liability component of the guaranteed convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in guaranteed convertible notes - equity reserve until the embedded option is exercised (in which case the balance stated in guaranteed convertible notes - equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in guaranteed convertible notes - equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial liabilities and equity (continued)

*Guaranteed convertible notes* (continued)

Transaction costs that relate to the issue of the guaranteed convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the guaranteed convertible notes using the effective interest method.

*Other financial liabilities*

Other financial liabilities including trade payables, other payables, borrowings and promissory notes are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payment transactions

#### Equity-settled share-based payment transactions

*Share options granted to employees and others providing similar services on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005*

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

*Share options granted to employees and others providing similar services after 7 November 2002 and vested on or after 1 January 2005*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

*Modification to original shares options*

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replaced share option and that of the original share option at the date of modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on the grant date fair value of the original share options.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

### Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The estimation and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is HK$578,946,000 (net of accumulated impairment loss of HK$1,692,000). Details of the recoverable amount calculation are disclosed in note 19.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debts, which includes the borrowings, guaranteed convertible notes and promissory notes which were disclosed in notes 30, 31 and 34 respectively, and equity attributable to equity holders of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, new borrowings raised and repayment of borrowings.

## 7. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| – Held for trading | **—** | 2,746 | **—** | 2,719 |
| Loans and receivables | | | | |
| – Trade receivables | **11,277** | 53,352 | **—** | — |
| – Other receivables | **149,613** | 11,189 | **140,343** | — |
| – Amounts due from subsidiaries | **—** | — | **277,381** | 207,898 |
| – Bank balances and cash | **168,162** | 96,838 | **63,433** | 12,607 |
| | **329,052** | 161,379 | **481,157** | 220,505 |
| Available-for-sale investments | | | | |
| – non-current assets | **—** | 48,870 | **—** | 21,568 |
| – current assets | **2,095** | 61,904 | **—** | 22,604 |
| | **2,095** | 110,774 | **—** | 44,172 |
| **Financial liabilities at amortised cost** | | | | |
| – Trade payables | **—** | 45,082 | **—** | — |
| – Amount due to a jointly controlled entity | **—** | — | **—** | 14,737 |
| – Amounts due to subsidiaries | **—** | — | **57,403** | 39,044 |
| – Borrowings – due within one year | **73,360** | 3,984 | **73,360** | — |
| – Borrowings – due after one year | **—** | 68,630 | **—** | 68,630 |
| – Guaranteed convertible notes (current liabilities) | **4,891** | — | **—** | — |
| – Guaranteed convertible notes (non-current liabilities) | **2,807** | 17,464 | **—** | — |
| – Promissory notes | **110,171** | — | **110,171** | — |
| | **191,229** | 135,160 | **240,934** | 122,411 |

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bank balances, trade payables, borrowings, guaranteed convertible notes and promissory notes. The Company's major financial instrument include other receivables, bank balances, borrowings and promissory notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Credit risk management

As at 31 December 2007, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in note 44.

In order to minimise the credit risk, management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group and the Company have other receivables in connection with the disposal of subsidiaries amounting to HK$112,481,000 (2006: HK$11,189,000) and tax indemnity given by the Vendor in connection with the acquisition of the Anping Medical Group amounting to HK$27,862,000 (2006: Nil) respectively at 31 December 2007, which expose the Group and the Company to the concentration of credit risk on four counterparties. Other than that, the Group has no other significant concentration of credit risk on trade and other receivables with exposure spread over a number of counterparties.

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### (ii) Market risk

*(i) Currency risk*

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the balance sheet date are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Assets** | | | | |
| RMB | **—** | 7,106 | **—** | — |
| SGD | **33** | 22,503 | **—** | — |
| JPY | **39** | 37 | **39** | 36 |
| USD | **5,430** | 13,394 | **5,424** | 3,896 |
| **Liabilities** | | | | |
| JPY | **73,360** | 68,630 | **73,360** | 68,630 |

*Sensitivity analysis*

At 31 December 2006 and 31 December 2007, the Group and the Company are mainly exposed to Japanese Yen.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in the functional currency of relevant group entity, Hong Kong dollars, against the Japanese Yen. A 5% is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number indicates an increase in profit/decrease in loss where Hong Kong dollar strengthens 5% against the Japanese Yen. For a 5% weakening of Hong Kong dollar against the Japanese Yen, there would be an equal and opposite impact on the profit/loss and the balances below would be opposite.

| | THE GROUP JPY | | THE COMPANY JPY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Profit/loss for the year | **3,666** | 3,429 | **3,666** | 3,429 |

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### (ii) Market risk (continued)

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate guaranteed convertible notes and promissory notes (see notes 31 and 34 respectively for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see notes 27 and 30 respectively for details).

*Sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable rate bank balances and borrowings at the balance sheet date. For variable-rate bank balances and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would increase/decrease by HK$178,000 (2006: loss increase/decrease by HK$164,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

*(iii) Liquidity risk*

The Group has net current assets of approximately HK$317,217,000 as at 31 December 2007. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing borrowings and cashflows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings from time to time.

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### (ii) Market risk (continued)

*(iii) Liquidity risk* (continued)

The following table details the Group's and the Company's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

**The Group**

| | Weighted average effective interest rate | On demand HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | | |
| Borrowings | **7%** | **—** | **—** | **75,293** | **—** | **—** | **75,293** | **73,360** |
| Guaranteed convertible notes | **5%** | **—** | **—** | **5,141** | **3,032** | **—** | **8,173** | **7,698** |
| Promissory notes | **3%** | **—** | **—** | **—** | **—** | **119,471** | **119,471** | **110,171** |
| | | **—** | **—** | **80,434** | **3,032** | **119,471** | **202,937** | **191,229** |
| 2006 | | | | | | | | |
| Trade payables | | 40,307 | 3,121 | 1,292 | 362 | — | 45,082 | 45,082 |
| Borrowings | 6% | — | — | 4,083 | 71,633 | — | 75,716 | 72,614 |
| Guaranteed convertible notes | 6% | — | — | — | 5,093 | 14,537 | 19,630 | 17,464 |
| | | 40,307 | 3,121 | 5,375 | 77,088 | 14,537 | 140,428 | 135,160 |

## 7. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### (ii) Market risk (continued)

*(iii) Liquidity risk* (continued)

**The Company**

| | Weighted average effective interest rate | On demand HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | | |
| Amounts due to subsidiaries | | **57,403** | **—** | **—** | **—** | **—** | **57,403** | **57,403** |
| Borrowings | **7%** | **—** | **—** | **75,293** | **—** | **—** | **75,293** | **73,360** |
| Promissory notes | **3%** | **—** | **—** | **—** | **—** | **119,471** | **119,471** | **110,171** |
| | | **57,403** | **—** | **75,293** | **—** | **119,471** | **252,167** | **240,934** |
| 2006 | | | | | | | | |
| Amount due to a jointly controlled entity | | 14,737 | — | — | — | — | 14,737 | 14,737 |
| Amounts due to subsidiaries | | 39,044 | — | — | — | — | 39,044 | 39,044 |
| Borrowings | 6% | — | — | — | 71,633 | — | 71,633 | 68,630 |
| | | 53,781 | — | — | 71,633 | — | 125,414 | 122,411 |

## 7. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 8. REVENUE/COST OF SERVICES

(a) Revenue represents the amounts received and receivable for goods sold and services provided, net of discounts and sales related taxes, by the Group to outside customers during the year.

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Leasing income of medical equipment | **30,440** | — |
| Services income - provision of consultancy services on medical equipment | **26,554** | — |
| Dividend income from listed investments | **1,369** | 6,348 |
| Provision of media consulting, marketing and technology services | **90** | 2,760 |
| | **58,453** | 9,108 |
| **Discontinued operations** | | |
| Provision of financial services including brokerage, corporate finance, advisory and underwriting services | **113,181** | 59,172 |
| Sales of goods | **67,135** | 64,209 |
| Rental income of investment properties and country club services | **6,872** | 7,933 |
| | **187,188** | 131,314 |
| | **245,641** | 140,422 |

(b) Included in cost of services is an amortisation of intangible assets amounting to HK$26,934,000 (2006: Nil).

## 9. SEGMENT INFORMATION

For management purposes, the Group is organised into the following three major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

| | | |
|---|---|---|
| Medical network | – | Leasing of medical equipment and provision of consultancy services on operation of medical equipment |
| Investment holding | – | Holding of investments securities |
| Media, consulting, marketing and technology services | – | Provision of media, consulting,marketing and technology services |

As explained in note 2, the Group was also engaged in the businesses of (i) provision of financial services (financial services segment); (ii) garment manufacturing (garment manufacturing segment) and (iii) leasing of investment property and country club operation (property holding and others segment) in previous years. These operations were discontinued during the year ended 31 December 2007 and the corresponding business segments were classified as discontinued operations accordingly.

## 9. SEGMENT INFORMATION (continued)

### Business segments

Year ended 31 December 2007

| | Continuing operations | | | | | Discounted operations | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Medical network HK$'000 | Investment holding HK$'000 | Media, consulting, marketing and technology services HK$'000 | Elimination HK$'000 | Sub-total HK$'000 | Financial services HK$'000 | Garment manufac-turing HK$'000 | Property holding and others HK$'000 | Elimination HK$'000 | Sub-total HK$'000 | Consoli-dated HK$'000 |
| **REVENUE** | | | | | | | | | | | |
| External | 56,994 | 1,369 | 90 | – | 58,453 | 113,181 | 67,135 | 6,872 | – | 187,188 | 245,641 |
| Inter-segment | – | – | 46 | (46) | – | 1,714 | – | – | (1,714) | – | – |
| | 56,994 | 1,369 | 136 | (46) | 58,453 | 114,895 | 67,135 | 6,872 | (1,714) | 187,188 | 245,641 |
| **SEGMENT RESULTS BEFORE AMORTISATION** | 45,953 | (19,201) | (871) | – | 25,881 | 24,338 | 1,093 | (782) | – | 24,649 | 50,530 |
| **LESS: AMORTISATION OF INTANGIBLE ASSETS (note i)** | (26,934) | – | – | – | (26,934) | – | – | – | – | – | (26,934) |
| **SEGMENT RESULTS** | 19,019 | (19,201) | (871) | – | (1,053) | 24,338 | 1,093 | (782) | – | 24,649 | 23,596 |
| Unallocated corporate income | | | | | 2,967 | | | | | 109 | 3,076 |
| Unallocated corporate expenses (note ii) | | | | | (36,566) | | | | | – | (36,566) |
| Share based payment expense | | | | | (17,389) | | | | | – | (17,389) |
| Loss on disposal of subsidiaries | | | | | (5,884) | | | | | – | (5,884) |
| Net gain on disposal of associates | | | | | 9,813 | | | | | – | 9,813 |
| Finance cost | | | | | (26,566) | | | | | (1,405) | (27,971) |
| Share of results of associates | | | | | (721) | | | | | – | (721) |
| (Loss) profit before taxation | | | | | (75,399) | | | | | 23,353 | (52,046) |
| Income tax expense | | | | | (1,507) | | | | | (3,173) | (4,680) |
| Net gain on disposal of discontinued operations (note iii) | | | | | – | | | | | 73,534 | 73,534 |
| (Loss) profit for the year | | | | | (76,906) | | | | | 93,714 | 16,808 |

## 9. SEGMENT INFORMATION (continued)

### Business segments (continued)

Notes:

(i) Amortisation of intangible assets represents the amortisation of intangible assets which were acquired as a result of the acquisition of the Anping Medical Group, which are set out in note 20.

(ii) Unallocated corporate expenses mainly comprises directors' emoluments, staff costs and legal and professional fees and overhead expenses which are not attributable to any specified business segment.

(iii) The net gain on disposal of discontinued operations comprises gain on disposal of subsidiaries which were engaged in country club operation of HK$73,679,000 and loss on disposal of subsidiaries engaged in garment manufacturing segment of HK$6,540,000 and gain on disposal of investment properties of HK$6,395,000, details of which are set out in note 12.

**As at 31 December 2007**

| | Continuing operations | | | Discontinued operations | |
|---|---|---|---|---|---|
| | Medical network *HK$'000* | Investment holding *HK$'000* | Media, consulting, marketing & technology services *HK$'000* | Financial services *HK$'000* | Consolidated *HK$'000* |
| **ASSETS** | | | | | |
| Segment assets | 1,202,401 | 2,095 | — | 73,277 | 1,277,773 |
| Unallocated assets | | | | | 387,012 |
| Consolidated total assets | | | | | 1,664,785 |
| **LIABILITIES** | | | | | |
| Segment liabilities | 18,410 | — | — | 71,759 | 90,169 |
| Unallocated liabilities | | | | | 299,756 |
| Consolidated total liabilities | | | | | 389,925 |

## 9. SEGMENT INFORMATION (continued)

### Business segments (continued)

**Year ended 31 December 2007**

| | Continuing operations | | | | Discontinued operations | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Medical network | Investment holding | Media, consulting, marketing and technology services | Sub-total | Financial services | Garment manufac-turing | Property holding and others | Sub-total | Consoli-dated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **OTHER INFORMATION:** | | | | | | | | | |
| Capital expenditure in respect of property, plant and equipment and intangible asset | 600,350 | 83 | — | 600,433 | 3,323 | 3,019 | 187 | 6,529 | 606,962 |
| Goodwill arising on acquisition of subsidiaries | 578,946 | — | — | 578,946 | — | — | — | — | 578,946 |
| Depreciation of property, plant and equipment | 4,824 | 211 | — | 5,035 | 742 | 2,355 | 27 | 3,124 | 8,159 |
| Depreciation of jointly controlled assets | 740 | — | — | 740 | — | — | — | — | 740 |
| Amortisation of leasehold land and land use right | — | — | — | — | — | 72 | 281 | 353 | 353 |
| Amortisation of intangible asset | 26,934 | — | — | 26,934 | — | — | — | — | 26,934 |
| Loss (gain) on disposal of available-for-sale investments | — | 4,970 | — | 4,970 | (224) | — | — | (224) | 4,746 |
| Impairment loss on available-for-sale investments | — | 15,600 | — | 15,600 | 37 | — | — | 37 | 15,637 |
| Impairment loss on goodwill | — | — | — | — | 1,692 | — | — | 1,692 | 1,692 |
| Loss on disposal of property, plant and equipment | — | 5 | — | 5 | 229 | — | — | 229 | 234 |

## 9. SEGMENT INFORMATION (continued)

### Business segments (continued)

Year ended 31 December 2006

| | Continuing operations | | | | Discontinued operations | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Investment holding | Media, consulting, marketing and technology services | Eliminated | Sub-total | Financial services | Garment manufac-turing | Property holding and others | Sub-total | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | | | | |
| External | 6,348 | 2,760 | — | 9,108 | 59,172 | 64,209 | 7,933 | 131,314 | 140,422 |
| Inter-segment | 4,092 | 62 | (4,154) | — | — | — | — | — | — |
| | 10,440 | 2,822 | (4,154) | 9,108 | 59,172 | 64,209 | 7,933 | 131,314 | 140,422 |
| SEGMENT RESULTS | (45,683) | 908 | — | (44,775) | 15,031 | 1,430 | 5,347 | 21,808 | (22,967) |
| Unallocated corporate income | | | | 2,591 | | | | 95 | 2,686 |
| Finance costs | | | | (3,940) | | | | (2,408) | (6,348) |
| Share of results of associates | | | | (54,626) | | | | (43) | (54,669) |
| (Loss) profit before taxation | | | | (100,750) | | | | 19,452 | (81,298) |
| Income tax expense | | | | — | | | | (2,120) | (2,120) |
| (Loss) profit for the year | | | | (100,750) | | | | 17,332 | (83,418) |

## 9. SEGMENT INFORMATION (continued)

### Business segments (continued)

As at 31 December 2006

| | Continuing operations | | Discontinued operations | | | |
|---|---|---|---|---|---|---|
| | Investment holding HK$'000 | Media, consulting, marketing & technology services HK$'000 | Financial services HK$'000 | Garment manufacturing HK$'000 | Property holding and others HK$'000 | Consolidated HK$'000 |
| ASSETS | | | | | | |
| Segment assets | 131,896 | 24,593 | 125,779 | 56,932 | 97,789 | 436,989 |
| Interests in associates | | | | | | 24,829 |
| Consolidated total assets | | | | | | 461,818 |
| LIABILITIES | | | | | | |
| Segment liabilities | 22,046 | 38 | 62,027 | 17,601 | 18,163 | 119,875 |
| Unallocated liabilities | — | — | — | — | — | 92,589 |
| Consolidated total liabilities | | | | | | 212,464 |

## 9. SEGMENT INFORMATION (continued)

### Business segments (continued)

Year ended 31 December 2006

| | Continuing operations | | | Discontinued operations | | | | |
|---|---|---|---|---|---|---|---|---|
| | Investment holding HK$'000 | Media, consulting, marketing and technology services HK$'000 | Sub-total HK$'000 | Financial services HK$'000 | Garment manufacturing HK$'000 | Property holding and others HK$'000 | Sub-total HK$'000 | Consolidated HK$'000 |
| OTHER INFORMATION: | | | | | | | | |
| Capital expenditure | 47 | — | 47 | 360 | 1,936 | 117 | 2,413 | 2,460 |
| Impairment loss on available -for-sale investments | 22,148 | — | 22,148 | — | — | — | — | 22,148 |
| Depreciation of property, plant and equipment | 220 | 64 | 284 | 686 | 2,059 | 784 | 3,529 | 3,813 |
| Amortisation of leasehold land and land use right | — | — | — | — | 83 | 264 | 347 | 347 |
| Impairment loss on loans receivable | 1,560 | — | 1,560 | — | — | — | — | 1,560 |
| Gain on fair value change of investment properties | — | — | — | — | — | 5,460 | 5,460 | 5,460 |

## 9. SEGMENT INFORMATION (continued)

### Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services.

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PRC | **56,994** | — | **72,538** | 70,054 | **129,532** | 70,054 |
| Hong Kong | **1,459** | 9,108 | **93,252** | 50,094 | **94,711** | 59,202 |
| Singapore | **—** | — | **21,398** | 11,166 | **21,398** | 11,166 |
| | **58,453** | 9,108 | **187,188** | 131,314 | **245,641** | 140,422 |

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, intangible assets and goodwill, analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **1,202,401** | 115,526 |
| Hong Kong | **30,504** | 297,259 |
| Singapore | **44,868** | 24,204 |
| | **1,277,773** | 436,989 |

| | Additions to property, plant and equipment, intangible assets and goodwill | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **1,182,502** | 2,052 |
| Hong Kong | **3,406** | 380 |
| Other countries | **—** | 28 |
| | **1,185,908** | 2,460 |

## 10. FINANCE COSTS

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Interest on:** | | | | | | |
| Bank borrowings wholly repayable within five years | **—** | — | **617** | 1,016 | **617** | 1,016 |
| Clients accounts and other loans wholly repayable within five years | **260** | 498 | **788** | 1,392 | **1,048** | 1,890 |
| Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years | **1,938** | 1,665 | **—** | — | **1,938** | 1,665 |
| Guaranteed convertible notes | **3,342** | 1,777 | **—** | — | **3,342** | 1,777 |
| Promissory notes | **21,026** | — | **—** | — | **21,026** | — |
| | **26,566** | 3,940 | **1,405** | 2,408 | **27,971** | 6,348 |

## 11. INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **The charge (credit) comprises:** | | | | | | |
| Hong Kong Profits Tax | | | | | | |
| – Current year | **—** | — | **4,679** | 101 | **4,679** | 101 |
| – Overprovision in prior year | **—** | — | **(7)** | (104) | **(7)** | (104) |
| Taxation in PRC | **8,241** | — | **268** | 356 | **8,509** | 356 |
| Deferred taxation *(note 35)* | **(6,734)** | — | **(1,767)** | 1,767 | **(8,501)** | 1,767 |
| | **1,507** | — | **3,173** | 2,120 | **4,680** | 2,120 |

Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The subsidiaries enjoying such tax benefit were disposed of during the year ended 31 December 2007.

## 11. INCOME TAX EXPENSE (continued)

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the People's Republic of China. The New Law imposed a single income tax rate of 25% for all the PRC's subsidiaries. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries of the Company from 1 January 2008. The Company's subsidiaries in PRC applied tax rate of 33% to provide for current tax for the current year before the New Law became effective. The deferred taxation recognised during the year is calculated based on the tax rate of 25%.

The taxation charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) profit before taxation | | |
| Continuing operations | **(75,399)** | (100,750) |
| Discontinued operations *(note 12)* | **30,947** | 19,452 |
| Net gain on disposal of subsidiaries engaged in discontinued operations *(note 12)* | **67,139** | — |
| Gain on disposal of investment properties (property holding and others segment *(note 12)* | **6,395** | — |
| Impairment loss on assets classified as held for sale *(note 12)* | **(7,594)** | — |
| | **21,488** | (81,298) |
| Taxation at the Hong Kong income tax rate of 17.5% | **3,760** | (14,227) |
| Tax effect of share of result of associates | **126** | — |
| Tax effect of income not taxable | **(18,965)** | (7,053) |
| Tax effect of expenses not deductible | **13,695** | 20,053 |
| Tax effect of unrecognised tax losses | **8,363** | 5,614 |
| Utilisation of tax losses not previously recognised | **(817)** | (2,288) |
| Effect of tax exemption granted | **(3,458)** | — |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | **1,983** | 125 |
| Overprovision in prior year | **(7)** | (104) |
| Tax charge for the year | **4,680** | 2,120 |

## 12. DISCONTINUED OPERATIONS

As explained in note 2, the business segment of (i) garment manufacturing and (ii) property holding and others were discontinued upon completion of the disposal of subsidiaries engaged in the corresponding business segments. The operation of financial services business segment was presented as discontinued operations upon the classification of the related assets and liabilities as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively.

The profit for the year from the discontinued operations are analysed as follows:

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| **Net gain on disposal of subsidiaries engaged in discontinued operations** | | |
| Gain on disposal of subsidiaries engaged in country club operation (property holding and others segment) *(note 39)* | **73,679** | — |
| Loss on disposal of subsidiaries engaged in garment manufacturing segment (note 39) | **(6,540)** | — |
| | **67,139** | — |
| **Profit for the year from discontinued operations** | | |
| Profit of financial services segment | **26,186** | 12,879 |
| Profit of garment manufacturing segment | **873** | 1,160 |
| Profit of property holding and others segment | **715** | 3,293 |
| | **27,774** | 17,332 |
| Gain on disposal of investment properties (property holding and others segment) | **6,395** | — |
| Impairment loss on assets classified as held for sale | **(7,594)** | — |
| | **93,714** | 17,332 |
| Attributable to: | | |
| Equity holder of the Company | **90,271** | 17,391 |
| Minority interests | **3,443** | (59) |
| | **93,714** | 17,332 |

## 12. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the period from 1 January 2007 to the date of disposal or the date of classification of discontinued operation, which have been included in the consolidated income statement, were as follows:

| | (i) Financial services | | (i) Garment manufacturing | | (ii) Property holding and others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Year ended 31 December 2007** | Year ended 31 December 2006 | **1 January 2007 to 31 October 2007** | 1 January 2006 to 31 December 2006 | **1 January 2007 to 11 December 2007** | 1 January 2006 to 31 December 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue | **113,181** | 59,172 | **67,135** | 64,209 | **6,872** | 7,933 | **187,188** | 131,314 |
| Cost of sales | **(8,567)** | (8,925) | **(63,485)** | (60,248) | **(4,921)** | (4,685) | **(76,973)** | (73,858) |
| Other income | **8,400** | 3,185 | **159** | 253 | **847** | 358 | **9,406** | 3,796 |
| Distribution and selling expenses | **–** | – | **(91)** | (27) | **–** | – | **(91)** | (27) |
| Administrative expenses | **(79,232)** | (38,398) | **(2,578)** | (2,671) | **(3,520)** | (3,712) | **(85,330)** | (44,781) |
| Impairment loss on goodwill | **(1,692)** | – | **–** | – | **–** | – | **(1,692)** | – |
| Change in fair value of financial assets at fair value through profit or loss | **4,438** | (1) | **–** | – | **–** | – | **4,438** | (1) |
| Loss on disposal of subsidiaries of a jointly controlled entity | **(4,818)** | – | **–** | – | **–** | – | **(4,818)** | – |
| Gain on disposal of available-for-sale investments | **224** | – | **–** | – | **–** | – | **224** | – |
| Share of results of associates | **–** | (43) | **–** | – | **–** | – | **–** | (43) |
| Gain on fair value changes of investment properties | **–** | – | **–** | – | **–** | 5,460 | **–** | 5,460 |
| Finance costs | **(1,068)** | (2,114) | **–** | – | **(337)** | (294) | **(1,405)** | (2,408) |
| Profit (loss) before taxation | **30,866** | 12,876 | **1,140** | 1,516 | **(1,059)** | 5,060 | **30,947** | 19,452 |
| Income tax (expense) credit | **(4,680)** | 3 | **(267)** | (356) | **1,774** | (1,767) | **(3,173)** | (2,120) |
| Profit for the period/year | **26,186** | 12,879 | **873** | 1,160 | **715** | 3,293 | **27,774** | 17,332 |
| Attributable to | | | | | | | | |
| – Equity holder of the Company | **22,176** | 12,758 | **590** | 728 | **1,565** | 3,905 | **24,331** | 17,391 |
| – Minority interest | **4,010** | 121 | **283** | 432 | **(850)** | (612) | **3,443** | (59) |
| | **26,186** | 12,879 | **873** | 1,160 | **715** | 3,293 | **27,774** | 17,332 |

## 12. DISCONTINUED OPERATIONS (continued)

The cash flows of the discontinued operations was as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net cash from operating activities | **122,796** | 59,850 |
| Net cash (used in) from investing activities | **(62,147)** | 6,861 |
| Net cash from (used in) financing activities | **25,449** | (4,463) |
| | **86,098** | 62,248 |

The carrying amounts of the assets and liabilities of disposed subsidiaries, namely Dragon Lion Limited, related to garment manufacturing segment and property holding and others segment at the date of disposal are set out in note 39.

The carrying amount of assets and liabilities related to financial services segment are set out in note 28.

## 13. PROFIT (LOSS) FOR THE YEAR

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the year has been arrived at after charging (crediting): | | | | | | |
| Depreciation of property, plant and equipment | **5,035** | 284 | **3,124** | 3,529 | **8,159** | 3,813 |
| Depreciation of jointly controlled assets | **740** | — | **—** | — | **740** | — |
| Amortisation of intangible asset included in cost of services | **26,934** | — | **—** | — | **26,934** | — |
| Amortisation on leasehold land and land use right | **—** | — | **353** | 347 | **353** | 347 |
| Total depreciation and amortisation | **32,709** | 284 | **3,477** | 3,876 | **36,186** | 4,160 |
| Auditors' remuneration | **2,895** | 1,639 | **1,353** | 1,530 | **4,248** | 3,169 |
| Net exchange losses (gain) | **4,727** | (1,322) | **(530)** | (490) | **4,197** | (1,812) |
| Loss on disposal of property, plant and equipment | **5** | 2 | **229** | 12 | **234** | 14 |
| Gross rental income from investment properties | **—** | — | **(1,469)** | (2,088) | **(1,469)** | (2,088) |
| Less: direct operating expenses from investment properties that generated rental income | **—** | — | **316** | 768 | **316** | 768 |
| | **—** | — | **(1,153)** | (1,320) | **(1,153)** | (1,320) |
| Employee benefits expenses, including directors' emoluments | **29,086** | 28,039 | **78,179** | 37,752 | **107,265** | 65,791 |
| Allowance for bad and doubtful debts | **905** | — | **40** | 245 | **945** | 245 |
| Write back of impairment of doubtful debts on other receivables | **(784)** | — | **(320)** | (14) | **(1,104)** | (14) |
| Interest income | **(2,967)** | (2,173) | **(109)** | (3,554) | **(3,076)** | (5,727) |
| Brokerage commission income | **—** | — | **(90,687)** | (42,578) | **(90,687)** | (42,578) |
| Advisory and corporate finance services income | **—** | — | **(22,494)** | (16,594) | **(22,494)** | (16,594) |

## 14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of 15 (2006: 9) directors were as follows:

### For the year ended 31 December 2007

| | Yu Kam Kee, Lawrence | Wong Sin Just | Wong Kean Li | Yu Chung Hang, Lucian | Fu Yan | Duan Xuzhen | Zhao Jun Jie | Sheng Yang | Yu Kam Yuen, Lincoln | Ng Sau Kei, Wifred | Lo Wing Yan, William | Chan Kai Yu, Rudy | Raja Datuk Karib Shah bin Shahrudin | Sun Huali | Li Yang | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'0000* | *HK$'0000* | *HK$'000* |
| Directors | | | | | | | | | | | | | | | | |
| – fees | – | – | – | – | – | – | – | – | 100 | 67 | 100 | 52 | 79 | – | 21 | 419 |
| – salaries and other benefits | 874 | 2,935 | 1,725 | 1,465 | 107 | 628 | 450 | 1,425 | – | – | – | – | – | – | – | 9,609 |
| – bonus | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| – Employer's contribution to pension scheme | 4 | 12 | 12 | 12 | – | 1 | – | 1 | – | – | – | – | – | – | – | 42 |
| Employee share-based compensation benefits | – | – | – | – | – | 543 | 176 | 1,978 | – | 326 | – | – | – | 1,978 | – | 5,001 |
| Compensation | – | – | 472 | – | – | – | – | – | – | – | – | – | – | – | – | 472 |
| | 878 | 2,947 | 2,209 | 1,477 | 107 | 1,172 | 626 | 3,404 | 100 | 393 | 100 | 52 | 79 | 1,978 | 21 | 15,543 |

## 14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2006

| | Yu Kam Kee, Lawrence HK$'000 | Wong Sin Just HK$'000 | Wong Kean Li HK$'000 | Yu Chung Hang, Lucian HK$'000 | Fu Yan HK$'000 | Yu Kam Yuen, Lincoln HK$'000 | Lo Wing Yan, William HK$'000 | Chan Kai Yu, Rudy HK$'000 | Raja Datuk Karib Shah bin Shahrudin HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | | | | | | | | | | |
| – fees | — | — | — | — | — | 100 | 100 | 100 | 100 | 400 |
| – salaries and other benefits | 2,942 | 2,935 | 1,597 | 600 | 240 | — | — | — | — | 8,314 |
| – bonus | — | — | 330 | 125 | — | — | — | — | — | 455 |
| Employer's contribution to pension scheme | 12 | 12 | 12 | 12 | — | — | — | — | — | 48 |
| Employee share-based compensation benefits | 1,113 | 1,113 | 1,113 | 1,278 | 2,600 | 556 | 111 | 111 | 111 | 8,106 |
| | 4,067 | 4,060 | 3,052 | 2,015 | 2,840 | 656 | 211 | 211 | 211 | 17,323 |

In respect of the year concerned, an amount of HK$472,000 was paid by the Company to Mr Wong Kean Li as compensation for loss of office as executive director upon his re-designation as non-executive director immediately after the year ended 31 December 2007. Save as mentioned above, there is no emoluments paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics.

The five highest paid individuals in the Group for the year ended 31 December 2007 and 2006 were all directors of the Company and details of their emoluments are included above.

## 15. EARNING (LOSS) PER SHARE

### For continuing and discontinued operations

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

### Earning (loss)

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the purposes of basic earning (loss) per share (Profit (loss) for the year attributable to equity holders of the Company) | **12,809** | (83,006) |
| Interest on guaranteed convertible notes | **3,342** | 1,777 |
| Profit (loss) for the purposes of diluted earning (loss) per share | **16,151** | (81,229) |

### Number of shares

| | **2007** | 2006 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic earning (loss) per share | **8,053,797** | 4,731,924 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **255,639** | 451 |
| – Guaranteed convertible notes | **172,438** | 203,562 |
| Weighted average number of ordinary shares for the purposes of diluted earning (loss) per share | **8,481,874** | 4,935,937 |

## 15. EARNING (LOSS) PER SHARE

### From continuing operations

The calculation of the basic and diluted earning (loss) per share from continuing operations attributable to equity holders of the Company is based on the following data:

Profit (loss) figures are calculated as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the year attributable to equity holders of the Company | **12,809** | (83,006) |
| Less: Profit for the year from discontinued operations attributable to equity holders of the Company | **(90,271)** | (17,391) |
| Loss for the purposes of basic loss per share from continuing operations | **(77,462)** | (100,397) |

No diluted earning (loss) per share was presented for both years ended 31 December 2007 as the exercise of share option and the conversion of guaranteed convertible notes would result in a decrease in the loss per share from continuing operations for both 2007 and 2006.

The denominators used are the same as those detailed above for both basic and diluted earning (loss) per share.

### From discontinued operations

Basic earning per share for the discontinued operations are HK1.12 cents per share (2006: HK0.37 cents per share), based on the earning for the year from the discontinued operations of HK$90,271,000 (2006: HK$17,391,000).

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Buildings HK$'000 | Medical equipment HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Computer equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | | |
| COST | | | | | | | | | |
| At 1 January 2006 | 3,506 | 66,411 | — | 34,792 | 17,593 | 6,091 | 3,962 | — | 132,355 |
| Exchange adjustments | 47 | 2,339 | — | 1,151 | 474 | 152 | 70 | — | 4,233 |
| Additions | 31 | — | — | 1,242 | 130 | 693 | 364 | — | 2,460 |
| Disposals | — | — | — | (269) | (382) | — | (6) | — | (657) |
| Disposals of subsidiaries | (244) | — | — | — | (444) | — | (1,013) | — | (1,701) |
| Revaluation | — | 235 | — | — | — | — | — | — | 235 |
| Reclassified to investment properties | — | (375) | — | — | — | — | — | — | (375) |
| At 31 December 2006 | 3,340 | 68,610 | — | 36,916 | 17,371 | 6,936 | 3,377 | — | 136,550 |
| Exchange adjustments | 37 | 4,462 | 5,884 | 1,456 | 995 | 252 | 105 | 418 | 13,609 |
| Additions | 937 | 162 | 159,086 | 3,019 | 383 | 710 | 434 | — | 164,731 |
| Reclassification | — | 153 | 3,317 | (389) | — | 236 | — | (3,317) | — |
| Acquired on acquisition of subsidiaries | — | — | 78,739 | — | 109 | 585 | — | 3,345 | 82,778 |
| Reclassified as assets held for sale | (1,128) | — | — | — | (264) | — | (1,127) | — | (2,519) |
| Disposals | (869) | (1,032) | — | (2,710) | (897) | — | (368) | — | (5,876) |
| Disposal of subsidiaries of a jointly control entity | (671) | — | — | — | (1,694) | (2,229) | (1,830) | — | (6,424) |
| Acquisition of subsidiaries of a jointly control entity | 4 | — | — | — | 62 | — | — | — | 66 |
| Disposals of subsidiaries | — | (72,355) | — | (38,292) | (14,973) | (6,143) | — | (61) | (131,824) |
| **At 31 December 2007** | **1,650** | **—** | **247,026** | **—** | **1,092** | **347** | **591** | **385** | **251,091** |
| DEPRECIATION | | | | | | | | | |
| At 1 January 2006 | 2,895 | 21,582 | — | 31,101 | 15,721 | 3,685 | 2,389 | — | 77,373 |
| Exchange adjustments | 9 | 736 | — | 935 | 427 | 126 | 17 | — | 2,250 |
| Provided for the year | 169 | 2,002 | — | 534 | 290 | 326 | 492 | — | 3,813 |
| Eliminated on disposals | — | — | — | (228) | (378) | — | (2) | — | (608) |
| Eliminated on disposals of subsidiaries | (178) | — | — | — | (368) | — | (569) | — | (1,115) |
| Reclassified to investment properties | — | (36) | — | — | — | — | — | — | (36) |

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold improvements HK$'000 | Buildings HK$'000 | Medical equipment HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Computer equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 31 December 2006 | 2,895 | 24,284 | — | 32,342 | 15,692 | 4,137 | 2,327 | — | 81,677 |
| Exchange adjustments | 9 | 1,501 | 271 | 173 | 908 | 232 | 70 | — | 3,164 |
| Provided for the year | 197 | 1,890 | 5,470 | 200 | 234 | 437 | 471 | — | 8,899 |
| Reclassified as assets held-for-sale | (423) | — | — | — | (171) | — | (713) | — | (1,307) |
| Eliminated on disposals | (663) | (1,032) | — | (2,710) | (861) | — | (338) | — | (5,604) |
| Eliminated on disposals of subsidiaries | — | (26,643) | — | (30,005) | (13,392) | (4,399) | — | — | (74,439) |
| Eliminated on disposal of subsidiaries of a jointly control entity | (642) | — | — | — | (1,607) | (74) | (1,311) | — | (3,634) |
| **At 31 December 2007** | **1,373** | **—** | **5,741** | **—** | **803** | **333** | **506** | **—** | **8,756** |
| CARRYING VALUES | | | | | | | | | |
| **At 31 December 2007** | **277** | **—** | **241,285** | **—** | **289** | **14** | **85** | **385** | **242,335** |
| At 31 December 2006 | 445 | 44,326 | — | 4,574 | 1,679 | 2,799 | 1,050 | — | 54,873 |

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | 20% - $33\frac{1}{3}$% or over the shorter of the term of the lease |
| Buildings | 2.5% - 5.0% or over the shorter of the term of the lease |
| Medical equipment | 7% - 10% |
| Plant and machinery | 10% - 15% |
| Furniture, fixtures and equipment | 10% - 20% |
| Computer equipment | 20% - 30% |
| Motor vehicles | 20% - 25% |

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2007, all of the Group's medical equipment are held under operating lease to earn the leasing income. Included in the carrying value of medical equipment was jointly controlled assets of HK$66,809,000. Details of the jointly controlled assets are set out in note 24(b).

At 31 December 2006, certain buildings of the Group with a total carrying value of approximately HK$5,176,000 were pledged to secure banking facilities granted to Group.

| | Leasehold Improvements | Furniture, fixtures and equipment | Computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **The Company** | | | | | |
| COST | | | | | |
| At 1 January 2006 | 1,491 | 1,480 | 768 | 347 | 4,086 |
| Additions | — | — | 47 | — | 47 |
| Disposals | — | (383) | — | — | (383) |
| At 31 December 2006 | 1,491 | 1,097 | 815 | 347 | 3,750 |
| Additions | — | 13 | 70 | — | 83 |
| Disposals | — | (163) | (294) | — | (457) |
| **At 31 December 2007** | **1,491** | **947** | **591** | **347** | **3,376** |
| DEPRECIATION | | | | | |
| At 1 January 2006 | 1,491 | 1,330 | 657 | 159 | 3,637 |
| Provided for the year | — | 61 | 69 | 87 | 217 |
| Disposals | — | (378) | — | — | (378) |
| At 31 December 2006 | 1,491 | 1,013 | 726 | 246 | 3,476 |
| Provided for the year | — | 58 | 66 | 87 | 211 |
| Eliminated on disposals | — | (159) | (286) | — | (445) |
| **At 31 December 2007** | **1,491** | **912** | **506** | **333** | **3,242** |
| CARRYING VALUES | | | | | |
| **At 31 December 2007** | **—** | **35** | **85** | **14** | **134** |
| At 31 December 2006 | — | 84 | 89 | 101 | 274 |

## 17. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| FAIR VALUE | |
| At 1 January 2006 | 40,320 |
| Reclassification from other buildings and leasehold land | 450 |
| Net increase in fair value recognised in the consolidated income statement | 5,460 |
| At 31 December 2006 | 46,230 |
| Disposals | (46,230) |
| **At 31 December 2007** | **—** |

The investment properties at 31 December 2006 were revalued by Colliers International (Hong Kong) Limited, independent professional qualified valuer. The valuation was arrived at by reference to market evidence of transaction price for similar properties.

The investment properties at 31 December 2006 were situated in a land in Hong Kong with medium term lease.

## 18. LEASEHOLD LAND AND LAND USE RIGHTS

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| The Group's leasehold land and land use rights comprise: | | |
| Leasehold land outside Hong Kong under medium-term lease | **—** | 11,198 |

## 19. GOODWILL

| | *HK$'000* |
|---|---|
| COST | |
| At 1 January 2007 | — |
| Arising on acquisition of subsidiaries | 578,946 |
| Arising on acquisition of additional interest in a subsidiary of a jointly controlled entity | 1,692 |
| At 31 December 2007 | 580,638 |
| IMPAIRMENT | |
| At 1 January 2007 | — |
| Impairment loss recognised (note) | 1,692 |
| At 31 December 2007 | 1,692 |
| CARRYING AMOUNT | |
| **At 31 December 2007** | **578,946** |

*Note:* The amount represents the full impairment loss on the goodwill arising on acquisition of additional interest in a subsidiary of a jointly controlled entity. Management of the jointly controlled entity reviewed the financial performance of the subsidiary and determined that the goodwill amount cannot be recovered and full impairment loss of HK$1,692,000 was recognised in the consolidated income statement accordingly.

Particulars regarding impairment testing on goodwill are set out below.

The carrying amount of goodwill as at 31 December 2007 is attributable to the acquisition of the Anping Medical Group which is engaged in the business segment of medical network as set out in note 9.

During the year ended 31 December 2007, except for the goodwill arising on the acquisition of additional interest in a subsidiary of a jointly controlled entity which was fully impaired by the jointly controlled entity, management determines that there is no impairment of goodwill of the Group to a cash generating unit.

The basis of the recoverable amounts of this cash generating unit and their major underlying assumptions are summarised below:

*Cash generating unit of medical network*

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period and discount rate of 19%. The cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted rental income and consultancy service income and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

## 20. INTANGIBLE ASSETS

| | ***HK$'000*** |
|---|---|
| COST | |
| Acquired on acquisition of subsidiaries during the year and balance at 31 December 2007 | 359,387 |
| AMORTISATION | |
| Provided for the year and balance at 31 December 2007 | 26,934 |
| CARRYING VALUE | |
| **At 31 December 2007** | **332,453** |

Intangible assets represent contract based intangible assets relating to the lease contracts and consultancy services contracts acquired as part of the acquisition of the Anping Medical Group. The lease contracts and consultancy services contracts entitle the Anping Medical Group to receive rental income and consultancy services fee income by leasing the gamma knife machines and related medical equipment to medical centres and provision of consultancy services on the operation of gamma knife machines and related medical equipment for the next 5 to 10 years.

The above intangible assets have a definite life up to 2017 and are being amortised on a straight-line basis over such remaining useful lives of approximately 5 to 10 years.

The amortization charge amounted to HK$26,934,000 was included in cost of services, which was included in segment results of medical network division.

## 21. INTERESTS IN SUBSIDIARIES

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **997,241** | 82,398 |
| Less: Impairment loss | **(75,522)** | (75,522) |
| | **921,719** | 6,876 |
| Amounts due from subsidiaries | **707,145** | 630,708 |
| Less: Impairment loss | **(429,764)** | (422,810) |
| | **277,381** | 207,898 |

The amounts due from subsidiaries are unsecured, repayable on demand, and interest free other than an amount of approximately HK$10,697,000 (2006: HK$44,716,000) which bears interest ranging form 4% to 8% (2006: 4% to 8%) per annum. In the opinion of the directors, the amount are not expected to be settled twelve months from the balance sheet date.

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

Details of principal subsidiaries are set out in note 48.

## 22. INTERESTS IN ASSOCIATES

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **—** | 103,174 |
| Share of post-acquisition losses | **—** | (74,460) |
| | **—** | 28,714 |
| Amount due from an associate | **—** | 15 |
| Amount due to an associate* | **—** | (3,900) |
| | **—** | 24,829 |

* *The amount represented the Group's subscription payable in respect of its equity investment in an associate.*

Included in the cost of investment in associates is goodwill arising on acquisitions of associates in prior years. The movement of goodwill is set out below.

| | ***HK$'000*** |
|---|---|
| Cost | |
| At 1 January 2006 | 27,842 |
| Addition | 6,598 |
| Impairment loss | (27,842) |
| At 31 December 2006 | 6,598 |
| Disposal through disposal of a subsidiary | (6,598) |
| **At 31 December 2007** | **—** |

## 22. INTERESTS IN ASSOCIATES (continued)

As at December 31, 2006, the Group had interests in the following associates:

| Name of entity | Form of business structure | Place of incorporation and operation | Class of share held | Proportion of nominal value of issued capital held by the Group | Principal activity |
|---|---|---|---|---|---|
| | | | | % | |
| China Gloria Consultants (Shanghai) Limited (note a) | Incorporated | British Virgin Island | Ordinary | 20 | Provision of consultancy for lottery business |
| Intelligent Edge Technologies Berhad | Incorporated | Malaysia | Ordinary | 24.6 | Provision of consultancy design and development of business application software solutions |
| SIIS Investment (No. 6) Limited (note b) | Incorporated | British Virgin Island | Ordinary | 40 | Investment holding |
| iMediaHouse Asia Limited (note c) | Incorporated | Hong Kong | Ordinary | 39.32 | Provision of advertising services |

The summarised financial information in respect of the associates is set out below:

| | THE GROUP | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Total assets | **—** | 83,266 |
| Total liabilities | **—** | (509) |
| Net assets | **—** | 82,757 |
| Share of net assets by the Group | **—** | 22,116 |
| Revenue | **7,006** | 16,723 |
| Loss for the year | **(2,929)** | (264,740) |
| Share of results of associates included in continuing operations | **(721)** | (54,626) |
| Share of results of associates included in discontinued operations | **—** | (43) |

## 22. INTERESTS IN ASSOCIATES (continued)

*Notes:*

(a) In October 2007, the Group disposed of its entire 20% equity interests in China Gloria Consultants (Shanghai) Limited at a consideration of approximately HK$15,000,000 and resulted in a gain on disposal of interests in associates of approximately HK$4,930,000.

(b) In October 2007, the Group disposed of its entire 40% equity interests in SIIS Investment (No. 6) Limited at a consideration of USD 420,000 (approximately HK$3,276,000) and resulted in a loss on disposal of interests in associates of approximately HK$11,000.

(c) In September 2007, the Group disposed of its entire 39.32% equity interest in iMediaHouse Asia Limited at a consideration of approximately HK$1,000,000. The disposal result in a gain on disposal of interests in associates of approximately HK$4,894,000.

## 23. AVAILABLE-FOR-SALE INVESTMENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Listed investments: | | | | |
| – Equity securities listed in Hong Kong | **—** | 24,028 | **—** | 21,568 |
| Unlisted securities: | | | | |
| – Equity securities | **95** | 62,564 | **—** | 22,604 |
| – Debt securities | **2,000** | 24,182 | **—** | — |
| Total | **2,095** | 110,774 | **—** | 44,172 |
| Analysed for reporting purposes as: | | | | |
| Current assets | **2,095** | 61,904 | **—** | 22,604 |
| Non-current assets | **—** | 48,870 | **—** | 21,568 |
| | **2,095** | 110,774 | **—** | 44,172 |

## 23. AVAILABLE-FOR-SALE INVESTMENTS (continued)

*Notes:*

Available-for-sale investments comprise listed and unlisted securities. Listed securities are stated at fair value which are determined based on the bid price quoted in the active market. Unlisted securities are measured at cost less impairment at 31 December, 2007. During the year, a loss arising on change in fair value of HK$29,124,000 for listed and unlisted available-for-sale investments was recognised in the investment revaluation reserve.

The Group also disposed of certain listed and unlisted securities with the carrying value of HK$57,428,000 and the amount of HK$4,746,000 released from the investment revaluation reserves at a total consideration of HK$57,428,000 and resulted in a loss on disposal of HK$4,746,000.

The impairment loss of HK$22,183,000 (2006: HK$22,148,000) on available-for-sale investments was made on the unlisted debt securities. In view of the suspension or prolonged delays in the operation of the investee, the directors have assessed the carrying amount of the unlisted securities with reference to the financial performance and position of the investee, and identified an impairment loss of HK$22,183,000 (2006: HK$22,148,000) on available-for-sale investments, a cumulative gain of HK$6,583,000 was removed from reserve and recognised in the consolidated income statement during the year while additional impairment loss of HK$15,600,000 was directly recognised in the consolidated income statement.

## 24. INTERESTS IN JOINT VENTURES

### (a) Jointly controlled entities

As at 31 December 2007, the Group had interests in the following significant jointly controlled entity:

| Name of entity | Place of incorporation/ operation | Class of share held | Proportion of nominal value of issued capital/ registered capital held by the Group | Principal activity |
|---|---|---|---|---|
| | | | % | |
| SBI E2-Capital Limited | Cayman Islands | Ordinary | 49% | Holding company of financial services group |

The Group adopted the proportionate consolidation method under HKAS 31 "Interests in Joint Venture" to account for its interests in SBI E2-Capital Limited. The following amount represents the Group's 49% share of assets and liabilities, income and expenses of SBI E2-Capital Limited and are included in the consolidated balance sheet and consolidated income statement.

## 24. INTERESTS IN JOINT VENTURES (continued)

### (a) Jointly controlled entities (continued)

The summarised financial information in respect of the Group's interest in jointly controlled entity which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

| | THE GROUP | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Current assets | **180,637** | 119,786 |
| Non-current assets | **2,844** | 4,861 |
| Current liabilities | **62,844** | 67,958 |
| Income | **124,502** | 57,114 |
| Expenses | **100,285** | 48,728 |

As explained in note 2(v), the Group classified its interests in assets and liabilities of SBI E2-Capital Limited as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively during the year ended 31 December 2007. The above amounts are disclosed in notes 12 and 28.

## 24. INTERESTS IN JOINT VENTURES (continued)

### (b) Jointly controlled assets

In addition to the jointly controlled entities listed above and as set out in note 2(ii), the Group entered into an agreement with Shanghai Rentung to acquire a 51% and 25.5% interest in gamma knife machines and PET-CT medical equipment respectively located in The Main Hospital of the Second Artillery Force of the People's Liberation Army of the PRC, Beijing, the PRC at a consideration of HK$67,731,000 including cash of HK$39,231,000 and fair value of 150,000,000 ordinary shares of the Company amounted to HK$28,500,000 which was calculated based on the published market price at date of acquisition. Pursuant to the terms of the agreement, the Anping Medical Group is entitled to the 51% and 25.5% income derived from the gamma knife machines and PET-CT medical equipment respectively for the period from 1 July 2007 to 20 September 2007 (the date prior to the agreement entered into with Shanghai Rentung). The related pre-acquisition income, amounting to HK$2,788,000, was accounted for as deduction from the consideration for acquisition of those medical equipment accordingly.

At 31 December 2007, the aggregate amount of assets and liabilities recognised in the consolidated financial statements in relation to interests in jointly controlled assets are as follows:

| | ***HK$'000*** |
|---|---|
| Non-current asset | 66,809 |
| Current liabilities | — |
| Income | 3,798 |
| Expenses | 740 |

## 25. INVENTORIES

| | **2007**<br>***HK$'000*** | 2006<br>*HK$'000* |
|---|---|---|
| Raw materials | — | 2,378 |
| Work in progress | — | 7,589 |
| Finished goods | — | 676 |
| | — | 10,643 |

## 26. TRADE RECEIVABLES, AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables | **11,277** | 53,352 | **—** | — |
| Deposits and prepayments | **1,795** | 14,069 | **1,481** | 1,338 |
| Receivable for disposal of subsidiaries *(Note a)* | **112,481** | 11,189 | **112,481** | — |
| Receivable due from a former shareholder of subsidiaries *(Note b)* | **9,270** | — | **—** | — |
| Receivable in respect of tax indemnity *(Note c)* | **27,862** | — | **27,862** | — |
| Temporary payments *(Note d)* | **—** | 16,861 | **—** | — |
| Others | **2,222** | 5,508 | **207** | 2,092 |
| | **153,630** | 47,627 | **142,031** | 3,430 |
| | **164,907** | 100,979 | **142,031** | 3,430 |

*Notes:*

(a) Subsequent to the balance sheet date, the Group received the amount of HK$60,902,000 and the remaining balance of HK$51,579,000 is due on or before 31 October 2008.

(b) The amount is unsecured, interest free and repayable on demand. In the opinion of the directors, the amount will be settled within twelve months from the balance sheet date.

(c) The amount represents the amount of tax indemnity given by the Vendor pursuant to the sales and purchase agreement in respect of the acquisition of the Anping Medical Group.

(d) Temporary payments represent the payment to subscribe the shares under initial public offering of the customers of the jointly controlled entity, which was engaged in corporate finance services.

## 26. TRADE RECEIVABLES, AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

The Group generally allows an average credit period of 30 days to 90 days during the year ended 31 December 2007 (2006: 30 days to 180 days) to its trade customers. The following is an aged analysis at trade receivable at the balance sheet date.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| 0 - 30 days | **11,277** | 45,008 | **—** | — |
| 31 - 90 days | **—** | 5,776 | **—** | — |
| 91 - 180 days | **—** | 1,987 | **—** | — |
| Over 180 days | **—** | 581 | **—** | — |
| | **11,277** | 53,352 | **—** | — |

Before accepting any new customer, the Group assess the potential customer's quality and defines credit limit by customer.

At 31 December 2007, all trade receivables are not past due nor impaired (2006: HK$52,771,000) and the Group consider the credit quality of the trade receivables within the credit limit set by the Group by using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade receivables and did not identify any credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$581,000 at 31 December 2006 were past due at 31 December 2006 for which the Group has not provided for impairment loss. The Group does not hold collateral over these balances and were subsequently settled.

Ageing of trade receivables which are past due but not impaired

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Over 180 days | **—** | 581 |

Movement of the allowance for doubtful debts on other receivables

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **—** | — |
| Impairment losses recognised on other receivables | **945** | 245 |
| Amounts written off as uncollectible | **(945)** | (245) |
| Balance at end of the year | **—** | — |

The impairment losses recognised on other receivables because the counterparties have financial difficulties.

## 27. BANK BALANCE AND CASH

The Group's bank balance of HK$108,919,000 (2006: HK$35,755,000) carries variable rate interest at 0.25% - 3% per annum (2006: 0.25% - 3% per annum).

The Company's bank balances of HK$5,568,000 (2006: HK$4,003,000) carries variable interest rate of 0.25% - 3% per annum (2006: 0.25% - 3%).

The amount of the Group's and the Company's bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| US dollar | **5,430** | 13,394 | **5,424** | 3,896 |
| Japanese Yen | **39** | 37 | **39** | 36 |
| Singapore dollar | **33** | 22,503 | **—** | — |
| Renminbi | **—** | 7,106 | **—** | — |
| | **5,502** | 43,040 | **5,463** | 3,932 |

## 28. ASSETS CLASSIFIED AS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As explained in note 2(v), the assets and liabilities of SBI E2-Capital Limited were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 31 December 2007. The following amounts represent the Group's 49% share of the assets and liabilities of SBI E2-Capital Limited as at 31 December 2007, which are presented separately in the consolidated balance sheet at 31 December 2007.

| | ***HK$'000*** |
|---|---|
| Property, plant and equipment | **1,212** |
| Interests in associates | **1,607** |
| Other assets | **25** |
| Financial assets at fair value through profit or loss | **8,934** |
| Trade and other receivables | **69,092** |
| Bank balances and cash | **102,611** |
| | **183,481** |
| Less: Impairment loss | **(7,594)** |
| Total assets classified as held for sale | **175,887** |
| Trade and other payables | **61,516** |
| Income tax liabilities | **1,328** |
| Total liabilities directly associated with assets classified as held for sale | **62,844** |
| Minority interest of SBI E2-Capital Limited | **23,376** |

The Group entered into a conditional agreement in January 2008 to dispose of its entire interest of 49% in SBI E2-Capital Limited at a consideration of HK$81,000,000. The consideration is satisfied by a promissory note with 1.5% interest per annum and a maturity period of 2 years. The impairment loss of HK$7,594,000 is calculated based on the difference between the fair value of the consideration of HK$74,967,000 and cash dividend received on 18 February 2008 of HK$14,700,000 and the net asset value of SBI E2-Capital Limited attributable to the Group amounting to HK$97,261,000 at 31 December 2007.

## 29. TRADE PAYABLES, ACCRUED EXPENSE AND DEPOSITS RECEIVED

The following is an aged analysis of trade payables at the balance sheet date:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| 0 - 30 days | **—** | 38,356 | **—** | — |
| 31 - 90 days | **—** | 5,701 | **—** | — |
| 91 days - 180 days | **—** | 721 | **—** | — |
| Over 180 days | **—** | 304 | **—** | — |
| | **—** | 45,082 | **—** | — |
| Amount due to a jointly controlled entity | **—** | — | **—** | 14,737 |
| Accrued expenses | **8,264** | 22,219 | **5,928** | 3,888 |
| Deferred income (Note) | **8,915** | 8,915 | **—** | — |
| Interest payable | **655** | 845 | **465** | 178 |
| Short term advance | **—** | 7,325 | **—** | — |
| Deposits received | **—** | 5,730 | **—** | 160 |
| Others | **16,125** | 29,759 | **2** | 2 |
| | **33,959** | 119,875 | **6,395** | 18,965 |

*Note:* The amount represented a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of approximately HK$8,915,000, which was calculated based on the net realized gain on disposal of investments by the fund, which is subject to the clawback provision, in which the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in August 2007. The fund was terminated in August 2007 and the director of the Company considered that no further provision was required.

## 30. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Loan from a former intermediate holding company *(note a)* | **10,540** | 9,860 | **10,540** | 9,860 |
| Loan from a former fellow subsidiary *(note b)* | **62,820** | 58,770 | **62,820** | 58,770 |
| Secured bank loan *(note c)* | **—** | 3,984 | **—** | — |
| | **73,360** | 72,614 | **73,360** | 68,630 |
| Analysed by: | | | | |
| Secured | **—** | 3,984 | **—** | — |
| Unsecured | **73,360** | 68,630 | **73,360** | 68,630 |
| | **73,360** | 72,614 | **73,360** | 68,630 |
| Carrying amount repayable: | | | | |
| On demand or within one year | **73,360** | 3,984 | **73,360** | 68,630 |
| More than one year, but not exceeding two years | **—** | 68,630 | **—** | — |
| | **73,360** | 72,614 | **73,360** | 68,630 |
| Less: Amounts due within one year shown under current liabilities | **(73,360)** | (3,984) | **(73,360)** | — |
| Amount due after one year | **—** | 68,630 | **—** | 68,630 |

## 30. BORROWINGS (continued)

*Notes:*

(a) The amount represents a loan due to a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and subordinated to the guaranteed convertible notes issued in August 2002 (note 31).

(b) The amount represents a loan due to a former fellow subsidiary. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and subordinated to the convertible notes issued in August 2002 (note 31).

(c) The amount were secured by the leasehold land and land use rights and buildings of the Group of approximately HK$ 5,433,000 and carried interest at prevailing market rate. The effective interest rate for the year ended 31 December 2006 was 7.66% per annum.

The amounts of the Group's and the Company's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

| | THE GROUP AND THE COMPANY JPY *HK$'000* |
|---|---|
| **As at 31 December 2007** | |
| Loan from a former intermediate holding company | **10,540** |
| Loan from a former fellow subsidiary | **62,820** |
| | **73,360** |
| As at 31 December 2006 | |
| Loan from a former intermediate holding company | 9,860 |
| Loan from a former fellow subsidiary | 58,770 |
| | 68,630 |

The effective interest rate on the Group's borrowings ranged from 6.93% to 7.66% per annum for the year ended 31 December 2006 and 31 December 2007.

## 31. GUARANTEED CONVERTIBLE NOTES

| | THE GROUP | |
|---|---|---|
| | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* |
| Carrying amount of liability component of guaranteed convertible notes issued on: | | |
| – 28 August 2002 ("2002 5% Notes") *(note a)* | **4,891** | 4,677 |
| – 2 February 2006 ("2006 6% Notes") *(note b)* | **—** | 12,787 |
| – 23 March 2007 ("2007 5% Notes") *(note c)* | **2,807** | — |
| | **7,698** | 17,464 |
| Less: Amounts due within one year shown under current liabilities | **(4,891)** | — |
| Amount due after one year | **2,807** | 17,464 |

The guaranteed convertible notes were issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company, and entitled the holders to convert into the ordinary shares of the Company, subject to the terms of respective guaranteed convertible notes.

The fair values of the liability component and the equity component were determined at issuance of the convertible notes. The effective interest rate is 9.75%, 10.75% and 10.75% for the 2002 5% Notes, 2006 6% Notes and 2007 5% Notes respectively.

The guaranteed convertible notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of "guaranteed convertible notes-equity component reserve".

## 31. GUARANTEED CONVERTIBLE NOTES (continued)

The movement of the liability component of the guaranteed convertible notes for the year is set out below:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount at the beginning of the year | **17,464** | 19,892 |
| Issue of convertible notes | **78,877** | — |
| Interest charge | **3,342** | 1,777 |
| Interest paid | **(1,826)** | (1,102) |
| Redemption | **—** | (3,103) |
| Conversion | **(90,159)** | — |
| Carrying amount at the end of the year | **7,698** | 17,464 |

*Notes:*

(a) On 28 August 2002, SIIS Treasury Limited issued HK$156,400,000 5% guaranteed convertible notes due in August 2005. The 2002 5% Notes bear a fixed interest of 5% per annum. The 2002 5% Notes entitled the holder to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK$0.31 per share, subject to anti-dilutive adjustment. On 28 August 2004, the conversion price was adjusted to HK$0.11 per share by anti-dilutive adjustments. Unless previously converted by the convertible note holder, SIIS Treasury Limited will redeem the 2002 5% Notes on the maturity date at the principal amount of the 2002 5% Notes then outstanding.

In August 2005, the Group entered into a supplemental agreement with the noteholder of the 2002 5% Notes whereby the maturity date of the outstanding 2002 5% Notes was extended from 29 August 2005 to 28 August 2008. Save as the extension of the maturity date, all other terms and conditions remain unchanged.

As at 31 December 2007, the outstanding principal amounts of the 2002 5% Notes were HK$5,000,000 (2006: HK$5,000,000). During the year, there was no conversion of the 2002 5% Notes (2006: Nil).

(b) On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK$33,200,000 and HK$14,800,000 5% guaranteed convertible notes (collectively the "2004 5% Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2004 5% Notes bear a fixed interest of 5% per annum and entitled the holder to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK$0.10 per share.

As at 31 December 2005, the outstanding principal amount of the 2004 5% Notes were HK$15,000,000. On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK$14,000,000 6% guaranteed new convertible notes due on 2 February 2009 to the noteholder (the "2006 6% Notes") to replace the 2004 5% Notes in the principal amount of HK$14,000,000. The remaining 2004 5% Notes in the principal amount of HK$1,000,000 was fully redeemed on 13 February 2006.

During the year, the remaining principal amount of HK$14,000,000 of the 2006 6% Notes were fully converted into 140,000,000 new ordinary shares of HK$0.10 each of the Company (2006: Nil).

## 31. GUARANTEED CONVERTIBLE NOTES (continued)

*Notes:* (continued)

(c) On 23 March 2007, SIIS Treasury Limited issued HK$89,500,000 5% guaranteed convertible notes due on 23 March 2009 (the "2007 5% Notes"). The 2007 5% Notes bear a fixed interest of 5% per annum. The 2007 5% Notes enable the noteholder to convert at any time from 23 March 2007 to 23 March 2009 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK$0.10 per share, subject to anti-dilutive adjustments. Unless previously converted by the convertible note holder, SIIS Treasury Limited will redeem the 2007 5% Notes on the maturity date at the principal amount of the 2007 5% Notes then outstanding. During the year, a principal amount of HK$86,500,000 of the 2007 5% Notes were converted into 865,000,000 new ordinary shares of HK$0.10 each of the Company.

Pursuant to the terms of the above mentioned guaranteed convertible notes, the due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

## 32. SHARE CAPITAL

| | **2007** | | 2006 | |
|---|---|---|---|---|
| | **No. of shares** | **Amount** | No. of shares | Amount |
| | ***'000*** | ***HK$'000*** | *'000* | *HK$'000* |
| Ordinary shares of HK$0.10 each | | | | |
| Authorised | | | | |
| At 1 January | **10,000,000** | **1,000,000** | 10,000,000 | 1,000,000 |
| Increase during the year *(note d)* | **10,000,000** | **1,000,000** | — | — |
| At December 31 | **20,000,000** | **2,000,000** | 10,000,000 | 1,000,000 |
| At 1 January | **4,976,291** | **497,629** | 4,311,385 | 431,138 |
| Issued of shares *(note a)* | **4,860,000** | **486,000** | 650,000 | 65,000 |
| Issue of shares upon conversion of guaranteed convertible notes *(note b)* | **1,005,000** | **100,500** | — | — |
| Exercise of share options *(note c)* | **561,048** | **56,105** | 14,906 | 1,491 |
| At December 31 | **11,402,339** | **1,140,234** | 4,976,291 | 497,629 |

## 32. SHARE CAPITAL (continued)

*Notes:*

a. (i) During the year ended 31 December 2007, the Company issued:

- 2,000,000,000 ordinary shares at a placing price of HK$0.125 per share to independent investors for cash;
- 2,710,000,000 ordinary shares at HK$0.22 per share (being the fair value at date of issue measured using the Black-Scholes Option Pricing Model as disclosed in note 37) as part of the consideration for the acquisition of the Anping Medical Group; and
- 150,000,000 ordinary shares at HK$0.19 per share (being the market price at the date of issue) as part of the consideration for the acquisition of the Group's jointly controlled assets.

(ii) During the year ended 31 December 2006, the Company issued:

- 150,000,000 ordinary shares at HK$0.10 per share as consideration for the acquisition of a 10% equity interest in China Gloria Consultants (Shanghai) Limited, an available-for-sale investment; and
- 500,000,000 ordinary shares at HK$0.10 per share for cash amounting to HK$50,000,000, of which HK$46,000,000 was used to acquire an additional 10% equity interest in China Gloria Consultants (Shanghai) Limited.

b. During the year ended 31 December 2007, guaranteed convertible notes with principal amounts of HK$100,500,000 were converted into 1,005,000,000 ordinary shares at a conversion price of HK$0.10 per share.

c. (i) During the year ended 31 December 2007, 561,048,000 ordinary shares were issued as a result of exercise of share options.

(ii) During the year ended 31 December 2006, 14,906,000 ordinary shares were issued as a result of exercise of share options.

All shares issued during the year rank pari passu with the then existing shares in all respects.

d. At an extraordinary general meeting on 10 July 2007, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$2,000,000,000 by the creation of additional 10,000,000,000 ordinary shares of HK$0.10 each. These shares rank pari passu with the existing shares in all respects.

## 33. RESERVES OF THE COMPANY

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Investment revaluation reserve HK$'000 | Share option reserve HK$'000 | Guaranteed convertible note-equity component HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2006 | 646,960 | 1,899 | (12,033) | 7,912 | 1,359 | (881,613) | (235,516) |
| Loss on fair value changes of available-for-sale investments recognised directly in equity | — | — | (7,170) | — | — | — | (7,170) |
| Transferred to income statement on impairment of available-for-sales investments | — | — | 18,010 | — | — | — | 18,010 |
| Loss for the year | — | — | — | — | — | (134,516) | (134,516) |
| Total recognised income and expense for the year | — | — | 10,840 | — | — | (134,516) | (123,676) |
| Transaction costs attributable to issue of shares | (845) | — | — | — | — | — | (845) |
| Released upon maturity of guaranteed convertible notes | — | — | — | — | (779) | 779 | — |
| Extension of convertible notes | — | — | — | — | 1,668 | — | 1,668 |
| Fair value of share option credited to share option reserve | — | — | — | 12,077 | — | — | 12,077 |
| Exercise of share options | 207 | — | — | (207) | — | — | — |
| Lapse of share options | — | — | — | (197) | — | 197 | — |
| At 31 December 2006 | 646,322 | 1,899 | (1,193) | 19,585 | 2,248 | (1,015,153) | (346,292) |
| Loss on fair value changes of available-for-sale investments recognised directly in equity | — | — | (3,687) | — | — | — | (3,687) |

## 33. RESERVES OF THE COMPANY (continued)

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Investment revaluation reserve HK$'000 | Share option reserve HK$'000 | Guaranteed convertible note-equity component HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Loss for the year | — | — | — | — | — | (42,753) | (42,753) |
| Reserve released upon disposal of available-for-sale investments | — | — | 4,880 | — | — | — | 4,880 |
| Total recognised income and expenses for the year | — | — | 1,193 | — | — | (42,753) | (41,560) |
| Issue of ordinary shares | 397,174 | — | — | — | — | — | 397,174 |
| Transaction costs attributable to issue of ordinary shares | (9,112) | — | — | — | — | — | (9,112) |
| Conversion of convertible notes | 69 | — | — | — | (10,410) | — | (10,341) |
| Recognition of equity component of guaranteed convertible notes | — | — | — | — | 8,846 | — | 8,846 |
| Fair value of share options credited to share option reserve | — | — | — | 17,389 | — | — | 17,389 |
| Exercise of share options | 13,862 | — | — | (12,831) | — | — | 1,031 |
| Lapse of share options | — | — | — | (1,525) | — | 1,525 | — |
| **At 31 December 2007** | **1,048,315** | **1,899** | **—** | **22,618** | **684** | **(1,056,381)** | **17,135** |

## 34. PROMISSORY NOTES

As part of the consideration for acquisition of the Anping Medial Group, the Company issued promissory notes with a principal of HK$320,000,000. The promissory notes bear interest at 3% per annum. The maturity date of the promissory notes is 13 July 2010. Interest is payable semi-annually. Pursuant to the terms of the promissory notes, the Company has the right to early redeem the whole or part of the principal amount of the promissory notes at par. The amount of promissory notes is initially recognised at fair value, which is determined based on the present value of the estimated future cash outflows discounted at the effective interest rate of 6.32% per annum. The amount of promissory notes is subsequently measured at amortised cost. In October 2007, the Company exercise its right to early redeem part of the principal amount of promissory notes amounting to HK$200,000,000 at par.

The movements of the promissory notes during the year is set out below:

| | **THE GROUP AND THE COMPANY** *HK$'000* |
|---|---|
| At 1 January 2007 | **—** |
| Issue of promissory notes | **289,145** |
| Interest expenses | **21,026** |
| Redemption of promissory notes | **(200,000)** |
| **At 31 December 2007** | **110,171** |

## 35. DEFERRED TAX LIABILITIES

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the year:

| | **Accelerated tax depreciation** *HK$'000* | **Revaluation of properties** *HK$'000* | **Tax losses** *HK$'000* | **Fair value adjustment on intangible assets** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| At 1 January 2006 | — | — | — | — | — |
| Charge (credit) to consolidated income statement for the year | 411 | 3,768 | (2,412) | — | 1,767 |
| At 31 December 2006 | 411 | 3,768 | (2,412) | — | 1,767 |
| Arising on acquisition of subsidiaries | — | — | — | 89,847 | 89,847 |
| (Credit) charge to consolidated income statement for the year | (411) | (3,768) | 2,412 | (6,734) | (8,501) |
| **At 31 December 2007** | **—** | **—** | **—** | **83,113** | **83,113** |

## 35. DEFERRED TAX LIABILITIES (continued)

At the balance sheet date, the Group's unused tax losses available for offset against future profits were as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unused tax losses | | |
| – Recognised as deferred tax asset | **—** | 13,779 |
| – Unrecognised tax losses (Note) | **204,680** | 161,560 |
| | **204,680** | 175,339 |

*Note:* All the unused tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

## 36. SHARE BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed on 30 October 2001 for the primary purpose of providing incentives to directors and eligible employees, will expire on 29 October 2011. Under the Scheme, the Board of Directors of the Company may grant options to eligible persons, including any full time and part time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, to subscribe for shares in the Company.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,039,730,000 (2006: 1,074,050,000), representing 9.1% (2006: 21.6%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. An option may be exercised in accordance with terms of the Scheme at any time during a period to be notified by the Board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and (iii) the nominal value of the Company's share.

## 36. SHARE BASED PAYMENT TRANSACTIONS (continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2007:

| | | | | | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Grantee | Date of grant | Vesting period | Exercisable period | Exercise price per share | At 1 January 2007 | Granted during the year | Exercised during the year | Lapsed during the year | Granted (Cancelled) with replacement | Cancelled during the year | At 31 December 2007 |
| | | | | *HK$* | | | | | | | |
| *Directors* | 21-02-2002 | N/A* | 21-02-2002 to 20-02-2012 | 0.280 | 31,902,000 | — | — | — | — | — | 31,902,000 |
| | 03-11-2003 | N/A* | 03-11-2003 to 02-11-2013 | 0.100 | 93,632,000 | — | (20,000,000) | — | — | — | 73,632,000 |
| | 24-05-2004 | N/A* | 24-05-2004 to 23-05-2014 | 0.100 | 18,264,000 | — | — | — | — | — | 18,264,000 |
| | 29-03-2005 | N/A* | 29-03-2005 to 28-03-2015 | 0.100 | 10,000,000 | — | — | — | — | — | 10,000,000 |
| | 10-04-2006 | N/A* | 10-04-2006 to 09-04-2016 | 0.100 | 159,512,000 | — | (4,310,000) | — | — | — | 155,202,000 |
| | 03-05-2007 | N/A* | 03-05-2007 to 02-05-2017 | 0.190 | — | 5,458,000 | (5,458,000) | — | — | — | — |
| | 09-08-2007 | 09-08-2008 to 09-08-2010 | 09-08-2007 to 08-08-2017 | 0.240 | — | 250,664,000 | — | — | (248,664,000) | (2,000,000) | — |
| | 28-12-2007 | 07-03-2009 to 07-03-2010 | 07-03-2008 to 06-03-2018 | 0.130 | — | — | — | — | 248,664,000 | — | 248,664,000 |
| | | | | | 313,310,000 | 256,122,000 | (29,768,000) | — | — | (2,000,000) | 537,664,000 |
| *Employees* | 21-02-2002 | 21-02-2002 to 21-02-2005 | 21-02-2002 to 20-02-2012 | 0.280 | 4,700,000 | — | — | (2,600,000) | — | — | 2,100,000 |
| | 03-11-2003 | 03-11-2003 to 03-11-2005 | 03-11-2003 to 02-11-2013 | 0.100 | 25,016,000 | — | (25,016,000) | — | — | — | — |
| | 24-05-2004 | 24-05-2004 to 26-01-2006 | 24-05-2004 to 23-05-2014 | 0.100 | 63,500,000 | — | (63,500,000) | — | — | — | — |
| | 10-04-2006 | 10-04-2006 to 10-04-2008 | 10-04-2006 to 09-04-2016 | 0.100 | 97,000,000 | — | (63,700,000) | (4,300,000) | — | — | 29,000,000 |
| | 26-04-2007 | 26-04-2007 to 26-04-2009 | 26-04-2007 to 25-04-2017 | 0.200 | — | 61,800,000 | (400,000) | (17,000,000) | — | — | 44,400,000 |
| | | | | | 190,216,000 | 61,800,000 | (152,616,000) | (23,900,000) | — | — | 75,500,000 |

## 36. SHARE BASED PAYMENT TRANSACTIONS (continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2007:(continued)

| Grantee | Date of grant | Vesting period | Exercisable period | Exercise price per share HK$ | At 1 January 2007 | Granted during the year | Exercised during the year | Lapsed during the year | Granted (Cancelled) with replacement | Cancelled during the year | At 31 December 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of share options | | | | | | |
| Consultants/ *Advisors* | 21-02-2002 | 21-02-2002 to 21-02-2005 | 21-02-2002 to 20-02-2012 | 0.280 | 47,002,000 | — | — | (15,000,000) | — | — | 32,002,000 |
| | 03-11-2003 | 03-11-2003 to 03-11-2005 | 03-11-2003 to 02-11-2013 | 0.100 | 94,632,000 | — | (80,632,000) | — | — | — | 14,000,000 |
| | 26-01-2004 | N/A* | 26-01-2004 to 25-01-2014 | 0.120 | 5,000,000 | — | (5,000,000) | — | — | — | — |
| | 24-05-2004 | 24-05-2004 to 26-03-2006 | 24-05-2004 to 23-05-2014 | 0.100 | 235,264,000 | — | (179,264,000) | (30,000,000) | — | — | 26,000,000 |
| | 29-03-2005 | 29-03-2005 to 29-03-2007 | 29-03-2005 to 28-03-2015 | 0.100 | 14,000,000 | — | (14,000,000) | — | — | — | — |
| | 10-04-2006 | 10-04-2006 to 10-04-2008 | 10-04-2006 to 09-04-2016 | 0.100 | 137,160,000 | — | (59,802,000) | — | — | — | 77,358,000 |
| | 28-04-2006 | N/A* | 28-04-2006 to 27-04-2016 | 0.104 | 37,466,000 | — | (37,466,000) | — | — | — | — |
| | 26-04-2007 | 26-04-2007 to 26-04-2009 | 26-04-2007 to 25-04-2017 | 0.200 | — | 52,800,000 | (2,500,000) | — | — | — | 50,300,000 |
| | 10-07-2007 | 10-07-2007 to 10-07-2010 | 10-07-2007 to 09-07-2017 | 0.280 | — | 10,000,000 | — | — | (10,000,000) | — | — |
| | 09-08-2007 | 09-08-2008 to 09-08-2010 | 09-08-2007 to 08-08-2017 | 0.240 | — | 116,906,000 | — | — | (116,906,000) | — | — |
| | 06-11-2007 | 01-01-2008 to 01-07-2009 | 06-11-2007 to 05-11-2017 | 0.202 | — | 100,000,000 | — | — | — | — | 100,000,000 |
| | 28-12-2007 | 07-03-2010 to 07-03-2011 | 07-03-2008 to 06-03-2018 | 0.130 | — | — | — | — | 126,906,000 | — | 126,906,000 |
| | | | | | 570,524,000 | 279,706,000 | (378,664,000) | (45,000,000) | — | — | 426,566,000 |
| | | | | TOTAL: | 1,074,050,000 | 597,628,000 | (561,048,000) | (68,900,000) | — | (2,000,000) | 1,039,730,000 |
| Exercisable at the end of the year | | | | | | | | | | | 518,087,000 |

* *The share options granted were immediately vested on the date of grant or, for a grantee who is a director, on a later date in which the grantee became a director of the Company (as the case may be).*

## 36. SHARE BASED PAYMENT TRANSACTIONS (continued)

Details of the share option movement for the year ended 31 December 2006 were set out in paragraph headed "Options granted under the share option scheme" in the Report of the Directors.

The fair value of the share options granted during the current was calculated using the Black-Scholes Option Pricing Model (the "Model") carried out by Greater China Appraisal Limited, an independent valuer with no connection with the Group.

The fair values of the options granted are as follows:

| Date of grant | Fair value of share options per share |
|---|---|
| 26 April 2007 | HK$0.0590 to HK$0.0715 |
| 3 May 2007 | HK$0.0597 |
| 10 July 2007 | HK$0.1021 to HK$0.1249 |
| 9 August 2007 | HK$0.0778 to HK$0.0958 |
| 6 November 2007 | HK$0.0640 to HK$0.0718 |
| 28 December 2007 | HK$0.0639 to HK$0.0703 |

The fair values were calculated using the Model. The inputs into the Model were as follows:

| | |
|---|---|
| Weighted average share price | HK$0.152 to HK$0.275 |
| Exercise price | HK$0.13 to HK$0.28 |
| Expected share volatility | 32% to 35.7% |
| Expected life | 5 to 6.5 years |
| Weighted average risk-free rate | 4.04% to 4.10% |
| Expected dividend yield | 0% |

Expected share volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of HK$17,389,000 was charged as an equity-settled expense for the year ended 31 December 2007(2006: HK$12,077,000).

During the year ended 31 December 2007, 377,570,000 share options were cancelled and replaced by 375,570,000 share options with a lower exercise price. The incremental fair value of HK$13,484,000 will be expensed over the remaining vesting period of 2 or 3 years. The Company used the inputs noted above to measure the fair value of the old and new options.

## 37. ACQUISITION OF SUBSIDIARIES

As explained in note 2 (i) , the Group acquired 100% interest in Renji Medical including the interests of the Anping Medical Group for a total consideration of HK$915,957,000. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transactions, and the goodwill arising on acquisition, are as follows:

| | Acquiree's carrying amount before combination *HK$'000* | Fair value adjustments *HK$'000* | Fair value *HK$'000* |
|---|---|---|---|
| Net assets acquired: | | | |
| Property, plant and equipment | 82,778 | — | 82,778 |
| Intangible assets | — | 359,387 | 359,387 |
| Trade receivable | 32,125 | — | 32,125 |
| Other receivables, prepayments and deposits | 12,450 | — | 12,450 |
| Bank balances and cash | 13,930 | — | 13,930 |
| Income tax liabilities | (28,407) | — | (28,407) |
| Other payables | (29,328) | — | (29,328) |
| Deferred taxation | — | (89,847) | (89,847) |
| | 83,548 | 269,540 | 353,088 |
| Minority interests | | | (16,077) |
| Goodwill | | | 578,946 |
| Total consideration | | | 915,957 |
| Total consideration satisfied by: | | | |
| Cash | | | 50,000 |
| Issue of shares | | | 604,674 |
| Issue of promissory notes | | | 289,145 |
| Other receivable (Note) | | | (27,862) |
| | | | 915,957 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration paid | | | (50,000) |
| Cash and cash equivalents acquired | | | 13,930 |
| | | | (36,070) |

## 37. ACQUISITION OF SUBSIDIARIES (continued)

*Note:* Other receivable represents an amount due from the Vendor in respect of tax indemnity given by the Vendor pursuant to the sales and purchase agreement for the acquisition of the Anping Medical Group, which was disclosed in note 26.

As part of the consideration for the acquisition of the Anping Medical Group, 2,710,000,000 ordinary shares of HK$0.10 each in the Company and promissory notes with principal amount of HK$320,000,000 were issued.

The fair value of the ordinary shares of the Company, determined using the Black-Scholes Option Pricing Model at the date of acquisition, amounted to HK$604,674,000 and the fair value of the promissory notes amounted to HK$289,145,000, were determined by the valuation performed by an independent valuer. A charge was made on the 2,710,000,000 ordinary shares issued to the Vendor in favour of the Company. The 2,710,000,000 ordinary shares issued to the Vendor was placed in an escrow account with a placing agent and will be released to the Vendor after the 2008 Valuation Adjustment set out in note 2 has been completed or lapsed. The shares are subject to the fulfillment of the profit guarantee which are set out in note 2. Accordingly, the fair value of the 2,710,000,000 shares were determined using the Black-Scholes Option Pricing Model take into consideration of the restriction on the transfer/sale of the shares.

The Aping Medial Group generated revenue of HK$56,994,000 and profit of HK$19,019,000 for the period between the date of acquisition and the balance sheet date.

## 38. ACQUISITION OF SUBSIDIARY OF A JOINTLY CONTROLLED ENTITY

On 31 August 2007, SBI E2-Capital Limited acquired an additional 50% interest in the issued share capital of a jointly controlled entity engaged in the provision of corporate finance services for a consideration of HK$6,641,000. This acquisition has been accounted for using the purchasing method by SBI E2-Capital Limited. An amount of goodwill arising as a result of the acquisition was HK$3,453,000. As the Group adopted the proportionate consolidation method to account for its interest in SBI E2-Capital Limited, the Group has shared 49% of the consideration and the goodwill which were HK$3,254,000 and HK$1,692,000 respectively.

The Group's interest of net assets acquired in the transaction and the goodwill (discount on acquisition) arising, are as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net assets acquired: | | |
| Property, plant and equipment | **66** | — |
| Other non-current assets | **—** | 13 |
| Trade and other receivables | **474** | 325 |
| Bank balances and cash | **1,583** | 1,968 |
| Trade and other payables | **(460)** | (1,526) |
| Income tax liabilities | **(101)** | — |
| | **1,562** | 780 |
| Goodwill (discount on acquisition) | **1,692** | (780) |
| Consideration | **3,254** | — |
| Analysis of the net inflow in respect of the acquisition of a jointly controlled entity's subsidiary: | | |
| Cash consideration | **(3,254)** | — |
| Bank balance and cash acquired | **1,583** | 1,968 |
| | **(1,671)** | 1,968 |

## 39. DISPOSAL OF SUBSIDIARIES

### (a) For the year ended 31 December 2007

The Group disposed of 100% interest in SIIS Investment (No. 2) Limited ("SIIS (No. 2)", now known as SIIS Investment (Malaysia) Limited), SIIS Investment (SVC) Limited (" SIIS (SVC)"), Shanghai Anping Medical Equipment Company Limited ("Anping Equipment") and Shanghai Anping SLK Medical Equipment Company Limited ("SLK Medical") for a total consideration of HK$9,000,000.

As set out in note 2 (iii) and (iv), the Group disposed of its entire interests in Dragon Lion Limited ("Dragon Lion") and Gesway Investment Limited ("Gesway") for a consideration of HK$20,005,000 and HK$52,000,000 respectively. The shareholder's loan of Gesway Investment Limited due to the Company amounting to HK$39,576,000 was also undertaken to be settled by the purchaser.

Details of the assets and liabilities of the disposed subsidiaries at date of disposal is as follows:

| | Continuing operations | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|
| | SIIS (No. 2) | SIIS (SVC) | Anping Equipment | SLK Medical | Sub-total | Dragon Lion | Gesway | Sub-total | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Property, plant and equipment | — | — | 283 | 403 | 686 | 21,250 | 35,449 | 56,699 | 57,385 |
| Leasehold land and land use rights | — | — | — | — | — | 1,010 | 10,648 | 11,658 | 11,658 |
| Interests in associates | 7,482 | — | — | — | 7,482 | — | — | — | 7,482 |
| Inventories | — | — | — | — | — | 12,079 | 460 | 12,539 | 12,539 |
| Trade receivable | — | — | 7,333 | 10,821 | 18,154 | 17,383 | 139 | 17,522 | 35,676 |
| Other receivables, prepayments and deposits | — | 8,270 | 7,849 | 15,870 | 31,989 | 748 | 1,303 | 2,051 | 34,040 |
| Bank balances and cash | — | — | 2,019 | 3,205 | 5,224 | 6,373 | 8,705 | 15,078 | 20,302 |
| Trade payable | — | — | — | — | — | (12,028) | (3,348) | (15,376) | (15,376) |
| Other payables and deposits received | — | (14) | (5,493) | (8,823) | (14,330) | (5,333) | (22,673) | (28,006) | (42,336) |
| Income tax liabilities | — | — | (6,632) | (10,758) | (17,390) | (578) | — | (578) | (17,968) |
| Borrowings | — | — | — | — | — | — | (4,180) | (4,180) | (4,180) |
| | 7,482 | 8,256 | 5,359 | 10,718 | 31,815 | 40,904 | 26,503 | 67,407 | 99,222 |
| Minority interests | — | — | (5,359) | (10,718) | (16,077) | (19,816) | (6,574) | (26,390) | (42,467) |
| Exchange reserve realised | (153) | (705) | — | — | (858) | 5,437 | (2,084) | 3,353 | 2,495 |
| (Loss) gain on disposal of subsidiaries | (1,329) | (4,555) | — | — | (5,884) | (6,540) | 73,679 | 67,139 | 61,255 |
| | 6,000 | 2,996 | — | — | 8,996 | 19,985 | 91,524 | 111,509 | 120,505 |

## 39. DISPOSAL OF SUBSIDIARIES (continued)

### (a) For the year ended 31 December 2007 (continued)

| | Continuing operations | | | | | Discontinued operations | | | |
|---|---|---|---|---|---|---|---|---|---|
| | SIIS (No. 2) | SIIS (SVC) | Anping Equipment | SLK Medical | Sub-total | Dragon Lion | Gesway | Sub-total | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Satisfied by: | | | | | | | | | |
| Cash | 4,100 | 3,000 | — | — | 7,100 | 1,000 | — | 1,000 | 8,100 |
| Other receivables | 1,900 | — | — | — | 1,900 | 19,005 | 91,576 | 110,581 | 112,481 |
| Expenses incurred for disposal | — | (4) | — | — | (4) | (20) | (52) | (72) | (76) |
| Total consideration | 6,000 | 2,996 | — | — | 8,996 | 19,985 | 91,524 | 111,509 | 120,505 |
| Net cash inflow (outflow) arising on disposal: | | | | | | | | | |
| Net cash consideration received (paid) | 4,100 | 2,996 | — | — | 7,096 | 980 | (52) | 928 | 8,024 |
| Bank balances and cash disposal of | — | — | (2,019) | (3,205) | (5,224) | (6,373) | (8,705) | (15,078) | (20,302) |
| | 4,100 | 2,996 | (2,019) | (3,205) | 1,872 | (5,393) | (8,757) | (14,150) | (12,278) |

The disposal of SIIS (No. 2), SIIS (SVC), Anping Equipment and SLK Medical did not contribute significantly to the turnover and results of the Group. The cash flow contributed or utilised by SIIS (No. 2), SIIS (SVC), Anping Equipment and SLK Medical during the year was not significant.

The financial impact of Dragon Lion and Gesway on the Group's results and cash flows in the current and prior year are disclosed in note 12.

## 39. DISPOSAL OF SUBSIDIARIES (continued)

### (b) For the year ended 31 December 2006

| | 2006 |
|---|---|
| | *HK$'000* |
| Net assets disposed of: | |
| Property, plant and equipment | 586 |
| Inventories | 444 |
| Trade and other receivables | 1,920 |
| Bank balances and cash | 1,620 |
| Trade and other payables | (1,443) |
| Income tax liabilities | (49) |
| Minority interests | (2,278) |
| | 800 |
| Reclassified as interest in an associate | (800) |
| | — |
| Analysis of the cash outflow in respect of the disposal of subsidiaries: | |
| Bank balances and cash disposed of | (1,620) |

## 40. DISPOSAL OF SUBSIDIARIES OF A JOINTLY CONTROLLED ENTITY

On 12 September 2007, SBI E2-Captial Limited disposed of its entire interest in certain subsidiaries which are engaged in the provision of broking services. The Group's interest in net assets of the disposed subsidiaries of SBI E2-Captial Limited at the date of disposal were as follows:

| | 2007 |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 2,790 |
| Other assets | 1,975 |
| Available-for-sale investments | 1,915 |
| Trade and other receivables | 90,792 |
| Financial assets at fair value through profit or loss | 22,258 |
| Bank balances and cash | 31,540 |
| Trade and other payables | (105,410) |
| Income tax liabilities | (3,430) |
| | 42,430 |
| Loss on disposal of jointly controlled entity's subsidiaries | (4,818) |
| Total | 37,612 |
| Satisfied by: | |
| Cash | 37,612 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 37,612 |
| Bank balances and cash disposed of | (31,540) |
| | 6,072 |

During the year, the disposed subsidiaries of SBI E2-Captial Limited contributed HK$85,938,000 (2006: HK$38,215,000) to revenue, HK$13,342,000 (2006: HK$709,000) to profit for the year, HK$109,664,000 (2006: HK$10,354,000) to the Group's net operating cash flows, paid HK$53,244,000 (2006: HK$4,117,000) in respect of investing activities.

## 41. OPERATING LEASE COMMITMENTS

### The Group as lessee

Minimum lease payments paid under operating leases:

| | 2007 | 2006 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Premises | **2,356** | 946 |
| Repair and maintenance | **1,842** | — |
| | **4,198** | 946 |

At the balance sheet date, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | 2007 | 2006 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | **3,013** | 2,794 |
| In the second to fifth years inclusive | **4,103** | 1,593 |
| | **7,116** | 4,387 |

Operating lease payment represents rentals payable by the Group for its office premises. Lease terms ranged for one to five years with fixed rental.

### The Group as lessor

At 31 December 2007, the Aping Medical Group contracted with certain medical centres for the leasing of medical equipment (included in property, plant and equipment) and provision of consultancy services on operation of medical equipment for the period up to 30 June 2017 and the income to be received by the Group is based on a specific percentage of the revenue of the medical centres.

Property rental income earned was approximately HK$1,469,000 (2006: HK$2,088,000). All the investment properties were disposed of during the year ended 31 December 2007.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

| | 2007 | 2006 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | **—** | 2,152 |
| In the second to fifth years inclusive | **—** | 2,509 |
| | **—** | 4,661 |

## 42. PLEDGE OF ASSETS

At the balance sheet dates, the Group pledged the following assets to banks for the credit facilities granted to the Group:

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Leasehold land and land use right | — | 5,433 |

## 43. COMMITMENTS

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted for but not provided in respect of subscription of new shares issued by an associate | — | 70,000 |

## 44. GUARANTEES

(i) In 2004, E2-Capital (Holdings) Limited ("E2-Capital", a related party of the Group) has provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2-Capital Limited, a jointly controlled entity of the Group. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of HK$49,049,000, representing the Group's 34.3% shareholding in these companies as at the date of the banking facilities granted. As at 31 December 2007 and 2006, there was no utilization of such banking facilities by SBI-E2 Capital Limited.

(ii) SBI E2-Capital Limited provided a guarantee of HK$78,000,000 to a bank in respect of banking facilities for an independent third party. As the Group holds 49% interest of SBI E2-Capital Limited, guarantee of HK$38,220,000 was shared by the Group.

(iii) In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 (equivalent to approximately HK$135,475,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favour of The Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities", a subsidiary of SBI E2-Capital Limited) to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S$7,350,000 (equivalent to HK$39,830,000), representing the Group's 29.4% shareholding in SECA Securities as at the date of the counter-indemnity, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee. Subsequently in January 2007, such counter-indemnity has been replaced by a new counter-indemnity for a lower maximum limit of approximately S$3,716,000 (equivalent to approximately HK$20,137,000), representing the Group's 28.54% shareholding in SECA Securities as at the date of the new counter-indemnity, plus 28.54% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the new corporate guarantee provided by E2-Capital to the bank for a maximum amount of S$13,020,000 (equivalent to approximately HK$70,555,380). As at 31 December 2007 and 2006, there was no utilization of such counter-indemnity.

## 45. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employee's basic monthly salary which is capped at HK$1,000 per month. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also participates in the employee pension schemes of the respective municipal government in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

The total cost charged to consolidated income statement of HK$2,101,000 (2006: HK$2,045,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at balance sheet date, no contribution were due in respect of the reporting period had not been paid over to the schemes.

## 46. RELATED PARTY DISCLOSURES

### (a) Rental payments to a related party

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Rental payments to Fung Choi Properties Limited ("Fung Choi") *(Note)* | **1,549** | 1,594 |

*Note:* Fung Choi is beneficially owned as to 19.8% by Yu Kam Yuen, Lincoln, a Non-executive Director of the Company, while the remaining shareholdings are beneficially owned by his two brothers, including 60.4% owned indirectly by Yu Kam Kee, Lawrence, an executive director who was re-designated as senior advisor of the Company during the year.

## 46. RELATED PARTY DISCLOSURES (continued)

(b) (i) Guaranteed convertible notes held by and interest payments to related parties

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying value of the guaranteed convertible notes held by subsidiaries of E2-Capital *(Note)* | | |
| – 2002 5% Notes | **4,891** | 4,677 |
| – 2006 6% Notes | **—** | 12,787 |
| Interest payments to subsidiaries of E2-Capital | **1,090** | 1,019 |

*Note:* E2-Capital is a company incorporated in Bermuda and listed on the Stock Exchange of Hong Kong Limited. An executive director of the Company, Wong Sin Just, is also an executive director and a substantial shareholder of E2-Capital as at 31 December 2007.

(ii) Investment in related parties

As at 31 December 2006, the Group had investment in E2-Capital which was included in available-for-sale investment securities at a carrying amount of HK$ 19,338,000 and were disposed of during the year ended 31 December 2007.

(iii) Provision of counter-indemnity to related parties

The Company has provided two counter-indemnities to E2-Capital. Details of which are set out in note 44.

(iv) Disposal of an associate to a related party

For the year ended 31 December 2006, the Group entered into a sale and purchase agreement with a subsidiary of E2-Capital whereby the Group agreed to sell its 19.2% effective interest in Sun-Tech International Group Limited at a consideration of approximately HK$1,250,000. A gain of HK$397,000 was recognised by the Group in the consolidated income statement for the year ended 31 December 2006.

## 46. RELATED PARTY DISCLOSURES (continued)

### (c) Amount due from (to) related parties

| | **2007** | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amount due from: | | |
| – an associate *(note i)* | **—** | 15 |
| – receivable in respect of tax indemmity *(note ii)* | **27,862** | — |
| Amount due to: | | |
| – an associate *(note i)* | **—** | (3,900) |
| – a jointly controlled entity *(note iii)* | **—** | (14,737) |

*Notes:*

(i) The amounts due from (to) an associate are unsecured, interest free and have no fixed repayment terms

(ii) The balance represents the amount of tax indemnity given by the Vendor pursuant to the sales and purchase agreement in respect of the acquisition of the Anping Medical Group, details of which are disclosed in note 26(c), who is also a substantial shareholder of the Company.

(iii) The balance represents amount due to SBI E2-Capital Limited which is unsecured and repayable on demand. Except for an amount of HK$5,307,000 which bears interest at prime rate plus 1.5% per annum, the remaining balance is interest free. The amount was repaid during the year ended 31 December 2007.

## 47. MAJOR POST BALANCE SHEET EVENTS

(a) Pursuant to the announcement of the Company dated 23 January 2008, the Group entered into a conditional agreement with Shanghai Rentung to acquire the 49% interest and 24.5% interest in gamma knife machines and PET-CT medical equipment located in The Main Hospital of the Second Artillery Force of the People's Liberation Army of the People's Republic of China, Beijing, PRC respectively for a consideration of RMB71,220,000 which are satisfied by cash of RMB36,500,000 and the issue of Company's 148,600,000 ordinary shares of HK$0.10 each at an issue price of HK$0.25 per share. The transaction was completed at the date of this report.

(b) On 16 January 2008, the Group entered into a conditional agreement with Clear Smart Enterprises Limited, a limited liability company incorporated in British Virgin Islands, for the disposal of its 49% jointly controlled entity, SBI E2-Capital Limited at a consideration of HK$81,000,000 and is satisfactory by a promissory note with 1.5% interest per annum with maturity period of 2 years. The disposal had been completed on 9 April 2008 after obtaining the approval from The Securities and Futures Commission.

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2007 are as follows:

| Name of subsidiaries | Place of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Proportional of nominal value of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| SIIS Capital Holdings Limited | British Virgin Islands | US$1 | 100% | — | Investment holding |
| SIIS Investment Holdings Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |
| SIIS Strategic Holdings Limited | British Virgin Islands | US$100 | 100% | — | Investment holding |
| SIIS (Nominees) Limited | Hong Kong | HK$2 | 100% | — | Provision of nominee services |
| SIIS Treasury Limited | British Virgin Islands | US$1 | 100% | — | Provision of finance for group companies |
| Shanghai Anping Medical Treatment Technology Co., Ltd. | PRC | RMB50,000,000 | — | 100% | Leasing of medical equipment |
| Shanghai Hangyi Medical Management Co., Ltd. | PRC | RMB5,000,000 | — | 100% | Provision of consultancy services on operation of medical equipment |
| Wuhu Guangping Enterprise Limited | PRC | RMB220,000,000 | — | 100% | Leasing of medical equipment and provision of consultancy services on operation of medical equipment |

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows:

| Name of subsidiaries | Place of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Proportional of nominal value of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Cheung Wah Properties Limited | Hong Kong | HK$2 | 100% | — | Property investment |
| Dragon Lion Limited | Hong Kong | HK$2 | 100% | — | Investment holding |
| ebizal (Holdings) Limited | British Virgin Islands | US$1 | 100% | — | Investment holding |
| Ebizal Net-Trans Limited | Hong Kong | HK$2 | — | 100% | Provision of consulting services |
| Fine Score Investments Limited | Hong Kong | HK$2 | 100% | — | Property investment |
| Foshan Chande Knitting Enterprise Company, Limited | PRC | US$7,100,000 | — | 51% | Fabric dyeing, knitting and garment manufacturing |
| Gesway Investment Limited | Hong Kong | HK$2 | 100% | — | Investment holding |
| Layet Company, Limited | Hong Kong | Ordinary shares HK$1,000 Deferred shares HK$10,000 | 100% | — | Property investments |
| Maniway Properties Limited | Hong Kong | HK$2 | 100% | — | Property investment |
| Nicken Limited | Hong Kong | HK$2 | 100% | — | Property investment |
| Peach Garden Country Club (Foshan Nanhai) Co., Limited | PRC | US$4,368,000 | — | 57.89% | Country club operation |
| Rearden Limited | Hong Kong | HK$10,000 | 100% | — | Property investment |
| SIIS Capital Holdings Limited | British Virgin Islands | US$1 | 100% | — | Investment holding |
| SIIS Investment Holdings Limited | British Virgin Islands | US$1 | — | 100% | Investment holding |

## 48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2006 are as follows: (continued)

| Name of subsidiaries | Place of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Proportional of nominal value of issued share capital/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| SIIS Investment Management Limited | Hong Kong | HK$3,875,002 | — | 100% | Provision of management advisory services in private equity |
| SIIS Strategic Holdings Limited | British Virgin Islands | US$100 | 100% | — | Investment holding |
| SIIS (Nominees) Limited | Hong Kong | HK$2 | 100% | — | Provision of nominee services |
| SIIS Treasury Limited | British Virgin Islands | US$1 | 100% | — | Provision of finance for group companies |
| Tak Wah Ho Company Limited | Hong Kong | Ordinary shares HK$1,000<br>Deferred shares HK$1,200,100 | 100% | — | Property investment |

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# FIVE YEAR FINANCIAL SUMMARY

*For the year ended 31 December 2007*

## RESULTS

| | 2003<br>*HK$'000* | 2004<br>*HK$'000* | 2005<br>*HK$'000* | 2006<br>*HK$'000*<br>*(Note)* | **2007**<br>***HK$'000*** |
|---|---|---|---|---|---|
| Revenue - continuing operations | 171,647 | 109,053 | 112,405 | 9,108 | **58,453** |
| **Continuing operations:** | | | | | |
| (Loss) profit before taxation | (118,677) | 8,167 | (92,436) | (100,750) | **(75,399)** |
| Income tax expenses | (498) | (1,088) | (802) | — | **(1,507)** |
| (Loss) profit for the year from continuing operation | (119,175) | 7,079 | (93,238) | (100,750) | **(76,906)** |
| **Discontinued operations:** | | | | | |
| Profit for the year from discontinued operations | — | — | — | 17,332 | **93,714** |
| (Loss) profit for the year | (119,175) | 7,079 | (93,238) | (83,418) | **16,808** |
| (Loss) profit attributable to: | | | | | |
| Equity holders of the Company | (118,568) | 6,293 | (93,594) | (83,006) | **12,809** |
| Minority interests | (607) | 786 | 356 | (412) | **3,999** |
| | (119,175) | 7,079 | (93,238) | (83,418) | **16,808** |

## ASSETS AND LIABILITIES

| | 2003<br>*HK$'000* | 2004<br>*HK$'000* | 2005<br>*HK$'000* | 2006<br>*HK$'000* | **2007**<br>***HK$'000*** |
|---|---|---|---|---|---|
| Total assets | 374,504 | 426,418 | 410,701 | 461,818 | **1,664,785** |
| Total liabilities | (160,794) | (158,377) | (189,553) | (212,464) | **(389,925)** |
| | 213,710 | 268,041 | 221,148 | 249,354 | **1,274,860** |
| Equity attributable to equity holders of the Company | 184,040 | 238,899 | 187,320 | 217,147 | **1,251,484** |
| Minority interests | 29,670 | 29,142 | 33,828 | 32,207 | **23,376** |
| | 213,710 | 268,041 | 221,148 | 249,354 | **1,274,860** |

*Note:* Certain amount for the year ended 31 December 2006 were re-presented under "profit for the year from discontinued operations" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA.