

Interim Report

2009



**CHINA RENJI**  
**Medical Group Ltd.**

中國仁濟醫療集團有限公司  
Stock Code: 648

## 2009 INTERIM REPORT

For the six months ended 30 June 2009

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

LI Juewen (*Chairman*)  
YU Chung Hang, Lucian (*Chief Executive Officer*)  
GUO Bao Ping

#### *Non-executive Directors:*

WONG Sin Just  
WANG Yongchang

#### *Independent Non-executive Directors:*

PANG Wai Hong  
LI Wing Chiu

### AUDIT COMMITTEE

PANG Wai Hong  
LI Wing Chiu  
WONG Sin Just

### REMUNERATION COMMITTEE

PANG Wai Hong  
LI Wing Chiu  
WONG Sin Just

### EXECUTIVE COMMITTEE

LI Juewen  
YU Chung Hang, Lucian  
GUO Bao Ping

### COMPANY SECRETARY

FORK Siu Lun, Tommy CPA, FCCA

### PRINCIPAL BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited  
China Construction Bank Corporation

### AUDITORS

BDO Limited

### 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](http://www.renjimedical.com)

### STOCK CODE

648

## MANAGEMENT COMMENTARY

### TO THE SHAREHOLDERS

On behalf of the board of directors (the “**Board**” or “**Directors**”) of China Renji Medical Group Limited (the “**Company**”), I am pleased to present the interim report of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2009.

### INTERIM RESULTS REVIEW

During the reporting period, the Group continued to be principally engaged in medical network business specialising in the diagnosis and treatment of tumours and/or cancer related diseases, by applying advanced radiotherapy technology, in the People’s Republic of China (the “**PRC**” or “**China**”).

#### *Turnover*

For the six months ended 30 June 2009, the Group recorded a turnover of approximately HK\$94,540,000 (30 June 2008: HK\$87,229,000), representing an increase of approximately 8.38% from the corresponding period last year. The turnover for the period was derived from the medical network business operated by the Group. The Group’s turnover growth was primarily driven by entering new local markets and increasing the utilization at its existing medical centers; after netting off the decrease in average turnover per treatment as a result of the price control exercised by certain local government authorities and the increasing competitive operating environment.

#### *Gross profit*

For the six months ended 30 June 2009, the Group recorded a gross profit of approximately HK\$67,293,000 (30 June 2008: HK\$68,359,000) and a gross profit ratio of approximately 71.18% (30 June 2008: 78.37%) from its medical network business, which included an amortisation charge of other intangible assets of approximately HK\$6,248,000 (30 June 2008: HK\$8,401,000). When excluding the said amortisation charge, the gross profit and gross profit ratio of the Group’s medical network business for the reporting period was approximately HK\$73,541,000 (30 June 2008: HK\$76,760,000) and 77.79% (30 June 2008: 88.00%). The decrease in gross profit was primarily attributable to the significant increase in equipment depreciation due to the Group’s continuous investment in new medical centers.

#### *Profit from continuing operations*

For the reporting period, the Group recorded a profit from continuing operations of approximately HK\$42,651,000 (30 June 2008: HK\$26,506,000), comprising mainly the operating profit of the Group’s medical network business. This represents an improvement of approximately HK\$16,145,000 or 60.91% from the corresponding period last year. This was mainly attributable to the turnover and profit generated from the medical network business operated by the Group, together with lesser finance expenses due to the Group’s repayment of outstanding promissory note ahead of schedule as well as lesser tax expenses due to the PRC income tax concessions obtained by the Group.

### *Profit from discontinued operations*

During the reporting period, there was no discontinued operation. For the period ended 30 June 2008, the Group recorded a profit from discontinued operations of approximately HK\$1,789,000, which represented the net gain on disposal of the Group's financial services business.

### *Profit for the period*

The profit attributable to equity holders of the Company for the six months ended 30 June 2009 was approximately HK\$42,651,000 (30 June 2008: HK\$28,295,000), representing an increase of approximately 50.74% from the corresponding period last year.

Basic earnings per share for the reporting period was approximately HK0.3678 cents (30 June 2008: HK0.2453 cents), representing an increase of approximately 49.94% from the corresponding period last year.

### *Earnings before interest, taxation, depreciation and amortisation (EBITDA)*

The Group reports EBITDA of approximately HK\$67,361,000 for the six months ended 30 June 2009 (30 June 2008: HK\$67,933,000).

## **BUSINESS REVIEW**

The Group is principally engaged in the provision of medical equipment and consultancy services for the operation of the medical center network specialising in the diagnosis and treatment of tumours/cancer in China. During the reporting period and up to the date of this report, the Group further expanded and strengthened its medical network by pursuing the following significant medical assets acquisitions.

In January 2009, the Group entered into a medical assets swap agreement pursuant to which it agreed to acquire the entire interest in a body gamma knife and a head gamma knife used in Xinjiang Hospital of Cardio-Cerebral Vascular Diseases (the “**Xinjiang Hospital**”). The consideration for the acquisition amounted to RMB21 million (equivalent to approximately HK\$23.86 million) and was satisfied by 32% and 30% of the Group's interests, respectively, in the gamma knife and the related medical equipment used in the People's Liberation Army No. 411 Hospital and the People's Liberation Army No. 455 Hospital. Xinjiang Hospital, located in Urumqi in Xinjiang Uyghur Autonomous Region, is a “Class 3” hospital specialising in the treatment of cardio and/or cerebral vascular diseases. Urumqi, the capital city of Xinjiang Uyghur Autonomous Region, which has a population of over 2.3 million and is a major industrial hub of Xinjiang Uyghur Autonomous Region, will provide significant potential sources of patients for Xinjiang Hospital. The acquisition allows the Group to expand its medical network into the northwestern region of China. The asset swap was completed in January 2009.

In March 2009, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a gamma-knife machine and a stereotactic treatment planning system for use in Hebei General Hospital. The consideration for the acquisition amounted to RMB19.60 million (equivalent to approximately HK\$22.27 million) and was satisfied in cash. The Group is entitled to profit guarantees of not less than RMB4.20 million for each of the 10 years after completion. Hebei General Hospital is a “3A Grade” integrated hospital in Shijiazhuang City, offering leading speciality medical services, academic, scientific research, prevention and health care services and first-aid services through a number of therapy clinics and speciality units. Shijiazhuang City, being the capital city of Hebei Province with a population of over 9 million, has a significant source of existing and potential patients for Hebei General Hospital. The acquisition is also expected to enhance the synergy and operating scale of the Group’s tumour and/or cancer diagnosis and treatment business network in Hebei Province, particularly Shijiazhuang City. The acquisition was completed in March 2009.

In July 2009, the Group entered into an asset swap agreement for the acquisition of the entire interest in a head gamma knife and a body gamma knife located in Zhengzhou Renji Tumour Hospital at a nominal consideration of RMB46.42 million (equivalent to approximately HK\$52.73 million), which was satisfied by the Group’s entire interest in a head gamma knife and a body gamma knife located in Tianjin Anjie Hospital. Zhengzhou Renji Tumour Hospital is one of the largest privately owned domestic hospitals in Zhengzhou City and has a wide range of medical operations and is equipped with advanced medical equipment. Zhengzhou City, being the capital city of Henan Province with a population of over 7 million, will provide the Group with significant potential sources of patients. The acquisition allows the Group to expand its medical network into the central region of China. The asset swap was completed in July 2009.

Also in July 2009, the Group entered into a business operating agreement pursuant to which the Group would become the exclusive provider of management services in respect of Shanghai Renji Hospital Radiotherapy Centre located at Shanghai Renji Hospital and is entitled to share its net income. The Group, in return, had issued 1,950,000,000 new shares of the Company to a nominee of the vendor (which amounted to approximately HK\$128.70 million based on the closing price of the Company’s shares of HK\$0.066 per share as of the date of the relevant announcement issued by the Company) as consideration under the business operating agreement. Shanghai Renji Hospital is a “3A Grade” integrated hospital offering a wide range of medical treatment, academic and scientific research. It treats about 2.2 million emergency cases and outpatients, about 57,000 inpatients and conducts over 28,000 operations annually. The entering into of the business operating agreement enables the Group to strengthen its medical network operation, particular with Shanghai Renji Hospital, a renowned brand name in Shanghai City. The transaction was completed in August 2009.

As at the date of this report, there are 14 centers in the Group’s medical network, covering the central, eastern, southern, northern and northwestern regions of China.

## PROSPECTS

In the midst of the economic recession caused by the outbreak of the global financial crisis in late 2008, the global financial market has gradually recovered from the bottom in the first quarter of the year with a steady, albeit uncertain and skeptical, improvement of operating conditions in China. The PRC healthcare reform pronounced in the first half of 2009 has laid down clear direction and guidance for the medical sector in China. This allows for the Group's stable and continuous business development in the long run. However, the healthcare reform also leads to new price control implemented by certain local government authorities and brings along increasing competition to the industry. This decreases the Group's average turnover per treatment and has a negative impact on its growth in the short-term. The Group will minimise the effect by (1) further expanding its medical network, (2) enhancing the utilisation rate and cost efficiency of its existing medical centers, (3) exploring other forms of radiotherapy tumour treatment to diversify its technology base, and (4) accelerating its expansion strategy into the Chinese specialised hospital service market. Given the ever increasing demand for tumours and/or cancer diagnosis and treatment in China, the Group will continue to provide quality healthcare services for cancer patients in China, and believes that it will ultimately reap significant rewards for its shareholders.

## FINANCIAL REVIEW

### *Liquidity and financial resources*

The Group's major financial resources were derived from the cash generated from operating activities of approximately HK\$109,403,000 during the six months ended 30 June 2009 (30 June 2008: HK\$72,677,000). The improvement of the cash generated from operating activities was contributed by the Group's medical network business. The turnover generated from the medical network business for the reporting period was approximately HK\$94,540,000 and the net profit attributable to the Group for the same period was approximately HK\$42,651,000.

For the six months ended 30 June 2009, the net cash used in investing activities amounted to approximately HK\$134,815,000 (30 June 2008: HK\$187,313,000) and the net cash used in financing activities amounted to approximately HK\$13,000,000 (30 June 2008: HK\$69,242,000). The cash outflow in investing and financing activities mainly resulted from capital expenditure for acquisition of medical equipment in China and the final redemption of promissory note payable.

As a result of the cumulative effect described above, the Group recorded for the six months ended 30 June 2009 a net cash outflow of approximately HK\$38,412,000 (30 June 2008: HK\$183,878,000).

As at 30 June 2009, the Group maintained bank balances and cash amounted to approximately HK\$39,745,000 (31 December 2008: HK\$78,157,000).



As at 30 June 2009, the Group's total borrowings amounted to approximately HK\$85,579,000 (31 December 2008: HK\$103,747,000) which included borrowings of approximately HK\$84,605,000 (31 December 2008: HK\$90,281,000) and guaranteed convertible notes of approximately HK\$974,000 (31 December 2008: HK\$3,931,000). There were no outstanding promissory notes payable as at 30 June 2009 (31 December 2008: HK\$9,535,000). The borrowings of HK\$85,579,000 were repayable over one year (31 December 2008: HK\$2,963,000 repayable within one year and HK\$100,784,000 repayable over one year).

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

As at 30 June 2009, the Group's net asset value was approximately HK\$1,485,161,000 (31 December 2008: HK\$1,435,508,000) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) strengthened to 11.05 times as at 30 June 2009 compared to 3.39 times as at 31 December 2008. The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guarantee convertible notes and promissory notes payable to the equity attributable to the equity holders of the Company) was 5.76% (31 December 2008: 7.23%). The decrease in gearing ratio was mainly attributable to the final redemption of the promissory note payable amounted to HK\$10,000,000, redemption of guaranteed convertible notes of HK\$3,000,000 and profits generated from the Group's medical network business.

The Group has continued to maintain low gearing levels. As a consequence, the high level of liquidity and available funds will enable the Group to meet its expected future working capital requirements and to make advantage of growth opportunities for the business.

#### *Exposure to fluctuation in exchange rates*

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

#### *Charge on group assets*

As at 30 June 2009 and 31 December 2008, no assets were pledged by the Group.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2009, the total number of employees of the Group was 57. 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.

## **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 may, at its discretion, invite any full time and part time employees, directors, consultants or advisors of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. 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 such number of shares as shall represent 30% of the issued share capital of the Company from time to time. Other details of the Scheme were disclosed in the circular dated 28 September 2001.

## OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

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

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				At 30 June 2009
				At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Sheng Yang (ex-Director)	07-03-2008	07-03-2008 to 06-03-2018	0.130	109,332,000	—	—	—	109,332,000
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
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 (ex-Director)	07-03-2008	07-03-2008 to 06-03-2018	0.130	30,000,000	—	—	—	30,000,000
				<u>296,590,000</u>	—	—	—	<u>296,590,000</u>
<b>Employees</b>								
	21-02-2002	21-02-2002 to 20-02-2012	0.280	2,400,000	—	—	(300,000)	2,100,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	20,000,000	—	—	(15,000,000)	5,000,000
	26-04-2007	26-04-2007 to 25-04-2017	0.200	24,800,000	—	—	(10,400,000)	14,400,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	139,332,000	—	—	—	139,332,000
				<u>186,532,000</u>	—	—	(25,700,000)	<u>160,832,000</u>
<b>Consultants/ Advisors</b>								
	21-02-2002	21-02-2002 to 20-02-2012	0.280	38,002,000	—	—	—	38,002,000
	03-11-2003	03-11-2003 to 02-11-2013	0.100	52,632,000	—	—	—	52,632,000
	24-05-2004	24-05-2004 to 23-05-2014	0.100	42,632,000	—	—	—	42,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	142,026,000	—	—	—	142,026,000
	26-04-2007	26-04-2007 to 25-04-2017	0.200	50,300,000	—	—	—	50,300,000
	06-11-2007	06-11-2007 to 05-11-2017	0.202	100,000,000	—	—	—	100,000,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	126,906,000	—	—	—	126,906,000
				<u>552,498,000</u>	—	—	—	<u>552,498,000</u>
<b>TOTAL:</b>				<u><u>1,035,620,000</u></u>	<u>—</u>	<u>—</u>	<u>(25,700,000)</u>	<u><u>1,009,920,000</u></u>

*Notes:*

- (1) 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 7 March 2008 are vested as follows:

On 1st anniversary of the date of grant	50% vested
On 2nd anniversary of the date of grant	remaining 50% vested

- (2) Options granted to employees are vested as follows:

<b>Date of grant</b>	<b>Date of vesting</b>	<b>No. of share options vested</b>
21-02-2002	21-02-2002	225,000
	01-11-2002	225,000
	21-02-2003	375,000
	01-11-2003	450,000
	21-02-2004	375,000
	21-02-2005	750,000
10-04-2006	10-04-2006	3,750,000
	10-04-2007	3,750,000
	02-10-2007	12,500,000
26-04-2007	26-04-2007	6,200,000
	26-04-2008	6,200,000
	26-04-2009	12,400,000
07-03-2008	07-03-2008	7,500,000
	07-03-2009	62,166,000
	07-03-2010	69,666,000

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

<b>Date of grant</b>	<b>Date of vesting</b>	<b>No. of share options vested</b>
21-02-2002	21-02-2002	24,402,000
	05-03-2002	1,500,000
	03-08-2002	2,000,000
	19-09-2002	4,500,000
	21-02-2003	1,400,000
	21-02-2004	1,400,000
	21-02-2005	2,800,000
03-11-2003	03-11-2003	42,132,000
	03-11-2004	3,500,000
	03-11-2005	7,000,000
24-05-2004	24-05-2004	42,632,000
10-04-2006	10-04-2006	127,091,500
	10-04-2007	4,811,500
	10-04-2008	10,123,000
26-04-2007	26-04-2007	48,950,000
	26-04-2008	450,000
	26-04-2009	900,000
06-11-2007	01-01-2008	50,000,000
	01-07-2009	50,000,000
07-03-2008	07-03-2010	63,453,000
	07-03-2011	63,453,000

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2009, the following Directors of the Company were interested 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 under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to 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**”):

### (1) Shares of the Company (long position)

<b>Name of Director</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number of ordinary shares of HK\$0.10 each held</b>	<b>Approximate percentage of the issued shares</b>
Wong Sin Just	beneficial owner	personal	6,502,000	0.056%
Sheng Yang (ex-Director)	beneficial owner	personal	4,000,000	0.034%
Yu Chung Hang, Lucian	beneficial owner	personal	3,500,000	0.030%
Guo Bao Ping	beneficial owner	personal	500,000	0.004%

### (2) Share options of the Company (long position)

Details of the share options granted to the Directors by the Company and outstanding as at 30 June 2009 are set out under the section headed “Options granted under the share option scheme” above.

Save as disclosed above, as at 30 June 2009, 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 regarded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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 ( <i>Note</i> )	beneficial owner	2,710,000,000	23.37%
Martin Currie (Holdings) Limited	interest of corporation controlled	686,256,000	5.92%

*Note:* Subsequent to the six months ended 30 June 2009, Mr Li Juewen was appointed as Chairman and Executive Director of the Company with effect from 1 July 2009.

Save as disclosed above, as at 30 June 2009, 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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

### Guo Bao Ping

(*Executive Director*)

Mr Guo Bao Ping also holds a number of directorships in companies within the Group, including Anping Medical Treatment Technology (Wuhu) Co., Ltd. (appointed in June 2009).

### Wong Sin Just

(*Non-executive Director*)

Dato' Dr Wong Sin Just is currently the non-executive director of Suncorp Technologies Limited which is listed on the Hong Kong Stock Exchange (re-designated from non-executive chairman to non-executive director in April 2009). His directorship held in SBI E2-Capital Asia Securities Pte Ltd is now not considered as his major appointment.

**Wang Yongchang**

*(Non-executive Director)*

Professor Wang Yongchang is also currently the director of Anping Medical Treatment Technology (Wuhu) Co., Ltd. (formerly Shangde Electrical Machinery Technology (Wuhu) Co., Ltd.) and Wuhu Anping Medical Management Co., Ltd. (appointed in June 2009), both are subsidiaries of the Company.

In respect of the six months ended 30 June 2009, Professor Wang was entitled to total director's emoluments of HK\$110,800. He is currently entitled to an annual director's fee of HK\$100,000 and a remuneration in the form of share options to be granted under the Scheme of the Company with reference to his duties and responsibilities within the Company.

**Li Wing Chiu**

*(Independent Non-executive Director)*

Dr Li Wing Chiu is presently the managing director of Neuf Capital Limited and the vice chairman of 創冠金融國際有限公司, both are private equity investment holding companies engaged in equity investment (both appointed in August 2009). Dr Li ceased to act as chairman and chief executive officer of both Pentamount Investment (Hong Kong) Limited and Hegu Lead and Zinc Mining Limited (both resigned in August 2009).

**Bai Yongrui**

*(Non-executive Director up to 9 March 2009)*

In respect of the six months ended 30 June 2009 (up to 9 March 2009, the date before his resignation), Dr Bai Yongrui was entitled to total director's emoluments of HK\$79,800 with reference to his duties and responsibilities within the Company.

**Duan Xuzhen**

*(Executive Director up to 7 September 2009)*

Ms Duan Xuzhen was originally appointed as Executive Director of the Company for a term of two years. Upon the expiration of her term of office on 13 July 2009, Ms Duan was re-appointed by the Board as Executive Director of the Company for no specific term. Subsequently, on 8 September 2009, she resigned as Executive Director of the Company for personal health reasons.

**Sheng Yang**

*(Vice Chairman & Executive Director up to 8 September 2009)*

Mr Sheng Yang was originally appointed as Executive Director of the Company for a term of two years. Upon the expiration of his term of office on 13 July 2009, Mr Sheng was re-appointed by the Board as Vice Chairman and Executive Director of the Company for no specific term. Subsequently, on 9 September 2009, he was removed as Director of the Company by unanimous resolution made by all the other Directors in office pursuant to Article 96 of the Company's Articles of Association.



## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the six months ended 30 June 2009, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules 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.

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

## AUDIT COMMITTEE

The 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 unaudited interim condensed financial statements of the Group for the six months ended 30 June 2009.

## 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 for the six months ended 30 June 2009.

### **NON-COMPLIANCE WITH RULE 3.10(1) OF THE LISTING RULES**

Following the resignation of Dr Li Yang as an Independent Non-executive Director of the Company on 31 July 2009 due to his other business commitments, the Company has only two Independent Non-executive Directors, the number of which falls below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company is looking for a suitable candidate to fill the vacancy and to meet the minimum required number of Independent Non-executive Directors under the Listing Rules as soon as practicable and on or before 31 October 2009 (i.e. within 3 months from the date failing to meet such requirement).

The Company will make announcement regarding the appointment of any new Independent Non-executive Director of the Company as and when appropriate.

By Order of the Board

**LI JUEWEN**

*Chairman*

Hong Kong, 18 September 2009

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION****BDO Limited**

Certified Public Accountants

德豪會計師事務所有限公司

25<sup>th</sup> Floor Wing On Centre  
 111 Connaught Road Central  
 Hong Kong  
 Telephone : (852) 2541 5041  
 Facsimile : (852) 2815 2239

香港干諾道中111號  
 永安中心25樓  
 電話 : (852) 2541 5041  
 傳真 : (852) 2815 2239

**To the board of directors of China Renji Medical Group Limited****INTRODUCTION**

We have reviewed the interim financial information set out on pages 18 to 38, which comprises the condensed consolidated statement of financial position of China Renji Medical Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

BDO LIMITED

*Certified Public Accountants*

18 September 2009

Chan Kam Wing, Clement  
 Practising Certificate number P02038

**CONDENSED CONSOLIDATED INCOME STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTES	For the six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	94,540	87,229
Cost of services		(27,247)	(18,870)
Gross profit		67,293	68,359
Other income and net gains		5,540	2,975
Administrative expenses		(24,442)	(23,705)
Impairment losses on other intangible assets	9	(6,625)	—
Gain on disposal of subsidiaries	14	2,248	—
Finance costs		(1,919)	(12,342)
Profit before income tax		42,095	35,287
Income tax	4	556	(8,781)
Profit for the period from continuing operations		42,651	26,506
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	5	—	1,789
Profit for the period	6	42,651	28,295
Attributable to:			
Equity holders of the Company		42,651	28,295
Minority interests		—	—
		42,651	28,295
Dividend	7	—	—
Earnings per share attributable to equity holders of the Company, in HK cents			
	8		
Continuing and discontinued operations:			
Basic		0.3678	0.2453
Diluted		0.3678	0.2449
Continuing operations:			
Basic		0.3678	0.2298
Diluted		0.3678	0.2295

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>42,651</b>	28,295
<b>Other comprehensive income:</b>		
Exchange differences arising on translation of foreign operations (Restated)	—	68,520
Reserves released upon disposal of jointly-controlled entities under proportionate consolidation	—	(25,818)
<b>Other comprehensive income for the period, net of tax</b>	<b>—</b>	<b>42,702</b>
<b>Total comprehensive income for the period</b>	<b>42,651</b>	<b>70,997</b>
Attributable to:		
Equity holders of the Company	42,651	94,373
Minority interests	—	(23,376)
	<b>42,651</b>	<b>70,997</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2009

	NOTES	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	521,182	475,878
Land use right	9	3,852	3,892
Goodwill		637,246	637,246
Other intangible assets	9	223,676	273,736
Promissory notes receivables	10	382	77,075
Deposits for acquisition of property, plant and equipment		97,091	—
		1,483,429	1,467,827
<b>Current assets</b>			
Land use right	9	80	80
Promissory note receivable	10	79,058	—
Trade receivables	11	43,039	71,698
Other receivables, prepayments and deposits		12,906	54,074
Income tax recoverable		11	—
Bank balances and cash		39,745	78,157
		174,839	204,009
<b>Current liabilities</b>			
Other payables, accruals and deposits received		15,828	20,412
Income tax liabilities		—	36,845
Guaranteed convertible notes		—	2,963
		15,828	60,220
<b>Net current assets</b>		159,011	143,789
<b>Total assets less current liabilities</b>		1,642,440	1,611,616

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2009

	NOTES	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Borrowings — due after one year		84,605	90,281
Guaranteed convertible notes		974	968
Promissory note payable	13	—	9,535
Deferred tax liabilities		71,700	75,324
		<u>157,279</u>	<u>176,108</u>
<b>Net assets</b>		<u>1,485,161</u>	<u>1,435,508</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	1,159,511	1,159,511
Reserves		325,650	275,997
Equity attributable to equity holders of the Company		1,485,161	1,435,508
Minority interests		—	—
<b>Total equity</b>		<u>1,485,161</u>	<u>1,435,508</u>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserves HK\$'000	Exchange translation reserve HK\$'000 (Restated)	Guaranteed convertible notes-equity component reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 — as previously stated	1,140,234	1,048,315	1,899	22,618	8,427	684	(970,693)	1,251,484	23,376	1,274,860
— restatement (Note 19(a))	—	—	—	—	31,620	—	—	31,620	—	31,620
— as restated	1,140,234	1,048,315	1,899	22,618	40,047	684	(970,693)	1,283,104	23,376	1,306,480
Total comprehensive income for the period	—	—	—	—	66,078	—	28,295	94,373	(23,376)	70,997
Transaction costs attributable to issue of ordinary shares	—	(23)	—	—	—	—	—	(23)	—	(23)
Issue of ordinary shares	14,860	892	—	—	—	—	—	15,752	—	15,752
Conversion of guaranteed convertible notes	3,636	745	—	—	—	(464)	—	3,917	—	3,917
Fair value of share options credited to share option reserve	—	—	—	8,998	—	—	—	8,998	—	8,998
Exercise of share options	781	201	—	(201)	—	—	—	781	—	781
Lapse of share options	—	—	—	(677)	—	—	677	—	—	—
At 30 June 2008 (unaudited)	1,159,511	1,050,130	1,899	30,738	106,125	220	(941,721)	1,406,902	—	1,406,902

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserves HK\$'000	Exchange translation reserve HK\$'000 (Restated)	Guaranteed convertible notes-equity component reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2009	1,159,511	1,050,130	1,899	38,736	100,515	140	(915,423)	1,435,508	—	1,435,508
Total comprehensive income for the period	—	—	—	—	—	—	42,651	42,651	—	42,651
Reserves released upon maturity of guaranteed convertible notes	—	—	—	—	—	(104)	104	—	—	—
Fair value of share options credited to share option reserve	—	—	—	7,002	—	—	—	7,002	—	7,002
Lapse of share options	—	—	—	(1,076)	—	—	1,076	—	—	—
At 30 June 2009 (unaudited)	<u>1,159,511</u>	<u>1,050,130</u>	<u>1,899</u>	<u>44,662</u>	<u>100,515</u>	<u>36</u>	<u>(871,592)</u>	<u>1,485,161</u>	<u>—</u>	<u>1,485,161</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	NOTE	For the six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>109,403</b>	72,677
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(28,374)	(45,166)
Deposits for acquisition of property, plant and equipment		(97,091)	(56,364)
Net cash outflow from disposal of subsidiaries	14	(9,352)	—
Proceeds from disposal of property, plant and equipment		2	—
Net cash outflow from disposal of jointly-controlled entities		—	(102,611)
Dividend received from a jointly-controlled entity		—	14,700
Proceeds from disposal of an available-for-sale investment		—	2,128
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(134,815)</b>	(187,313)
<b>FINANCING ACTIVITIES</b>			
Redemption of promissory note payable		(10,000)	(70,000)
Redemption of guaranteed convertible notes		(3,000)	—
Proceeds from exercise of share options		—	758
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(13,000)</b>	(69,242)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(38,412)</b>	(183,878)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		—	6,478
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>78,157</b>	270,773
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>39,745</b>	93,373
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
Bank balances and cash		39,745	93,373

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of China Renji Medical Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### 2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2008. The accounting policies and method of computation used in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, new standards, amendment and interpretations (the “**new HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2009. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. Hong Kong Accounting Standard 1 (Revised) has introduced a number of terminology changes, including revised titles for condensed consolidated financial statements, and certain changes in presentation and disclosure. Comparative figures have been restated or included in order to achieve a consistent presentation.

The Group has not early applied any of the new standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

### 3. TURNOVER AND SEGMENT INFORMATION

During the six months ended 30 June 2009 and 2008, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of consultancy services on operation of medical equipment in the People’s Republic of China (the “**PRC**”) and has not generated revenue from other continuing operations and most of the assets of the Group are located in the PRC as at 30 June 2009 and 31 December 2008. Accordingly no segment analysis by business or geographical markets is presented for the current and prior interim periods.

#### 4. INCOME TAX

	Continuing operations	
	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Current tax — PRC	3,067	10,881
Deferred tax — PRC	(3,623)	(2,100)
Income tax (credit)/charge	(556)	8,781

No Hong Kong profits tax has been provided as the group entities did not have assessable profits arising in Hong Kong for both periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC enterprises income tax rate is 25%. Pursuant to the relevant laws and regulations in the PRC, one major PRC subsidiary of the Company is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years.

#### 5. DISCONTINUED OPERATIONS

During 2007, management of the Company committed a plan to dispose of its equity interests in jointly-controlled entities and also actively located potential buyers. The jointly-controlled entities carried out all of the Group's financial services business segment and were accounted for by the Group under proportionate consolidation method. In accordance with Hong Kong Financial Reporting Standard 5 "Non-Current Assets Held For Sale and Discontinued Operations" issued by the HKICPA, the business segment of financial services was required to be presented as discontinued operations since 2007 and the related assets and liabilities as at 31 December 2007 were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively. During prior interim period, the jointly-controlled entities had been disposed of and the net profit arising therefrom of HK\$1,789,000 was included in the profit for the prior interim period from the discontinued operations.

**5. DISCONTINUED OPERATIONS** *(Continued)*

Accordingly, no results of the discontinued operations are presented for the current period. The results of the discontinued operations for prior period, which had been included in the condensed consolidated income statement, were as follows:

	For the six months ended 30 June 2008 HK\$'000 <i>(Unaudited)</i>
Dividend income from a jointly-controlled entity	14,700
Loss on disposal of jointly-controlled entities	<u>(12,911)</u>
Profit before income tax	1,789
Income tax	<u>—</u>
Profit for the period from discontinued operations	<u><u>1,789</u></u>

The cash flows of the discontinued operations were generated from investing activities of HK\$14,700,000 for the six months ended 30 June 2008.

## 6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	13,284	8,546	—	—	13,284	8,546
Depreciation of jointly- controlled assets	3,775	1,568	—	—	3,775	1,568
Amortisation of land use right	40	—	—	—	40	—
Amortisation of other intangible assets included in cost of services	6,248	8,401	—	—	6,248	8,401
Loss on swap of assets	3,190	—	—	—	3,190	—
Interest on:						
Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years	1,248	1,052	—	—	1,248	1,052
Guaranteed convertible notes	117	206	—	—	117	206
Promissory note payable	554	11,084	—	—	554	11,084
Employee benefit expenses, including directors' emoluments:						
Salaries and other benefits	9,888	8,235	—	—	9,888	8,235
Share-based payment expense	3,547	6,143	—	—	3,547	6,143
Net exchange gains	(5,833)	(1,750)	—	—	(5,833)	(1,750)
Promissory notes interest income	(2,365)	(1,051)	—	—	(2,365)	(1,051)
Government subsidy	(387)	(1,427)	—	—	(387)	(1,427)
Dividend income from a jointly-controlled entity	—	—	—	(14,700)	—	(14,700)



## 7. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2009 and 2008.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

*From continuing and discontinued operations*

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

### Earnings

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit for the purpose of basic earnings per share	42,651	28,295
Interest on guaranteed convertible notes	*87	*206
Interest on guaranteed convertible notes	30	—
	<u>42,768</u>	<u>28,501</u>

### Number of shares

	For the six months ended 30 June	
	2009 '000 (Unaudited)	2008 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	11,595,113	11,535,936
Effect of dilutive potential ordinary shares:		
— Share options	—	17,323
— Guaranteed convertible notes	*20,055	*39,091
— Guaranteed convertible notes	9,091	—
	<u>11,624,259</u>	<u>11,592,350</u>

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(Continued)*

### *From continuing operations*

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

Profit figure are calculated as follows:

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit for the period attributable to equity holders of the Company	42,651	28,295
Less: Profit for the period from discontinued operations attributable to equity holders of the Company	—	(1,789)
Profit for the purpose of basic earnings per share from continuing operations	<u>42,651</u>	<u>26,506</u>

\* The guaranteed convertible notes had an anti-dilutive effect on the basic earnings per share of the Group from continuing and discontinued operations for the six months ended 30 June 2009 and 2008. Accordingly, the effect of the guaranteed convertible notes was not included in the calculation of diluted earnings per share from continuing and discontinued operations for the six months ended 30 June 2009 and 2008.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

### *From discontinued operations*

For the six months ended 30 June 2008, basic and diluted earnings per share for the discontinued operations is HK0.0155 cents and HK0.0154 cents respectively, based on the earnings for the period from the discontinued operations of HK\$1,789,000.

The denominators used are the same as those detailed above for both basic and diluted earnings per share for continuing operations of the Group.

## **9. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND OTHER INTANGIBLE ASSETS**

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2009 was HK\$82,579,000 (six months ended 30 June 2008: HK\$60,918,000). The aggregated net carrying amounts of disposal of property, plant and equipment during the six months ended 30 June 2009 was HK\$20,216,000 (six months ended 30 June 2008: HK\$Nil).

There was no addition to the other intangible assets of the Group during the six months ended 30 June 2008 and 2009. The aggregated net carrying amounts of other intangible assets disposed of during the six months ended 30 June 2009 was HK\$37,187,000 (six months ended 30 June 2008: HK\$Nil). An impairment of other intangible assets of HK\$6,625,000 was recognised in profit or loss during the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$Nil).

There was no addition to the land use right of the Group during the six months ended 30 June 2008 and 2009.

## **10. PROMISSORY NOTES RECEIVABLES**

In 2008, the Group disposed of its interests in jointly-controlled entities at an aggregate consideration of HK\$81,384,000 which was satisfied by promissory notes of HK\$81,000,000 and HK\$384,000 to the Company with 1.5% and 5% coupon interest per annum and maturity periods of 2 and 5 years, i.e. payable on 8 April 2010 and 31 January 2013 respectively. The carrying amount of the promissory notes receivables as at 30 June 2009 represented the fair value of the promissory notes at the time of initial recognition of HK\$73,970,000 and HK\$344,000 respectively and the net interest receivables of the Company of HK\$5,088,000 (at 31 December 2008: HK\$2,736,000) and HK\$38,000 (at 31 December 2008: HK\$25,000) respectively as at 30 June 2009. The average effective interest rate of the promissory notes receivables is 6.18% per annum.

## 11. TRADE RECEIVABLES

The Group generally allows an average credit period of 90 days (2008: 90 days) to its trade customers. The following is an ageing analysis of trade receivables which are neither individually nor collectively considered to be impaired:

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Neither past due nor impaired	<b>37,320</b>	59,170
1 to 3 months past due	<b>5,719</b>	12,528
	<b>43,039</b>	71,698

## 12. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31 December 2008 and 30 June 2009	<b>20,000,000</b>	<b>2,000,000</b>
Issued and fully paid:		
At 31 December 2008 (audited) and 30 June 2009 (unaudited)	<b>11,595,113</b>	<b>1,159,511</b>

**13. PROMISSORY NOTE PAYABLE**

The movements of promissory note payable during the current interim period are set out below:

	<i>HK\$'000</i> <i>(Unaudited)</i>
At 1 January 2009	9,535
Interest accrued	554
Interest payments	(89)
Redemption of promissory note	<u>(10,000)</u>
At 30 June 2009	<u><u>—</u></u>

The promissory note bears coupon interest at 3% per annum. The maturity date of the promissory note is 13 July 2010. Interest is payable semi-annually. Pursuant to the terms of promissory note, the Company has the right to early redeem the whole or part of the principal amount of the promissory note at par. The amount of promissory note 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 note is subsequently measured at amortised cost. On 3 April 2009, the Company redeemed all the promissory note payable in the principal amount of HK\$10,000,000 in cash.

## 14. DISPOSAL OF SUBSIDIARIES

During the current period, one of the Company's wholly-owned subsidiary, Shanghai Anping Medical Treatment Technology Co., Ltd. ("**Shanghai Anping**") disposed of 100% direct interest in Shanghai Hangyi Medical Management Co., Ltd. for a consideration of RMB5,000,000, equivalent to approximately HK\$5,682,000 which is included in the other receivables of Shanghai Anping. During the current period, the Group subsequently disposed of 100% interest in Shanghai Anping for a consideration of RMB5,000,000, equivalent to approximately HK\$5,682,000. Accordingly, the effective consideration received by the Group for the disposals was considered as HK\$5,682,000.

Details of the aggregate assets and liabilities of and attributable to the subsidiaries disposed of at date of disposal are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	2
Bank balances and cash	9,352
Trade receivables	1,634
Other receivables	9,017
Other payables	(5,174)
Income tax liabilities	(39,259)
	<hr/>
Net liabilities disposed of	(24,428)
Release of tax indemnity, receivable attributable to the subsidiaries disposed of ( <i>Note</i> )	27,862
Gain on disposal of subsidiaries	2,248
	<hr/>
	5,682
	<hr/> <hr/>
Satisfied by:	
Unpaid balance included in other receivables, prepayments and deposits	5,682
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(9,352)
	<hr/> <hr/>

*Note:* The amount represented tax indemnity given by the vendor, Li Juewen, pursuant to a sales and purchase agreement in respect of the Group's acquisition of Shanghai Anping and its subsidiaries (collectively the "**Anping Medical Group**") during the year ended 31 December 2007. The amount was unsecured, interest free and repayable upon the request of payment from the relevant PRC tax bureau. As the Group's entire interest in the Anping Medical Group has been disposed of during the current period, such amount was also derecognised and included in the calculation of gain on disposal of the subsidiaries during the period.

## 15. CAPITAL COMMITMENTS

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
(a) Contracted for but not provided in respect of acquisition of property, plant and equipment	<u><b>34,723</b></u>	<u>2,074</u>
(b) As at 30 June 2009, the Group has authorised-but-not-contracted for commitment in respect of the swap of medical equipments and the acquisition of business operating rights, details of which are set out in Notes 18(a) and (b).		

As at 31 December 2008, the Group has authorised-but-not-contracted for commitment in respect of the swap of medical equipments with Shanghai Aoguan Industrial Investment Limited, details of which are set out in the Company's announcement dated 1 January 2009.

## 16. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible persons of the Group. Details of the movements during the current interim period are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2009	<b>1,035,620,000</b>
Lapsed during the period	<u><b>(25,700,000)</b></u>
Outstanding at 30 June 2009	<u><b>1,009,920,000</b></u>
Exercisable at 30 June 2009	<u><b>693,682,000</b></u>

The Group amortises the fair value of the share options calculated over the relevant vesting period. Accordingly, an amount of HK\$7,002,000 was charged as an equity-settled share-based payment expense for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$8,998,000) of which HK\$3,547,000 (six months ended 30 June 2008: HK\$6,143,000) and HK\$3,455,000 (six months ended 30 June 2008: HK\$2,855,000) are attributable to the share options granted to employees and non-employees, respectively.



**17. RELATED PARTY DISCLOSURES**

		For the six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
(a)	<b>(i) Rental payments to a related party</b>		
	Rental payments to Fung Choi Properties Limited (“Fung Choi”) (Note)	594	531
	<b>(ii) Dividend income from a jointly-controlled entity</b>	—	14,700

Note: Fung Choi is beneficially owned as to 19.8% by Yu Kam Yuen, Lincoln, a non-executive director of the Company up to 1 August 2008, while the remaining shareholdings are beneficially owned by his two brothers, including 60.4% owned indirectly by Yu Kam Kee, Lawrence, a senior advisor of the Company and father of Yu Chung Hang, Lucian, an executive director of the Company.

(b) Interest payments in respect of guaranteed convertible notes held by a related party

		For the six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
	Interest payments to a subsidiary of E2-Capital (Holdings) Limited (“E2-Capital”, renamed as CIAM Group Limited with effect from 27 June 2008) (Note)	—	161

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 (who was re-designated as a non-executive director of the Company on 1 August 2008), Wong Sin Just, was also an executive director (up to 30 May 2008) and a substantial shareholder (up to 7 April 2008) of E2-Capital.

**17. RELATED PARTY DISCLOSURES** (Continued)

## (c) Amount due from a related party

	<b>30 June 2009 HK\$'000 (Unaudited)</b>	31 December 2008 HK\$'000 (Audited)
Amount receivable in respect of tax indemnity (Note)	—	27,862

*Note:* The balance represented the amount of tax indemnity given by the vendor, Li Juewen, pursuant to the sales and purchase agreement in respect of the acquisition in 2007, who is also a substantial shareholder and executive director (appointed on 1 July 2009) of the Company. Further details are set out in Note 14.

## (d) Compensation of key management personnel of the Group

The remuneration of members of key management, including directors of the Company and key executives of the Group, as determined by the Remuneration Committee, having regard to the performance of individual and market trends, amounted to HK\$3,394,000 (six months ended 30 June 2008: HK\$4,372,000).

**18. MAJOR POST BALANCE SHEET DATE EVENTS**

- (a) On 8 July 2009, Anping Medical Treatment Technology (Wuhu) Co., Ltd. (“**Anping Technology**”), the Company’s indirect wholly-owned subsidiary, entered into a conditional assets swap agreement with Shanghai Lun Kan Medical Investment Management Limited (“**Shanghai Lun Kan**”), a limited liability company established in the PRC, for the disposal of Shanghai Lun Kan’s entire 100% interest in one head gamma knife and one body gamma knife located in Zhengzhou Renji Tumour Hospital Tumour Radiotherapy Centre in the PRC, at a nominal consideration of RMB46.42 million (equivalent to HK\$52.73 million), which shall be satisfied by the entire 100% interests of one head gamma knife and one body gamma knife of the Group located in Tianjin Anjie Hospital. Further details are set out in the Company’s announcement dated 8 July 2009.

## 18. MAJOR POST BALANCE SHEET DATE EVENTS *(Continued)*

- (b) On 21 July 2009, Anping Technology entered into a business operating agreement with Wuhu Longyuan Investment Company Limited (“**Wuhu Longyuan**”) and Yingtan City Boken Investment Company Limited, limited liability companies established in the PRC, pursuant to which Anping Technology would become the exclusive provider of the management services in respect of Shanghai Renji Hospital Radiotherapy Centre and entitle to the attributable net income for a term of 16 years (with an option to extend for 20 additional years at the discretion of Anping Technology). The Group, in return, had issued 1,950,000,000 new shares of the Company to a nominee of Wuhu Longyuan on 14 August 2009 (which amounted to approximately HK\$128.70 million based on the closing price of the Company’s shares of HK\$0.066 per share as at the date of announcement) as consideration under the business operating agreement. Further details are set out in the Company’s announcement dated 21 July 2009.

## 19. RESTATEMENT/RECLASSIFICATION OF COMPARATIVE FIGURES

- (a) The Group has restated the comparative goodwill, other intangible assets, deferred tax liabilities and the exchange translation reserve arising from the acquisition of the Anping Medical Group as at 31 December 2007 and 30 June 2008, by which the carrying values of the exchange translation reserve as at 31 December 2007 were increased by HK\$31,620,000 and the exchange differences arising on translation of foreign operations recognised directly in equity for the six months ended 30 June 2008 was increased by HK\$51,155,000. There was no significant impact on the profit for the six months ended 30 June 2008.
- (b) Certain comparative figures have been reclassified in order to conform with the current period’s presentation.