CHINA RENJI Medical Group Ltd.

中國仁濟醫療集團有限公司

(Stock Code: 648)

2008 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors :

YANG Yifei *(Chairman)*
SHENG Yang *(Vice Chairman)*
YU Chung Hang, Lucian *(Chief Executive Officer)*
DUAN Xuzhen
GUO Bao Ping

Non-executive Directors:

WANG Yongchang
WONG Sin Just

Independent Non-executive Directors :

LI Yang
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

YANG Yifei
SHENG Yang
YU Chung Hang, Lucian
DUAN Xuzhen
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

Shu Lun Pan Horwath Hong Kong CPA 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

STOCK CODE

648

Dear Shareholders,

The fiscal year 2008 was a year of accelerated growth and consolidation for China Renji Medical Group Limited (the "Company") and its subsidiaries (together herein referred to as the "Group"). The global freezing economic climate as a result of the entering into the "Ice Age" of the world's financial markets resulted in difficult operating conditions in the People's Republic of China (the "PRC" or "China") as well. Although the Group is facing unprecedented challenges in the macro economic climate, the Group upholds its cautious and conscientious approach and has forged ahead with the stable development of its medical network business.

The medical service industry has not been directly affected by the economic cycle. The Group recorded significant growth in turnover and profit attributable to equity holders, which proves the success of the strategic focus on medical centres network. We are continually maintaining and building upon the Group's position as the leading player in China, operating and managing an extensive nationwide network of tumour and/or cancer diagnostics and treatment centres.

FINANCIAL SNAPSHOT

The Group booked a 255.16% rise in turnover to HK$207,600,000 in the fiscal year 2008 from HK$58,453,000 in the fiscal year 2007. Profit attributable to equity holders increased to HK$53,911,000 in fiscal year 2008 from HK$12,809,000 in fiscal year 2007, representing an increase of 320.88%. This was mainly attributable to the turnover and profit generated from the medical network business acquired by the Group since July 2007.

Basic earnings per share was HK0.47 cents while net asset value was HK$0.12 per share.

The Group remains resilient with a balance sheet of HK$1,435,508,000 in net assets with its gearing ratio improved to 7.23% in fiscal year 2008 from 14.90% in fiscal year 2007.

OPERATIONAL HIGHLIGHTS

Operationally, the Group has completed its strategic refocusing and continues to develop and expand its existing network of medical centres, in an aggressive, yet calculated manner. Through a series of acquisitions, the advanced medical equipment portfolio of the Group has been further strengthened, thereby enhancing its core competitiveness in the China medical market. Since the end of fiscal year 2007, the Group expanded its medical network from 7 to 14 centres, covering the central, eastern, southern, northern and northwestern regions of China. In addition, the Group's brand name and expertise has been further enhanced and the Group is better positioned to tap into the growing medical market of tumour and/or cancer diagnosis and radiotherapy in China.

On the corporate governance front, the Group is in the process of forming an in-house internal audit team in order to strengthen internal controls and improve corporate governance. The team will report its activities to the audit committee on a quarterly basis.

OUTLOOK

The latest health care reform has been introduced in China recently. The reform plan stated that the development of medical and health care business will be encouraged through diversion of more social capital to the sector. Given that clear direction and guidance for the medical sector will come along with the reform, it will provide favourable ground for the stable and continuous business development of the Group in the long run. Also, based on published statistics, the Group's research and experience, socio-economic and demographic indicators, the Group anticipates that the demand for tumour and/or cancer diagnosis and treatment will continue to increase in China. At the same time, we will also react positively to the challenges from market competition.

Looking forward, the Group will continue to (1) expand its medical network at a quicker pace through investments and acquisitions. Meanwhile, having considered that cancer related death and diseases have exacerbated in China, the Group plans to expand its existing network of medical centres into the affluent major and coastal cities across China; and (2) develop a standardised operating model that enables our treatment centres to deliver high-quality, cost-effective patient care; to ultimately reap significant rewards for the Group.

CONCLUSION

The Group will continue to strive to build upon its existing areas of strength while forging new frontiers both geographically and further expanding its network through investments and acquisitions. The Group expects to promote the name of China Renji on the one hand and on the other hand to further enhance the Group's position as the leading player in operating and managing an extensive nationwide network of tumour and/or cancer diagnostics and treatment centres in China.

ACKNOWLEDGEMENTS

I would like to thank our partners for their support, my directors for their advice and management and staff for their wisdom and efforts. I would also like to thank our Shareholders for their loyalty. I am certain the Group will emerge stronger and continue to appreciate our Shareholders' value.

YANG YIFEI
Chairman

Hong Kong, 9 April 2009

OVERVIEW

The Group is principally engaged in medical network business which includes leasing of medical equipment and provision of consultancy services for the operation of the medical centres specializing in the diagnosis and treatment of tumours and/or cancer related diseases, by applying advanced radiotherapy technology, in various cities of China, including Shanghai, Beijing, Hefei, Shenyang, Xian, Shijiazhuang, Wuhan, Jining, Shenzhen, Tianjin, and Urumqi, covering the central, eastern, southern, northern and northwestern regions of China.

The turnover of the Group derives from leasing and service income from operation of medical equipment. The principal cost of services are (1) equipment and facility costs, which comprising mainly of depreciation and amortisation costs; and (2) the salary and benefits of the physician and technical staff. Profitability will tend to increase as the available equipment and staff capacities are utilised.

FINAL RESULTS REVIEW

Turnover

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$207,600,000 (2007: HK$58,453,000), representing an increase of approximately 255.16% from last year. The turnover for the year was derived from the medical network business operated by the Group.

Gross profit

For the year ended 31 December 2008, the Group recorded a gross profit of approximately HK$163,027,000 (2007: HK$24,604,000) and a gross profit ratio of approximately 78.53% (2007: 42.09%) from its medical network business, which included an amortisation charge of other intangible assets of approximately HK$16,526,000 (2007: HK$26,934,000). When excluding the said amortisation charge, the gross profit and gross profit ratio of the Group's medical network business for the year was approximately HK$179,553,000 (2007: HK$51,538,000) and 86.49% (2007: 88.17%), respectively.

Profit from continuing operations

For the year ended 31 December 2008, the Group recorded a profit from continuing operations of approximately HK$52,122,000 (2007: a loss of HK$76,906,000), comprised mainly the operating profit of the Group's medical network business. This represents an improvement of approximately HK$129,028,000 from the loss from continuing operations for last year.

Profit from discontinued operations

For the year ended 31 December 2008, the Group recorded a profit from discontinued operations of approximately HK$1,789,000 (2007: HK$93,714,000), which represented the net gain on disposal of the Group's financial services business. The profit from discontinued operations for last year was derived from the Group's discontinued financial services, garment manufacturing and property holding and other business segment.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for year ended 31 December 2008 was approximately HK$53,911,000 (2007: HK$12,809,000), representing an increase of approximately 320.88% from last year. This was mainly attributable to the turnover and profit generated from the medical network business acquired by the Group since July 2007.

Basic earnings per share for the year ended 31 December 2008 was approximately HK0.47 cents (2007: HK0.16 cents), representing an increase of approximately 193.75% from last year.

Earning before interest, taxation, depreciation and amortisation (EBITDA)

For the year ended 31 December 2008, the Group reports EBITDA of approximately HK$158,265,000 (2007: HK$85,645,000).

BUSINESS REVIEW

Core business

The Group is principally engaged in the provision of medical equipment and consultancy services for the operation of the medical centres specialising in the diagnosis and treatment of tumours / cancer in China. The Group has forged ahead with its roadmap to develop its existing network of medical centres, in an aggressive, yet calculated manner. During the year under review and up to the date of this annual report, the Group had proceeded with the following significant medical assets acquisitions.

In January 2008, the Group entered into an acquisition agreement to acquire a further 49% and 24.5% interest, respectively, in the head and body gamma systems, linear accelerator, CT scanner and tumour heat therapy system (collectively, the "Gamma Medical Equipment") and the Positron Emission Tomography ("PET") and Computed Tomography ("CT") equipment (collectively, the "PET-CT Medical Equipment") located in 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") in Beijing City for a consideration of RMB71.22 million (equivalent to approximately HK$76.21 million). The consideration were satisfied as to RMB36.50 million (equivalent to approximately HK$39.06 million) by cash and as to the remaining balance of RMB34.72 million (equivalent to approximately HK$37.15 million) by the issuance of 148,600,000 new shares of the Company at the issue price of HK$0.25 per share. The Group is entitled to a further profit guarantee of RMB9.8 million for 2008. This further acquisition has allowed the Group to control 100% interest in the Gamma Medical Equipment and 50% interest in the PET-CT Medical Equipment and increase its share of economic benefits arising from the operations of the said medical equipments. The acquisition was completed in February 2008.

In June 2008, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a PET-CT machine for the diagnosis/detection of tumour and/or cancer related diseases, heart diseases and brain disorders for use in the First Associated Hospital of the Fourth Military Medical University (the "Xijing Hospital"). The consideration for the acquisition amounted to RMB50 million (equivalent to approximately HK$56.30 million) and was satisfied in cash. The Group is entitled to profit guarantees of RMB10 million for each of the first and second year after completion. Xijing Hospital is a reputable "3A Grade" hospital established for over half a century, and is currently equipped with approximately 2,000 hospital beds and over 40 specialty centres. Xijing Hospital is located in Xian City, being one of the major cities in Shaanxi Province, with a population of over 8 million which will potentially provide Xijing Hospital with patient resources. The acquisition expands the geographic coverage of the Group's tumour and/or cancer diagnosis and treatment business network into the northwest region of China. The acquisition was completed in July 2008.

Further in June 2008, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a digital multi-function gamma-ray whole body stereotactic radiotherapy system for use in the Shijiazhuang Hua Guang Tumour Hospital (the "Shijiazhuang Hospital"). The consideration for the acquisition amounted to RMB24 million (equivalent to approximately HK$27.02 million) and was satisfied in cash. The Group is entitled to profit guarantees of RMB4 million for each of the first and second year after completion. Shijiazhuang Hospital is located in Shijiazhuang City and is one of the earliest hospitals in China to provide Sino-Western integrated medical therapy for the treatment of tumours and has successfully provided such medical services to over 100,000 patients in China as well as patients from the United States of America, the French Republic and the Federal Democratic Republic of Ethiopia. Shijiazhuang Hospital is classified as a provincial key hospital and a designated unit under the government medical insurance scheme. In addition, Shijiazhuang City, being the capital city of Hebei Province with a population of over 9 million, will provide Shijiazhuang Hospital with a significant source of potential patients. The acquisition has also further strengthened the geographic coverage of the Group's tumour and/or cancer diagnosis and treatment business network in the northern region of China. The acquisition was completed in July 2008.

In July 2008, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a head gamma-ray stereotactic radiotherapy system, which is primarily for the radiotherapy treatment of brain tumours, vascular malformations and functional disorders of the brain, for use in the Wuhan General Hospital, Guangzhou Military Area Command of Chinese People's Liberation Army (the "Wuhan General Hospital"). The consideration for the acquisition amounted to RMB27 million (equivalent to approximately HK$29.92 million) and was satisfied in cash. The Group is entitled to profit guarantees of RMB4.5 million for each of the first and second year after completion. The Wuhan General Hospital is a "3A Grade" integrated hospital in Wuhan City offering leading specialty medical services, academic advancement, scientific research, prevention and health care services and first-aid services through its 42 therapy clinics and over 70 specialty units. In addition, Wuhan City, being one of the most populous cities in central China with a resident population of over 8 million, lies at the intersection of the Yangtze River and Han Water and is known as the "thoroughfare of nine provinces" for being a major transportation hub and central medical city for patients in nearby cities, with dozens of railways, roads and expressways passing through the city. The acquisition further enhances the geographic coverage of the Group's tumour and/or cancer diagnosis and treatment business network in the central region of China. The acquisition was completed in August 2008.

In August 2008, the Group entered into two acquisition agreements pursuant to which it agreed to acquire 51% interest in a head gamma-ray stereotactic radiotherapy system for use in the Shandong Ankang Hospital (the "Shandong Radiotherapy Asset") and 40% interest in a head gamma-ray stereotactic radiotherapy system for use in the Shenzhen Luohu People's Hospital (the "Shenzhen Radiotherapy Asset"). The consideration for the acquisition of the Shandong Radiotherapy Asset amounted to RMB12.5 million (equivalent to approximately HK$13.85 million) and the consideration for the acquisition of the Shenzhen Radiotherapy Asset amounted to RMB18 million (equivalent to approximately HK$19.94 million), both of which were satisfied in cash. The Group is entitled to profit guarantees of RMB2.5 million and RMB3 million in relation to the acquisitions of the Shandong Radiotherapy Asset and the Shenzhen Radiotherapy Asset, respectively, for each of the first and second year after the respective completion.

The Shandong Radiotherapy Asset is for use in the Shandong Ankang Hospital in Jining City, which is a "3A Grade" hospital and is one of the top 500 large-scaled hospitals in China. Being one of the top 5 psychiatric hospitals in China, Shandong Ankang Hospital is a specialist hospital with strong foundations in neurosurgery, neurology and brain radiotherapy treatments. Its diagnosis on brain diseases is considered at a leading level in China. Jining City, being one of the six concentrated industrial cities in Shandong Province with a population of over 7 million, lies at the south of Shandong Province at the intersection of Shandong Province, Henan Province, Jiangsu Province and Anhui Province with a wide area of medical coverage. The acquisition of the Shandong Radiotherapy Asset has further enhanced the geographic coverage of the Group's tumour and/or cancer diagnosis and treatment business network in the northern region of China. The acquisition was completed in August 2008.

The Shenzhen Radiotherapy Asset is for use in the Shenzhen Luohu People's Hospital, which is one of the oldest hospitals in Shenzhen City with over 49 years of history and an integrated hospital offering medical treatment, academic advancement and scientific research. It has a variety of high tech medical equipments, including but not limited to, electronic gastronintestinal endoscopes, arthroscope digital radiographic devices and automatic blood gas analyzers. In addition, Shenzhen City, being the first special economic zone established in China, is considered to be southern China's major financial centre with a population over 14 million, which provides a significant source of potential patients. The Gamma Knife Treatment Centre of the Shenzhen Luohu People's Hospital, being one of the earliest specialty medical centres in Shenzhen City providing specialist brain tumour treatment, is renowned for its radiotherapy treatment during craniotomy. This acquisition has further expanded the geographic coverage of the Group's tumour and/or cancer diagnosis and treatment network into the southern region of China. The acquisition was completed in August 2008.

In September 2008, 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, being the key radiotherapy medical equipments used in Tianjin Anjie Hospital. The consideration for the acquisition amounted to RMB20.5 million (equivalent to approximately HK$23.3 million) and was satisfied by the Group's entire interest in the radiotherapy medical equipment used in Jiangxi Centre. Tianjin Anjie Hospital is located in Tianjin City and is equipped with approximately 500 hospital beds. Tianjin City being an important coastal industrial centre in northern region of China, has a population over 10 million which provides a significant source of patients for Tianjin Anjie Hospital. The acquisition has allowed the Group to expand its tumour and/or cancer diagnosis and treatment network into coastal area of the northern region of China. The acquisition was completed in October 2008.

Subsequent to the year end, 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, being the key radiotherapy medical equipment 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, Xinjiang Autonomous Region, is a "Class 3" hospital specialising in the treatment of cardio and/or cerebral vascular diseases. Xinjiang Hospital is currently equipped with approximately 400 hospital beds and has over 500 staff (including over 300 professional medical staff). In addition, Xinjiang Hospital has established co-operation arrangements with a number of renowned domestic and foreign hospitals, including German Heart Institute (Berlin) China Northwestern Co-operation Centre, Beijing Hospital of China's Ministry of Health and Peking Union Medical College Fuwai Cardiovascular Hospital. Xinjiang Hospital is also an approved medical institute under the insurance schemes for the commercial, military and municipal sectors. Urumqi, the capital city of Xinjiang Autonomous Region, has a population of over 2.3 million and is a major industrial hub of Xinjiang Autonomous Region, which will provide significant potential sources of patients for Xinjiang Hospital. The acquisition has allowed the Group to expand its medical network into the northwestern region of China. The acquisition 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 would be satisfied in cash. The Group is entitled to profit guarantees of not less than RMB4.2 million for each of the ten years after completion. Hebei General Hospital is a "3A Grade" integrated hospital in Shijiazhuang City, offering leading specialty medical services, academic, scientific research, prevention and health care services and first-aid services through a number of therapy clinics and specialty 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 diagnosis and treatment business network in Hebei Province, particularly Shijiazhuang City. The acquisition was completed in March 2009.

Through the series of acquisitions, the advanced medical equipment portfolio of the Group has been further strengthened, thereby increasing its core competitiveness in the China medical market. In addition, the Group's brand name and expertise has been further enhanced and the Group is better positioned to capture the rapidly growing medical market of tumour and/or cancer diagnosis and radiotherapy in China.

Discontinued business

During the year, the Group disposed of its 49% jointly controlled entity, SBI E2-Capital Limited, at a consideration of HK$81 million. Prior to the disposal, SBI E2-Capital Limited carried out all of the Group's financial service business. Following the disposal of SBI E2-Capital Limited, the Group had completely disposed of its non-core business.

PROSPECTS

Based on published statistics, the Group's research and experience, as well as socio-economic and demographic indicators, the Group maintains its belief that the demand for tumours and/or cancer diagnosis and treatment will continue to increase in China, where its main operations are based. Having considered that tumours and/or cancer related death and diseases have exacerbated in China, the Group believes that its strategy to expand its existing network of medical centres into the affluent coastal and other major cities across China will ultimately translate to significant return for the Group.

In addition, according to the medical and health care reform introduced in China recently, the development of medical and health care business will be encouraged through diversion of more social capital to the sector. Given that clear direction and guidance for the medical sector will come along with the reform, it will provide favourable ground for the stable and continuous business development of the Group in the long run.

The Group will continue to incur significant capital expenditures in the coming years, which will be financed by both internal and external sources, and will actively accelerate the development of medical network based on the principles of commercial viability. The Group will also continue to develop a standardised operating model that enables the Group's tumours and/or cancer diagnosis and treatment centres to deliver high quality and cost effective patient care.

We will strive to build upon our existing areas of strength while forging new frontiers both geographically and further expanding our network, as well as to continue promoting the China Renji name.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's major financial resources were derived from the cash generated from operating activities of approximately HK$173,520,000 for the year ended 31 December 2008 (2007: HK$47,917,000). The significant 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 year ended 31 December 2008 was approximately HK$207,600,000. The gross profit before amortisation of other intangible assets amounted to approximately HK$179,553,000 and after deducting the amortisation of other intangible assets amounting to approximately HK$16,526,000, resulted in net gross profit of approximately HK$163,027,000, achieving a gross profit margin of 78.53%.

During the year ended 31 December 2008, the net cash used in investing activities amounted to approximately HK$299,582,000 (2007: HK$75,365,000) and the net cash used in financing activities amounted to approximately HK$69,242,000 (2007: net cash inflow of HK$197,892,000). The cash outflow in investing and financing activities mainly resulted from capital expenditure for acquisition of medical equipment in China as mention above and the partial redemption of promissory notes.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2008 a net cash outflow of approximately HK$195,304,000 (2007: net cash inflow of HK$170,444,000).

As at 31 December 2008, the Group maintained bank balances and cash amounting to approximately HK$78,157,000 (2007: HK$270,773,000 comprised of bank balances and cash included in assets classified as held for sales of approximately HK$102,611,000).

As at 31 December 2008, the Group's total borrowings amounted to approximately HK$103,747,000 (2007: HK$191,229,000) which included borrowings of HK$90,281,000 (2007: HK$73,360,000), guaranteed convertible notes of approximately HK$3,931,000 (2007: HK$7,698,000) and promissory notes of approximately HK$9,535,000 (2007: HK$110,171,000) with approximately HK$2,963,000 (2007: HK$78,251,000) repayable within one year and approximately HK$100,784,000 (2007: HK$112,978,000) repayable after 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 31 December 2008, the Group's net asset value was approximately HK$1,435,508,000 (2007: HK$1,306,480,000), with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) strengthen to 3.39 times as at 31 December 2008 compared to 2.64 times as at 31 December 2007. The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guaranteed convertible notes and promissory notes to the equity attributable to the equity holders of the Company) was 7.23% (31 December 2007: 14.90%). The decrease in gearing ratio was mainly attributable to the partial redemption of the promissory notes payable amounting to HK$110,000,000, conversion of guarantee convertible notes of HK$4,000,000 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 take advantage of growth opportunities for the business.

Capital structure

During the year, 7,810,000 ordinary shares in the Company were issued for HK$781,000 as a result of the exercise of share options. Convertible notes with the principal amount of HK$4,000,000 were converted into 36,363,636 ordinary shares at a conversion price of HK$0.11 per share. The Company also issued 148,600,000 new ordinary shares to an independent vendor (via its nominees) at an issue price of HK$0.25 per share in March 2008 as a part of the consideration for acquiring the remaining 49% of interest and 24.5% of interest held by the vendor in the Gamma Medical Equipment and the PET-CT Medical Equipment located in Main Hospital of the Second Artillery Force pursuant to the acquisition agreement entered into between the relevant parties.

Exposure to fluctuation in exchange rates

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

Charge on group assets

As at 31 December 2008, no assets were pledged by the Group (2007: nil).

Guarantees and counter-indemnities

Details of guarantees and counter-indemnities are set out in note 41 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the total number of employees of the Group was 39. 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, 9 April 2009

YANG YIFEI

(Chairman)

Mr Yang Yifei, aged 58, was appointed as Chairman and Executive Director of the Company in January 2008. He also acts as Director of Shanghai Anping Medical Treatment Technology Co., Ltd., a subsidiary of the Company. 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 China, 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 China 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 Group.

SHENG YANG

(Vice Chairman)

Mr Sheng Yang, aged 52, is currently the Vice Chairman of the Company. He was first appointed as Executive Director of the Company in July 2007. He is also currently Director 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 33, 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 and holds a number of directorships in companies within the Group. 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 is currently the Non-executive Director of Westminster Travel Limited (listed on Singapore Exchange). He holds a Masters Degree in Engineering from the University of London, England.

DUAN XUZHEN

(Executive Director)

Ms Duan Xuzhen, aged 59, was appointed as Executive Director of the Company in July 2007, and is 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. She also holds a number of directorships in companies within the Group. 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.

GUO BAO PING

(Executive Director)

Mr Guo Bao Ping, aged 52, was appointed as Executive Director of the Company in March 2009. He is also currently Director of China Renji Medical (BVI) Limited and Wintin International Limited, both are subsidiaries of the Company. He first joined the Company as a Vice President in December 2008, and is responsible for overseeing financial management, corporate governance and overall management of the Company as well as assisting the Chief Executive Officer in handling investments and finance affairs with the aim to enhance the relationship between the Company and the investors. Prior to this, he was a General Manager of China Conic Import & Export Corporation, a General Manager of China Trust & Investment Corp. for Foreign Economic Relations and Trade and an Executive Director of Fotic Capital Limited. Mr Guo possesses extensive experience in corporate finance and operational management in Hong Kong and China with prominent human relationship.

WANG YONGCHANG

(Non-executive Director)

Professor Wang Yongchang, aged 62, was appointed as Non-executive Director of the Company in May 2008. He is also currently Director of Shangde Electrical Machinery Technology (Wuhu) Co., Ltd., a subsidiary of the Company. Professor Wang graduated from the PLA Seventh Medical University Hospital (since renamed the PLA Third Military Medical University) — Faculty of Medicine in 1969. He possesses over 30 years of surgical and clinical experience, having acted as the Hospital Chief Executive of class 3 "PetroChina Lanzhou Petrochemical Main Hospital" for 8 years. In 2003, he was awarded the "National Trade Union of Hospitals Excellence Award for Hospital Chiefs". Professor Wang was also a member of the second and third congress of the Trade Union Management Division of the Zhonghua Hospital Management Society. He is currently an Officer of the Radiation Oncology Centre of the Main Hospital of the Second Artillery Force of the People's Liberation Army, Beijing, the PRC.

WONG SIN JUST

(Non-executive Director)

Dato' Dr Wong Sin Just, aged 43, was re-designated as Non-executive Director of the Company in August 2008. He was first appointed as Executive Director of the Company in April 2001 and was the Vice Chairman of the Company immediately before the re-designation. Dato' Dr Wong possesses over 20 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. He is currently the Executive Chairman of SBI E2-Capital Asia Securities Pte Ltd and the Non-executive Chairman of Suncorp Technologies Limited (listed on the Hong Kong Stock Exchange) as well as the Independent Non-executive Director of China.com Inc., Capital Strategic Investment Limited and China Zenith Chemical Group Limited (all are listed on the Hong Kong Stock Exchange), the Non-independent Non-executive Director of Intelligent Edge Technologies Berhad (listed on the Malaysia MESDAQ) and the Non-executive Chairman of Westminster Travel Limited (listed on Singapore Exchange). He was the Executive Co-chairman of CIAM Group Limited (formerly E2-Capital (Holdings) Limited, listed on the Hong Kong Stock Exchange) up to May 2008. He is involved in various social and charitable organizations in Hong Kong and China and is the Chairman of the General Donations and Special Events Committee of The Community Chest of Hong Kong and holds a Bachelor Degree in Engineering from the University of London, England.

LI YANG

(Independent Non-executive Director)

Dr Li Yang, aged 57, 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 an Independent Director of CITIC Securities Company Limited (listed on the Shanghai Stock Exchange). He was an Independent Director of Shanghai Pudong Development Bank Co., Ltd. (listed on the Shanghai Stock Exchange), Lawton Development Co., Ltd. (listed on the Shanghai Stock Exchange), Wuhan Kaidi Electric Power Co., Ltd. (listed on the Shenzhen Stock Exchange) and TIAN DI Science & Technology Co., Ltd. (listed on the Shanghai Stock Exchange) up to September 2008, May 2008, December 2007 and January 2007, respectively. 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.

PANG WAI HONG

(Independent Non-executive Director)

Mr Pang Wai Hong, aged 44, was appointed as Independent Non-executive Director of the Company in August 2008. Mr Pang graduated from the National University of Ireland with a Master of Science Degree in Finance in 1999 and holds a Master of Lighting from Queensland University of Technology, Australia. Mr Pang has been a Fellow Member of the Association of Chartered Certified Accountants in London, the United Kingdom, since 1995 and has also been an Associate Member of the Hong Kong Institute of Certified Public Accountants. Between June 2000 and March 2008, Mr Pang served as the Chief Financial Officer and Company Secretary of Singapore-listed People's Food Holdings Limited, where he was responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. Prior to that, Mr Pang was an Audit Manager with the international accounting practice of Deloitte Touche Tohmatsu from September 1992 to May 2000, where he was responsible for carrying out due diligence, audits, accounting, taxation, corporate finance and other compliance related matters.

LI WING CHIU

(Independent Non-executive Director)

Dr Li Wing Chiu, aged 43, was appointed as Independent Non- executive Director of the Company in October 2008. He is presently the Chairman and Chief Executive Officer of both Pentamount Investment (Hong Kong) Limited, a private equity fund, and Hegu Lead and Zinc Mining Limited, a mining company based in China. Dr Li has substantial experience in corporate development and financial investments. He was the Chairman of Xiamen Foreign Business Exchange Association and the Head of Shenzhen City Economic Exchange Center. Dr Li holds a Doctor's Degree in Economics from Xiamen University, China.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2008.

GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

China Renji Medical Group Limited 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 45 to the consolidated financial statements.

An analysis of the Group's turnover and segmental information are set out in notes 7 and 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 43.

RESERVES

Movements in the reserves of the Company during the year are set out in note 30 to the consolidated financial statements.

As at 31 December 2008, the Company had no reserves available for distribution under section 79B of the Hong Kong Companies Ordinance (2007: Nil).

PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT

Details of the movements in property, plant and equipment and land use right of the Group and of the Company are set out in note 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 27 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are shown in note 29 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 28 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK$314,000 (2007: HK$274,000).

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 144.

DIRECTORS

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

Executive Directors :	
YANG Yifei	
SHENG Yang	
YU Chung Hang, Lucian	
DUAN Xuzhen	
GUO Bao Ping	(appointed on 10 March 2009)
Non-executive Directors :	
WANG Yongchang	(appointed on 22 May 2008)
WONG Sin Just	(re-designated from Executive Director to Non-executive Director on 1 August 2008)
SUN Huali	(retired on 22 May 2008)
WONG Kean Li	(retired on 22 May 2008)
YU Kam Yuen, Lincoln	(resigned on 1 August 2008)
BAI Yongrui	(appointed on 22 May 2008 and subsequently resigned on 10 March 2009)
Independent Non-executive Directors :	
LI Yang	
PANG Wai Hong	(appointed on 1 August 2008)
LI Wing Chiu	(appointed on 1 October 2008)
LO Wing Yan, William	(resigned on 1 August 2008)
NG Sau Kei, Wilfred	(resigned on 1 October 2008)

In accordance with articles 104 and 105 of the Company's Articles of Association, Mr Yu Chung Hang, Lucian shall retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with article 110 of the Company's Articles of Association, Mr Guo Bao Ping, Mr Pang Wai Hong and Dr Li Wing Chiu, who were appointed by the Board during the year, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 DIRECTORS

Brief biographical details of Directors are set out on pages 13 to 16.

DIRECTORS' EMOLUMENTS

At the own request of Mr Yang Yifei (being the founder of the main medical assets of the Group who wishes to express his keenness to see the Group further expand) upon his appointment as Chairman of the Company in January 2008, Mr Yang received a nominal monthly emolument of HK$1, totalling HK$12, during the year. Other details of Directors' emoluments in respect of the year are shown in note 13 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 2008, 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)

Name of Director	Capacity	Nature of interest	Number of ordinary shares of HK$0.10 each held	Approximate percentage of the issued shares
Wong Sin Just	beneficial owner	personal	6,502,000	0.056%
Sheng Yang	beneficial owner	personal	4,000,000	0.034%
Yu Chung Hang, Lucian	beneficial owner	personal	3,500,000	0.030%

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

Details of the share options granted to the Directors by the Company and outstanding as at 31 December 2008 are set out under the section "Options granted under the share option scheme" below.

Save as disclosed above, as at 31 December 2008, 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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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 months 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:

				Number of share options				
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share** *HK$*	**At 1 January 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2008**
Directors								
Sheng Yang	07-03-2008	07-03-2008 to 06-03-2018	0.130	—	109,332,000 [2]	—	—	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,	29-03-2005	29-03-2005 to 28-03-2015	0.100	10,000,000	—	—	—	10,000,000
Lucian	10-04-2006	10-04-2006 to 09-04-2016	0.100	43,112,000	—	—	—	43,112,000
Duan Xuzhen	07-03-2008	07-03-2008 to 06-03-2018	0.130	—	30,000,000 [2]	—	—	30,000,000
Raja Datuk Karib Shah bin Shahrudin (ex-Director)	10-04-2006	10-04-2006 to 15-01-2008 [5]	0.100	4,310,000	—	(4,310,000) [3]	—	—
				161,568,000	139,332,000	(4,310,000)	—	296,590,000
Employees	21-02-2002	21-02-2002 to 20-02-2012	0.280	3,600,000 [6]	—	—	(1,200,000)	2,400,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	29,000,000	—	(3,500,000) [4]	(5,500,000)	20,000,000
	26-04-2007	26-04-2007 to 25-04-2017	0.200	44,400,000	—	—	(19,600,000)	24,800,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	—	139,332,000 [2]	—	—	139,332,000
				77,000,000	139,332,000	(3,500,000)	(26,300,000)	186,532,000
Consultants/ Advisors	21-02-2002	21-02-2002 to 20-02-2012	0.280	38,002,000 [7]	—	—	—	38,002,000
	03-11-2003	03-11-2003 to 02-11-2013	0.100	52,632,000 [7,8]	—	—	—	52,632,000
	24-05-2004	24-05-2004 to 23-05-2014	0.100	42,632,000 [7,9]	—	—	—	42,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	142,026,000 [7,9]	—	—	—	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 [2]	—	—	126,906,000
				425,592,000	126,906,000	—	—	552,498,000
			TOTAL :	**664,160,000**	**405,570,000**	**(7,810,000)**	**(26,300,000)**	**1,035,620,000**

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes:

(1) No share option was cancelled during the year under review.

(2) At the date immediately before these options were granted, the closing price per share was HK$0.112.

(3) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.156.

(4) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK$0.117.

(5) 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.

(6) 1,500,000 options (granted on 21 February 2002) previously classified under "Directors" were re-classified under "Employees" as a result of the retirement of Ms Sun Huali as Director of the Company on 22 May 2008 and her appointment as employee of the Company immediately thereafter.

(7) 6,000,000 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 retirement of Mr Wong Kean Li as Director of the Company on 22 May 2008 and his appointment as consultant of the Company immediately thereafter.

(8) 3,632,000 options (granted on 3 November 2003) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the resignation of Dr Lo Wing Yan, William as Director of the Company on 1 August 2008 and his appointment as consultant of the Company immediately thereafter.

(9) 15,000,000 options (granted on 24 May 2004) and 21,556,000 (granted 10 April 2006) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the resignation of Mr Yu Kam Yuen, Lincoln as Director of the Company on 1 August 2008 and his appointment as consultant of the Company immediately thereafter.

(10) 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

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

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

Date of grant	Date of vesting	No. of share options vested
21-02-2002	21-02-2002	375,000
	01-11-2002	375,000
	21-02-2003	525,000
	01-11-2003	750,000
	21-02-2004	525,000
	21-02-2005	1,050,000
10-04-2006	10-04-2006	3,750,000
	10-04-2007	3,750,000
	02-10-2007	21,500,000
26-04-2007	26-04-2007	13,800,000
	26-04-2008	10,200,000
	26-04-2009	20,400,000
07-03-2008	07-03-2008	7,500,000
	07-03-2009	62,166,000
	07-03-2010	69,666,000

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

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

Date of grant	Date of vesting	No. of share options vested
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

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(13) 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 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	07-03-2008	07-03-2009	5.5 years	2.103%	33.156%	0%	0.0301
		07-03-2010	6 years	2.204%	34.200%	0%	0.0331
Employees	07-03-2008	07-03-2008	5 years	2.001%	33.524%	0%	0.0284
		07-03-2009	5.5 years	2.103%	33.156%	0%	0.0301
		07-03-2010	6 years	2.204%	34.200%	0%	0.0331
Consultants/ Advisors	07-03-2008	07-03-2010	6 years	2.204%	34.200%	0%	0.0331
		07-03-2011	6.5 years	2.306%	34.638%	0%	0.0356

(a) The expected life is measured from the date of grant (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.

(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)

(13) (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$13,152,000, calculated as follows:

Grantee	Date of grant	Date of vesting	No. of share options granted during the year	Estimated fair value of options granted during the year HK$
Directors				
Sheng Yang	07-03-2008	07-03-2009	54,666,000	1,645,000
		07-03-2010	54,666,000	1,809,000
Duan Xuzhen	07-03-2008	07-03-2009	15,000,000	452,000
		07-03-2010	15,000,000	497,000
Employees	07-03-2008	07-03-2008	7,500,000	213,000
		07-03-2009	62,166,000	1,871,000
		07-03-2010	69,666,000	2,306,000
Consultants/ Advisors	07-03-2008	07-03-2010	63,453,000	2,100,000
		07-03-2011	63,453,000	2,259,000
			TOTAL :	**13,152,000**

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME (continued)

Notes: (continued)

(13) (continued)

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 Hong Kong Financial Reporting Standard ("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 2008, 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	23.37%
Martin Currie (Holdings) Limited	interest of corporation controlled	818,014,000	7.05%

Save as disclosed above, as at 31 December 2008, 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 year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

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 2008:

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

— the largest supplier	Nil
— five largest suppliers combined	Nil

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

— the largest customer	35%
— five largest customers combined	73%

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 TRANSACTIONS

On 12 December 2005, the Company entered into a tenancy agreement (the "1st 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 1st 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$1,062,000 paid to Fung Choi was charged to the consolidated income statement.

Subsequently, on 29 December 2008, the Company entered into a tenancy agreement (the "2nd Agreement") with Fung Choi in relation to the renewal of the said tenancy for a further term of two years commencing from 1 January 2009 to 31 December 2010 at a monthly rental of HK$98,952, which was confirmed by an independent property valuer as fair and reasonable when the 2nd Agreement was entered into.

Fung Choi was beneficially owned as to 60.4% by Mr Yu Kam Kee, Lawrence with the remaining interests beneficially owned by his two brothers, namely Mr Yu Kam Wai, Ricky and Mr Yu Kam Yuen, Lincoln, in equal proportion. Mr Yu Kam Kee, Lawrence (father of the Company's Executive Director, Mr Yu Chung Hang, Lucian) was a former Executive Director of the Company (when entering into the 1st Agreement) who was subsequently re-designated as the Company's Senior Advisor (when entering into the 2nd Agreement). Mr Yu Kam Yuen, Lincoln was a former Non-executive Director of the Company (when entering into the 1st Agreement) and was still a Non-executive Director of the Company within the preceding twelve months when entering into the 2nd Agreement. Therefore, the transactions constituted related party transactions and continuing connected transactions under Hong Kong Financial Reporting Standards and Chapter 14A of the Listing Rules, respectively. Details of the transactions have been disclosed in the announcements issued by the Company on 9 November 2005 and 29 December 2008, respectively.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 31 to 40.

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 2008.

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.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 44 to the consolidated financial statements.

AUDITORS

The consolidated financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who were appointed as Auditors of the Company by the Board on 29 August 2008 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

The Company's Auditors will change their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and will merge their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited will change their name to BDO Limited. As a result of these changes, a resolution will be proposed at the forthcoming annual general meeting to appoint BDO McCabe Lo Limited (to be renamed as BDO Limited on 1 May 2009) as the Company's Auditors.

By Order of the Board

YANG YIFEI
Chairman

HONG KONG, 9 April 2009

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 continued compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, the management of the Company periodically reviews and proposes necessary amendments to its corporate governance practices.

COMPLIANCE WITH THE CG CODE

During the year ended 31 December 2008, 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.

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.

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 ten members with a wide range of business, financial, accounting and medical 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 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*		2/3	1/1	3/4
Sheng Yang, *Vice Chairman*		3/3	1/1	4/4
Yu Chung Hang, Lucian, *Chief Executive Officer*		3/3	1/1	4/4
Duan Xuzhen		3/3	1/1	4/4
Guo Bao Ping	appointed on 10 March 2009			NA
Non-executive Directors:				
Wang Yongchang	appointed on 22 May 2008	2/2	1/1	3/3
Wong Sin Just	re-designated from Executive Director to Non-executive Director on 1 August 2008	3/3	0/1	4/4
Sun Huali	retired on 22 May 2008	1/1	0/0	1/1
Wong Kean Li	retired on 22 May 2008	1/1	0/0	1/1
Yu Kam Yuen, Lincoln	resigned on 1 August 2008	0/2	0/0	0/2
Bai Yongrui	appointed on 22 May 2008 and subsequently resigned on 10 March 2009	2/2	1/1	3/3
Independent Non-executive Directors:				
Li Yang		1/3	0/1	1/4
Pang Wai Hong	appointed on 1 August 2008	1/1	1/1	2/2
Li Wing Chiu	appointed on 1 October 2008	0/0	1/1	1/1
Lo Wing Yan, William	resigned on 1 August 2008	1/2	0/0	1/2
Ng Sau Kei, Wilfred	resigned on 1 October 2008	1/3	0/0	1/3

The biographical details of each existing Director are set out on pages 13 to 16.

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 has discharged 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. There were three Board meetings held during the year in relation to nomination of Directors. Individual attendance of Directors at such meetings is set out above.

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

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 now supported by three committees – the Executive Committee, the Audit Committee and the Remuneration Committee. The Investment Committee set up on 1 January 2007 was subsequently abolished on 30 June 2008. Each of the Committees 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 five 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*		11/11
Sheng Yang		11/11
Yu Chung Hang, Lucian		11/11
Duan Xuzhen		11/11
Guo Bao Ping	appointed on 10 March 2009	NA
Wong Sin Just	ceased to act on 30 June 2008	10/10
Yu Kam Kee, Lawrence, *Honorary Member (non-voting)*	ceased to act on 30 June 2008	7/10

BOARD COMMITTEES (continued)

Investment Committee (abolished)

The Investment Committee set up on 1 January 2007 was subsequently abolished on 30 June 2008 in view that the Committee was obsolete following the Company's strategic refocusing in its core business. The Committee was 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 comprised of six members as at 30 June 2008. The number of Investment Committee meetings held and attended by each individual member during their respective term of office in the year up to its abolishment are as follows:

	Investment Committee Meetings Attended/Held
Yang Yifei, *Chairman*	2/2
Sheng Yang	2/2
Yu Chung Hang, Lucian	2/2
Duan Xuzhen	2/2
Wong Sin Just	2/2
Yu Kam Kee, Lawrence, *Honorary Member (non-voting)*	2/2

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 significant financial reporting judgements focusing in accounting policies, reviewing and approving the external Auditors' terms of engagement (including audit fee); and to make recommendation to the Board in relation to the appointment of a new external Auditors to fill the vacancy caused by the resignation of the former external Auditors.

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
Pang Wai Hong, *Chairman*	appointed on 1 August 2008	1/1
Wong Sin Just	appointed on 1 August 2008	1/1
Li Wing Chiu	appointed on 1 October 2008	0/0
Lo Wing Yan, William	ceased to act on 1 August 2008	2/2
Yu Kam Yuen, Lincoln	ceased to act on 1 August 2008	2/2
Ng Sau Kei, Wilfred	ceased to act on 1 October 2008	2/3

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 approved the remuneration package of each Executive Directors in respect of the year 2008 and the share options granted to certain Executive Directors according to the Company's remuneration policy.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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
Pang Wai Hong, *Chairman*	appointed on 1 August 2008	0/0
Wong Sin Just	appointed on 1 August 2008	0/0
Li Wing Chiu	appointed on 1 October 2008	0/0
Lo Wing Yan, William	ceased to act on 1 August 2008	1/1
Yu Kam Yuen, Lincoln	ceased to act on 1 August 2008	1/1
Ng Sau Kei, Wilfred	ceased to act on 1 October 2008	1/1

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 DIRECTORS (continued)

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.

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 21 to 27.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2008.

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 2008, the Directors have selected suitable accounting policies; made judgments and estimates that are prudent, fair and reasonable.

The statement of the Auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 41 and 42.

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. The Board's annual review for the ensuing year will further cover the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget pursuant to a new CG Code provision which came into effect on 1 January 2009.

AUDITORS' FEES

The Company's external Auditors were Shu Lun Pan Horwath Hong Kong CPA Limited who were appointed by the Board on 29 August 2008 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. For the year ended 31 December 2008, the fees payable to the external Auditors for audit service and review service (non-audit service) were HK$1,300,000 and HK$220,000 respectively.

By Order of the Board

FORK SIU LUN, TOMMY
Company Secretary

Hong Kong, 9 April 2009

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
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20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
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www.horwath.com.hk

TO THE SHAREHOLDERS OF CHINA RENJI MEDICAL GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of China Renji Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 143, which comprise the consolidated and company balance sheets as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHINA RENJI MEDICAL GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the profit and cash flows of the Group 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.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
9 April 2009
Chan Kam Wing, Clement
Practising Certificate number P02038

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operations			
Turnover	7(a)	**207,600**	58,453
Cost of services	19	**(44,573)**	(33,849)
Gross profit		**163,027**	24,604
Other income and net gains	7(b)	**14,261**	7,015
Administrative expenses		**(61,866)**	(64,131)
Impairment loss on other intangible assets	19	**(40,384)**	—
Impairment loss on available-for-sale investments	21	**—**	(15,600)
Finance costs	9	**(17,001)**	(26,566)
Share of results of associates		**—**	(721)
Profit/(loss) before taxation		**58,037**	(75,399)
Income tax	10	**(5,915)**	(1,507)
Profit/(loss) for the year from continuing operations		**52,122**	(76,906)
Discontinued operations			
Profit for the year from discontinued operations	11	**1,789**	93,714
Profit for the year	12	**53,911**	16,808
Attributable to:			
Equity holders of the Company	14	**53,911**	12,809
Minority interests		**—**	3,999
		53,911	16,808
Dividend	15	**—**	—
Earnings/(loss) per share attributable to equity holders of the Company, in HK cents	16		
– Continuing and discontinued operations			
Basic		**0.47**	0.16
Diluted		**0.47**	0.15
			(Restated)
– Continuing operations			
Basic		**0.45**	(0.96)
Diluted		**0.45**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 ***HK$'000***	2007 *HK$'000* (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17(a)	**475,878**	242,335
Land use right	17(b)	**3,892**	—
Goodwill	18	**637,246**	601,047
Other intangible assets	19	**273,736**	345,144
Promissory notes receivables	31(a)	**77,075**	—
		1,467,827	1,188,526
Current assets			
Land use right	17(b)	**80**	—
Trade receivables	23	**71,698**	11,277
Other receivables, prepayments and deposits	23	**54,074**	153,630
Available-for-sale investments	21	**—**	2,095
Bank balances and cash	24	**78,157**	168,162
		204,009	335,164
Assets classified as held for sale	25	**—**	175,887
		204,009	511,051
Current liabilities			
Other payables, accruals and deposits received	26	**20,412**	33,959
Income tax liabilities		**36,845**	18,780
Borrowings-due within one year	27	**—**	73,360
Guaranteed convertible notes	28	**2,963**	4,891
		60,220	130,990
Liabilities directly associated with assets classified as held for sale	25	**—**	62,844
		60,220	193,834
Net current assets		**143,789**	317,217
Total assets less current liabilities		**1,611,616**	1,505,743

	NOTES	2008 *HK$'000*	2007 *HK$'000* (Restated)
Non-current liabilities			
Borrowings-due after one year	27	**90,281**	—
Guaranteed convertible notes	28	**968**	2,807
Promissory note payable	31(b)	**9,535**	110,171
Deferred tax liabilities	32	**75,324**	86,285
		176,108	199,263
Net assets		**1,435,508**	1,306,480
CAPITAL AND RESERVES			
Share capital	29	**1,159,511**	1,140,234
Reserves		**275,997**	142,870
Equity attributable to equity holders of the Company		**1,435,508**	1,283,104
Minority interests	25	**—**	23,376
Total equity		**1,435,508**	1,306,480

These financial statements were approved and authorised for issue by the Board of Directors on 9 April 2009 and are signed on its behalf by:

YANG YIFEI
DIRECTOR

YU CHUNG HANG, LUCIAN
DIRECTOR

BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17(a)	**70**	134
Investments in subsidiaries	20	**918,942**	921,719
Amounts due from subsidiaries	20	**236,151**	277,381
Promissory notes receivables	31(a)	**77,075**	—
		1,232,238	1,199,234
Current assets			
Other receivables, prepayments and deposits	23	**41,037**	142,031
Bank balances and cash	24	**9,315**	63,433
		50,352	205,464
Current liabilities			
Other payables, accruals and deposits received	26	**6,327**	6,395
Amounts due to subsidiaries	20	**50,964**	57,403
Borrowings-due within one year	27	**—**	73,360
		57,291	137,158
Net current (liabilities)/assets		**(6,939)**	68,306
Total assets less current liabilities		**1,225,299**	1,267,540
Non-current liabilities			
Borrowings-due after one year	27	**90,281**	—
Promissory note payable	31(b)	**9,535**	110,171
		99,816	110,171
Net assets		**1,125,483**	1,157,369
CAPITAL AND RESERVES			
Share capital	29	**1,159,511**	1,140,234
Reserves	30	**(34,028)**	17,135
Total equity		**1,125,483**	1,157,369

These financial statements were approved and authorised for issue by the Board of Directors on 9 April 2009 and are signed on its behalf by:

YANG YIFEI
DIRECTOR

YU CHUNG HANG, LUCIAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note 30(i))	Capital redemption reserve HK$'000 (Note 30(i))	Other properties revaluation reserve HK$'000 (Note 30(v))	Investment revaluation reserves HK$'000 (Note 30(vi))	Share option reserve HK$'000 (Note 30(ii))	Exchange translation reserve HK$'000 (Note 30(iii)) (Restated)	Guaranteed convertible notes-equity component reserve HK$'000 (Note 30(iv))	Accumulated losses HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	497,629	646,322	1,899	235	38,256	19,585	(3,765)	2,248	(985,262)	217,147	32,207	249,354
Exchange differences arising on translation of foreign operations (Restated)	—	—	—	—	—	—	41,207	—	—	41,207	2,610	43,817
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 (expense)/ income recognised directly in equity	—	—	—	—	(29,124)	—	41,317	—	—	12,193	2,610	14,803
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 (Note 21)	—	—	—	—	(6,583)	—	—	—	—	(6,583)	—	(6,583)
Reserve released upon disposal of available-for-sale investments (Note 21)	—	—	—	—	4,746	—	—	—	—	4,746	—	4,746
Reserve released upon disposal of associates	—	—	—	—	(7,295)	—	—	—	—	(7,295)	—	(7,295)
Reserve released upon disposal of subsidiaries (Note 36)	—	—	—	—	—	—	2,495	—	—	2,495	(42,467)	(39,972)
Total recognised income and expenses for the year	—	—	—	(235)	(38,256)	—	43,812	—	13,044	18,365	(35,858)	(17,493)
Issue of ordinary shares (Note 29)	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 component of guaranteed convertible notes	—	—	—	—	—	—	—	8,846	—	8,846	—	8,846
Conversion of guaranteed convertible notes (Note 28)	100,500	69	—	—	—	—	—	(10,410)	—	90,159	—	90,159
Fair value of share options credited to share option reserve (Note 33)	—	—	—	—	—	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 (Note 34)	—	—	—	—	—	—	—	—	—	—	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	40,047	684	(970,693)	1,283,104	23,376	1,306,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital HK$'000 (Note 29)	Share premium HK$'000 (Note 30(i))	Capital redemption reserve HK$'000 (Note 30(i))	Other properties revaluation reserve HK$'000 (Note 30(v))	Investment revaluation reserves HK$'000 (Note 30(vi))	Share option reserve HK$'000 (Note 30(ii))	Exchange translation reserve HK$'000 (Note 30(iii)) (Restated)	Guaranteed convertible notes-equity component reserve HK$'000 (Note 30(iv))	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 46(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
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	62,910	—	—	62,910	—	62,910
Net income recognised directly in equity	—	—	—	—	—	—	62,910	—	—	62,910	—	62,910
Profit for the year	—	—	—	—	—	—	—	—	53,911	53,911	—	53,911
Reserves released upon disposal of jointly-controlled entities under proportionate consolidation (Notes 25 and 37)	—	—	—	—	—	—	(2,442)	—	—	(2,442)	(23,376)	(25,818)
Total recognised income and expenses for the year	—	—	—	—	—	—	60,468	—	53,911	114,379	(23,376)	91,003
Issue of ordinary shares (Note 29)	14,860	892	—	—	—	—	—	—	—	15,752	—	15,752
Transaction costs attributable to issue of ordinary shares	—	(23)	—	—	—	—	—	—	—	(23)	—	(23)
Release upon maturity of guaranteed convertible notes	—	—	—	—	—	—	—	(116)	116	—	—	—
Recognition of equity component of guaranteed convertible notes (Note 28)	—	—	—	—	—	—	—	36	—	36	—	36
Conversion of guaranteed convertible notes (Note 28)	3,636	745	—	—	—	—	—	(464)	—	3,917	—	3,917
Fair value of share options credited to share option reserve (Note 33)	—	—	—	—	—	17,562	—	—	—	17,562	—	17,562
Exercise of share options	781	201	—	—	—	(201)	—	—	—	781	—	781
Lapse of share options	—	—	—	—	—	(1,243)	—	—	1,243	—	—	—
At 31 December 2008	**1,159,511**	**1,050,130**	**1,899**	**—**	**—**	**38,736**	**100,515**	**140**	**(915,423)**	**1,435,508**	**—**	**1,435,508**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**53,911**	16,808
Income tax from continuing operations	10	**5,915**	1,507
Income tax from discontinued operations	11	**—**	3,173
		59,826	21,488
Adjustments for:			
Gain on disposal of investment properties		**—**	(6,395)
Net gain in disposal of subsidiaries engaged in discontinued operations	11	**—**	(67,139)
Share of results of associates		**—**	721
Finance costs	9	**17,001**	27,971
Interest income	7(b)	**(3,910)**	(3,076)
Depreciation of property, plant and equipment	12	**21,082**	8,159
Depreciation of jointly-controlled assets	12	**3,446**	740
Amortisation of land use right		**—**	353
Amortisation of other intangible assets	19	**16,526**	26,934
Impairment loss on available-for-sale investments		**—**	15,600
Impairment loss on assets classified as held for sale		**—**	7,594
Impairment loss on goodwill		**—**	1,692
Impairment loss on other intangible assets		**40,384**	—
Loss on disposal of property, plant and equipment		**—**	234
Gain on swap of assets	7(b)	**(5,222)**	—
Loss on disposal of assets held for sale	11	**12,911**	—
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)
Allowance for bad and doubtful debts		**—**	945
Write back of allowance for bad and doubtful debts on other receivables		**—**	(1,104)
(Gain)/loss on disposal of available-for-sale investments	7(b)	**(33)**	4,746
Change in fair value of financial assets at fair value through profit or loss		**—**	(7,448)
Exchange loss on borrowings		**16,921**	—
Dividend income	7	**(14,700)**	(1,369)
Share based payment expenses		**17,562**	17,389
Operating cash flows before movements in working capital		**181,794**	48,924
Decrease in other assets		**—**	708
Increase in inventories		**—**	(1,896)
Increase in trade receivables		**(59,742)**	(51,794)
Decrease/(increase) in other receivables, prepayments and deposits		**57,959**	(56,183)
Decrease in trade payables		**—**	(30,166)
(Decrease)/increase in other payables, accruals and deposits received		**(13,667)**	141,234

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Cash generated from operations		**166,344**	50,827
Interest received		**1,149**	3,076
Interest paid		**(5,734)**	(5,429)
Dividends received		**14,700**	1,369
Dividends paid to minority shareholders of subsidiaries		**—**	(999)
Hong Kong profits tax refunded		**—**	629
The People's Republic of China income tax paid		**(2,939)**	(1,353)
Overseas tax paid		**—**	(203)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**173,520**	47,917
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(195,127)**	(99,788)
Purchase of land use right		**(3,972)**	—
Purchase of jointly-controlled assets		**—**	(36,443)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	34	**—**	(36,070)
Acquisition of financial assets at fair value through profit or loss		**—**	(30,754)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	36	**—**	(12,278)
Acquisition of available-for-sale investments		**—**	(1,970)
Acquisition of subsidiaries of a jointly-controlled entity (net of cash and cash equivalents acquired)	35	**—**	(1,671)
Acquisition of associates of a jointly-controlled entity		**—**	(1,607)
Proceeds from disposal of available-for-sale investments	21	**2,128**	57,428
Proceeds from disposal of investment properties		**—**	52,625
Proceeds from disposal of associates		**—**	19,297
Net cash (outflow)/ inflow from disposal of jointly controlled entities/ subsidiaries of a jointly- controlled entity	37	**(102,611)**	6,072
Proceeds from disposal of property, plant and equipment		**—**	38
Proceed from disposal of financial assets at fair value through profit or loss		**—**	9,756
NET CASH USED IN INVESTING ACTIVITIES		**(299,582)**	(75,365)

	NOTES	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		—	250,000
Issue of guaranteed convertible notes, net of transaction costs		—	87,723
Proceeds from exercise of share options		**781**	57,136
Capital contribution from minority shareholders		—	11,949
New bank loans raised		—	196
Redemption of promissory note payable		**(70,000)**	(200,000)
Transaction costs attributable to issue of shares		**(23)**	(9,112)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(69,242)**	197,892
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(195,304)**	170,444
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,688**	3,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**270,773**	96,838
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**78,157**	270,773
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash	24	**78,157**	168,162
Bank balances and cash included in assets classified as held for sale	25	—	102,611
		78,157	270,773

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 45.

The consolidated financial statements are presented in Hong Kong dollars and all are rounded to the nearest thousand except when otherwise indicated, which is also the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) - Int 11 "HKFRS 2 - Group and treasury share transactions", HK(IFRIC) - Int 12 "Service concession arrangements", HK(IFRIC) - Int 14 "HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of the financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

		Effective date
HKAS 39 (Amendment)	Financial instruments: recognition and measurement – eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	- HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	- HKFRS 5	(ii)

Effective date

i) Annual periods beginning on or after 1 January 2009
ii) Annual periods beginning on or after 1 July 2009
iii) Annual periods beginning on or after 1 July 2008
iv) Annual periods beginning on or after 1 October 2008
v) Annual periods ending on or after 30 June 2009
vi) Transfers of assets from customers received on or after 1 July 2009

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. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of financial statements

These consolidated financial statements have been prepared under the historical cost convention, except certain financial instruments which are carried at fair value.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) 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, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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 significant intra-group transactions, balances, income and expenses are eliminated in full 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.

(d) Business combinations and interests in subsidiaries

The acquisition of subsidiaries and 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.

Interests in subsidiaries are included in the Company's balance sheet at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill arising on an acquisition of a business 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 gain or loss on disposal.

(f) 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

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 and their amount can be measured reliably.

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 a jointly-controlled entity.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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 are 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 of HKFRS 5 "Non-current Assets held for Sale and Discontinued 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.

(i) 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 is recognised when goods are delivered and title has passed.

Rental income from operating leases and investment properties is recognised in profit or loss over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time-apportioned 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) 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 any 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. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current year are as follows:

Leasehold improvements	20% - 33$^1/_3$% 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	5% - 7% or over the shorter of the term of the co-operative contracts
Plant and machinery	10% - 15%
Furniture, fixtures and equipment	10% - 20%
Computer equipment	20% - 30%
Motor vehicles	10% - 25%

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 losses. 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Leases

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.

Land use right under operating lease is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) 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.

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 exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation or the underlying asset is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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 exchange translation reserve.

(m) Borrowing 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.

(n) 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) 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 for all temporary differences 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, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 (and tax laws) 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Other intangible assets acquired in a business combination

Other 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 other intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, other intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, other 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 other than goodwill below).

(q) 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) 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).

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) 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 and other 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 and other 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 loss 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 loss not been recognised.

Impairment loss 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial liabilities and equity (continued)

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 component 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 component reserve until it is exercised (in which case the balance stated in guaranteed convertible notes - equity component reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in guaranteed convertible notes - equity component reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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 other payables, borrowings and promissory note payable are subsequently measured at amortised cost, using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial liabilities and equity (continued)

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) 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 option 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 option reserve.

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to accumulated losses.

Modification to original share 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Impairment loss on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, other intangible assets with indefinite useful lives and other 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 in profit or loss immediately.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(u) Provisions

Provision are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(w) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

4. 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 trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

Estimated impairment of tangible assets

Management periodically reviews each tangible asset for possible impairment or reversal of previously recognised impairment. Recoverability of tangible assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

Estimated impairment of goodwill and other intangible assets。

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have 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. Details of the recoverable amount calculations are disclosed in Notes 18 and 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Changes in accounting estimates of useful lives of certain items of property, plant and equipment and other intangible assets

During the current year, there are following changes in accounting estimates of useful lives of certain items of property, plant and equipment and other intangible assets of the Group:

i) In 2008, the Group carried out review on the useful lives, depreciation method and residual values of the Group's property, plant and equipment. In the course of the review, the Group noted changes in the previous assumptions used in estimation of the useful lives of the Group's medical equipment. With effect from 1 January 2008, following the reappraisal by management of the estimated useful lives of items of property, plant and equipment, the estimated useful lives of certain medical equipment with net book value of HK$238,230,000 as at 1 January 2008 increased from 14 years to the shorter of 20 years or the respective terms of the relevant cooperative contracts relating to the operation of the medical equipment. The changes in estimated useful lives of the above items of property, plant and equipment resulted in a decrease in depreciation charge and an increase in income tax of HK$3,142,000 and HK$585,000 respectively, with a net increase in the profit of HK$2,557,000 for the year ended 31 December 2008; and

ii) With effect from 1 January 2008, following amendments of the underlying lease contracts and consultancy services contracts, management has reassessed estimated useful lives of the underlying other intangible assets of the Group with net book value of HK$345,144,000 as at 1 January 2008. As a result, the estimated useful lives of the other intangible assets increased from 5 to 10 years to 14 to 25 years. The lease contracts and consultancy services contracts entitled the 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. The changes in estimated useful lives of the other intangible assets resulted in a decrease in amortisation charge of the other intangible assets and an increase in income tax of HK$36,529,000 and HK$9,132,000 respectively, with a net increase in the profit of HK$27,397,000 for the year ended 31 December 2008.

5. 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 optimisation 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 note payable which were disclosed in Notes 27, 28 and 31(b) 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
– Trade receivables	**71,698**	11,277	**—**	—
– Other receivables	**48,883**	149,613	**39,865**	140,343
– Promissory notes receivables	**77,075**	—	**77,075**	—
– Amounts due from subsidiaries (at cost)	**—**	—	**236,151**	277,381
– Bank balances and cash	**78,157**	168,162	**9,315**	63,433
	275,813	329,052	**362,406**	481,157
Available-for-sale investments	**—**	2,095	**—**	—
Financial liabilities stated at amortised cost				
– Amounts due to subsidiaries	**—**	—	**50,964**	57,403
– Borrowings – due within one year	**—**	73,360	**—**	73,360
– Borrowings – due after one year	**90,281**	—	**90,281**	—
– Guaranteed convertible notes (current liabilities)	**2,963**	4,891	**—**	—
– Guaranteed convertible notes (non-current liabilities)	**968**	2,807	**—**	—
– Promissory note payable	**9,535**	110,171	**9,535**	110,171
	103,747	191,229	**150,780**	240,934

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, promissory notes receivables, bank balances, borrowings, guaranteed convertible notes and promissory note payable. The Company's major financial instruments include other receivables, promissory notes receivables, amounts due from/to subsidiaries, bank balances, borrowings and promissory note payable. 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 and 2008, 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 arose 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 at 31 December 2007 as disclosed in Note 41.

In order to minimise the credit risk, the 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 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 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.

Other than that, the Group and the Company have promissory notes receivables in connection with the disposal of jointly-controlled entities amounting to HK$77,075,000 (2007:HK$Nil), other receivables in connection with the disposal of subsidiaries amounting to HK$12,003,000 (2007: HK$112,481,000) and tax indemnity given by the vendor in connection with the acquisition of paid-up capital of Shanghai Anping Medical Treatment Technology Co., Ltd. ("Anping Medical") and its subsidiaries (the "Anping Medical Group") amounting to HK$27,862,000 (2007: HK$27,862,000) at 31 December 2008, which expose the Group and the Company to the concentration of credit risk on these counterparties.

The Group's exposure to credit risk is also influenced by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 35% (2007: 39%) and 73% (2007: 100%) of the trade receivables was due from the Group's largest customer and the five largest customers respectively.

6. 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
Singapore dollars ("SGD")	**34**	33	**—**	—
Japanese Yen ("JPY")	**48**	39	**48**	39
United States dollars ("USD")	**5,120**	5,430	**5,112**	5,424
Liabilities				
JPY	**90,281**	73,360	**90,281**	73,360

Sensitivity analysis

At 31 December 2008 and 2007, most of the currency risk of the Group and the Company is mainly exposed to JPY.

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 entities, HK$, against the JPY. A rate of 5% is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a rate of 5% change in JPY. A positive number indicates an increase in profit/decrease in loss where HK$ strengthens 5% against the JPY. For a 5% weakening of HK$ against the JPY, there would be an equal and opposite impact on the profit and the balances below would be opposite.

	THE GROUP JPY		THE COMPANY JPY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the year	**4,512**	3,666	**4,512**	3,666

6. 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 28 and 31 respectively for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see Notes 24 and 27 respectively for details).

Sensitivity analysis

The sensitivity analysis below has 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 31 December 2008 would decrease by HK$84,000 (2007: the profit would increase by HK$178,000). 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 HK$143,789,000 as at 31 December 2008. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing borrowings and cash flows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by 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.

6. 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
2008								
Borrowings	**3%**	**—**	**—**	**—**	**—**	**97,202**	**97,202**	**90,281**
Guaranteed convertible notes	**5%**	**—**	**3,001**	**—**	**—**	**1,097**	**4,098**	**3,931**
Promissory note payable	**3%**	**—**	**—**	**—**	**10,010**	**—**	**10,010**	**9,535**
		—	**3,001**	**—**	**10,010**	**98,299**	**111,310**	**103,747**
2007								
Borrowings	7%	—	—	75,293	—	—	75,293	73,360
Guaranteed convertible notes	5%	—	—	5,141	3,032	—	8,173	7,698
Promissory note payable	3%	—	—	—	—	119,471	119,471	110,171
		—	—	80,434	3,032	119,471	202,937	191,229

6. 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
2008								
Amounts due to subsidiaries	—	50,964	—	—	—	—	50,964	50,964
Borrowings	3%	—	—	—	—	97,202	97,202	90,281
Promissory note payable	3%	—	—	—	10,010	—	10,010	9,535
		50,964	—	—	10,010	97,202	158,176	150,780
2007								
Amounts due to subsidiaries	—	57,403	—	—	—	—	57,403	57,403
Borrowings	7%	—	—	75,293	—	—	75,293	73,360
Promissory note payable	3%	—	—	—	—	119,471	119,471	110,171
		57,403	—	75,293	—	119,471	252,167	240,934

iv) Price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the balance sheet date, the Group is exposed to this risk through the conversion rights attached to the guaranteed convertible notes issued by the Company as disclosed in Note 28.

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

The fair value of financial assets and financial liabilities is 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.

7. TURNOVER AND OTHER INCOME AND NET GAINS

(a) Turnover, which is also 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.

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

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Leasing and service income from operation of medical equipment	**207,600**	56,994
Dividend income from listed investments	**—**	1,369
Provision of media consulting, marketing and technology services	**—**	90
	207,600	58,453
Discontinued operations (Note 11)		
Provision of financial services including brokerage, corporate finance, advisory and underwriting services	**—**	113,181
Sales of goods	**—**	67,135
Rental income of investment properties	**—**	6,872
	—	187,188
	207,600	245,641

7. TURNOVER AND OTHER INCOME AND NET GAINS (continued)

(b) Other income and net gains

	Continuing operations		Discontinued operations (Note 11)		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income on:						
Bank balances	**540**	2,967	**—**	109	**540**	3,076
Promissory notes receivables	**3,370**	—	**—**	—	**3,370**	—
	3,910	2,967	**—**	109	**3,910**	3,076
Gain on swap of assets (Note 19(i))	**5,222**	—	**—**	—	**5,222**	—
Dividend income from a jointly-controlled entity	**—**	—	**14,700**	—	**14,700**	—
Write back of allowance for doubtful debts on other receivables	**—**	784	**—**	320	**—**	1,104
Government grants #	**4,934**	1,030	**—**	—	**4,934**	1,030
Change in fair value of financial assets at fair value through profit or loss	**—**	3,010	**—**	4,438	**—**	7,448
Net gain on disposal of associates	**—**	9,813	**—**	—	**—**	9,813
Loss on disposal of subsidiaries (Note 36)	**—**	(5,884)	**—**	—	**—**	(5,884)
Gain/(loss) on disposal of available-for-sale investments (Note 21)	**33**	(4,970)	**—**	224	**33**	(4,746)
Others	**162**	265	**—**	8,977	**162**	9,242
	14,261	7,015	**14,700**	14,068	**28,961**	21,083

The balance represented compensation income from local governments mainly for taxes paid by the subsidiaries operating in the People's Republic of China (the "PRC").

8. SEGMENT INFORMATION

Business Segments

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 and operating of medical equipment and provision of consultancy services on operation of medical equipment
Investment holding	—	Holding of investment securities
Media, consulting, marketing and technology services	—	Provision of media, consulting, marketing and technology services

As further detailed in Note 11, 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.

During the year ended 31 December 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 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 31 December 2008. Accordingly no segment analysis by businesses or geographical markets is presented for the current year.

8. SEGMENT INFORMATION (continued)

Business Segments (continued)

Segment information by businesses for the prior year is presented below:

Year ended 31 December 2007

	Continuing operations					Discontinued operations					
	Medical network	Investment holding	Media, consulting, marketing and technology services	Elimination	Sub-total	Financial services	Garment manufacturing	Property holding and others	Elimination	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER											
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 AMORTIASTION	45,953	(19,201)	(871)	—	25,881	24,338	1,093	(782)	—	24,649	50,530
LESS: AMORTISATION OF OTHER 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 costs					(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					(1,507)					(3,173)	(4,680)
Net gain on disposal of discontinued operations (Notes iii)					—					73,534	73,534
(Loss)/profit for the year					(76,906)					93,714	16,808

8. SEGMENT INFORMATION (continued)

Business Segments (continued)

Notes:

(i) Amortisation of other intangible assets represented the amortisation of other intangible assets which were acquired as a result of the acquisition of the Anping Medical Group, details of which are set out in Note 19.

(ii) Unallocated corporate expenses mainly comprised directors' remuneration, other staff costs and legal and professional fees and overhead expenses which are not attributable to any specific business segment.

(iii) The net gain on disposal of discontinued operations comprised 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 11.

As at 31 December 2007

	Continuing operations			Discontinued operations	
	Medical network *HK$'000* (Restated)	Investment holding *HK$'000*	Media, consulting, marketing and technology services *HK$'000*	Financial services *HK$'000*	Consolidated *HK$'000* (Restated)
ASSETS					
Segment assets	1,237,193	2,095	—	73,277	1,312,565
Unallocated assets					387,012
Consolidated total assets					1,699,577
LIABILITIES					
Segment liabilities	21,582	—	—	71,759	93,341
Unallocated liabilities					299,756
Consolidated total liabilities					393,097

8. 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 manufacturing	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*
OTHER INFORMATION:									
Capital expenditure in respect of property, plant and equipment and other intangible assets	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 land use right	—	—	—	—	—	72	281	353	353
Amortisation of other intangible assets	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

8. SEGMENT INFORMATION (continued)

Geographical segments

The following table provides an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods/services for the prior year.

	Continuing operations 2007 *HK$'000*	Discontinued operations 2007 *HK$'000*	Consolidated 2007 *HK$'000*
PRC	56,994	72,538	129,532
Hong Kong	1,459	93,252	94,711
Singapore	—	21,398	21,398
	58,453	187,188	245,641

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

	Carrying amount of segment assets 2007 *HK$'000* (Restated)
PRC	1,237,193
Hong Kong	30,504
Singapore	44,868
	1,312,565

	Additions to property, plant and equipment, other intangible assets and goodwill 2007 *HK$'000*
PRC	1,182,502
Hong Kong	3,406
	1,185,908

9. FINANCE COSTS

	Continuing operations		Discontinued operations (Note 11)	Consolidated	
	2008	2007	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:					
Bank borrowings wholly repayable within five years	**—**	—	617	**—**	617
Clients' accounts and other loans wholly repayable within five years	**—**	260	788	**—**	1,048
Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years	**2,170**	1,938	—	**2,170**	1,938
Guaranteed convertible notes (Note 28)	**390**	3,342	—	**390**	3,342
Promissory note payable (Note 31(b))	**14,441**	21,026	—	**14,441**	21,026
	17,001	26,566	1,405	**17,001**	27,971

10. INCOME TAX

	Continuing operations		Discontinued operations (Note 11)	Consolidated	
	2008	2007	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax					
– Current year	**—**	—	4,679	**—**	4,679
– Overprovision in prior years	**—**	—	(7)	**—**	(7)
PRC tax	**19,875**	8,241	268	**19,875**	8,509
Deferred taxation (Note 32)	**(13,960)**	(6,734)	(1,767)	**(13,960)**	(8,501)
	5,915	1,507	3,173	**5,915**	4,680

No Hong Kong profits tax has been provided as the group entity did not have assessable profits arising in Hong Kong during the year. Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the prior year. 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.

10. INCOME TAX (continued)

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.

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 PRC. The New Law imposed a single income tax rate of 25% for all the PRC subsidiaries. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the statutory tax rate from 33% to 25% for certain PRC subsidiaries of the Company from 1 January 2008.

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

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) before taxation:		
Continuing operations	**58,037**	(75,399)
Discontinued operations (Note 11)	**14,700**	30,947
Loss on disposal of jointly-controlled entities engaged in provision of financial services (Note 11)	**(12,911)**	—
Net gain on disposal of subsidiaries engaged in discontinued operations (Note 11)	**—**	67,139
Gain on disposal of investment properties (property holding and others segment) (Note 11)	**—**	6,395
Impairment loss on assets classified as held for sale (Note 11)	**—**	(7,594)
	59,826	21,488
Taxation at the Hong Kong statutory income tax rate of 16.5% (2007: 17.5%)	**9,871**	3,760
Tax effect of share of results of associates	**—**	126
Tax effect of income not taxable	**(11,906)**	(18,965)
Tax effect of expenses not deductible	**10,703**	13,695
Tax effect of unrecognised tax losses	**6,589**	8,363
Utilisation of tax losses not previously recognised	**—**	(817)
Effect of tax exemption granted	**(16,343)**	(3,458)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**7,001**	1,983
Overprovision in prior years	**—**	(7)
Tax charge for the year	**5,915**	4,680
Continued operations	**5,915**	1,507
Discontinued operations (Note 11)	**—**	3,173
	5,915	4,680

11. DISCONTINUED OPERATIONS

During the year ended 31 December 2007, the Group's business segments of garment manufacturing and property holding and others were discontinued upon the completion of disposal of certain subsidiaries of the Group. Moreover, 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 HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5"), the business segment of financial services was required to be presented as discontinued operations in the prior year 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 the year ended 31 December 2008, the jointly-controlled entities have been disposed of and the net profit arising therefrom of HK$1,789,000 (2007: HK$26,186,000) was included in the profit for the current year from the discontinued operations.

11. DISCONTINUED OPERATIONS (continued)

The carrying amount of assets and liabilities relating to financial services segment as at 31 December 2007 are set out in Note 25. The results of the discontinued operations for the current and prior years, which have been included in the consolidated income statement, were as follows:

	2008 HK$'000	2007 HK$'000
Net (loss)/gain on disposal of jointly-controlled entities/ subsidiaries engaged in discontinued operations		
Loss on disposal of jointly-controlled entities engaged in provision of financial services (Note 37)	**(12,911)**	—
Gain on disposal of subsidiaries engaged in country club operation (property holding and others segment) (Note 36)	**—**	73,679
Loss on disposal of subsidiaries engaged in garment manufacturing segment (Note 36)	**—**	(6,540)
	(12,911)	67,139
Profit for the year from discontinued operations		
Profit of financial services segment	**—**	26,186
Profit of garment manufacturing segment	**—**	873
Profit of property holding and others segment	**—**	715
Dividend income from a jointly-controlled entity	**14,700**	—
	14,700	27,774
Gain on disposal of investment properties (property holding and others segment)	**—**	6,395
Impairment loss on assets classified as held for sale	**—**	(7,594)
	1,789	93,714
Attributable to:		
Equity holders of the Company	**1,789**	90,271
Minority interests	**—**	3,443
	1,789	93,714

11. DISCONTINUED OPERATIONS (continued)

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

		Financial services		Garment manufacturing	Property holding and others	Total	
	Notes	**1.1.2008 to 9.4.2008**	Year ended 31.12.2007	1.1.2007 to 31.10.2007	1.1.2007 to 11.12.2007	**2008**	2007
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	7(a)	**—**	113,181	67,135	6,872	**—**	187,188
Cost of sales and services		**—**	(8,567)	(63,485)	(4,921)	**—**	(76,973)
Other income and net gains	7(b)	**14,700**	13,062	159	847	**14,700**	14,068
Distribution and selling expenses		**—**	—	(91)	—	**—**	(91)
Administrative expenses		**—**	(79,232)	(2,578)	(3,520)	**—**	(85,330)
Impairment loss on goodwill	18	**—**	(1,692)	—	—	**—**	(1,692)
Loss on disposal of subsidiaries of a jointly-controlled entity	37	**—**	(4,818)	—	—	**—**	(4,818)
Finance costs	9	**—**	(1,068)	—	(337)	**—**	(1,405)
Profit/(loss) before tax		**14,700**	30,866	1,140	(1,059)	**14,700**	30,947
Income tax	10	**—**	(4,680)	(267)	1,774	**—**	(3,173)
Profit for the period/year		**14,700**	26,186	873	715	**14,700**	27,774
Attributable to							
- Equity holders of the Company		**14,700**	22,176	590	1,565	**14,700**	24,331
- Minority interests		**—**	4,010	283	(850)	**—**	3,443
		14,700	26,186	873	715	**14,700**	27,774

11. DISCONTINUED OPERATIONS (continued)

The cash flows of the discontinued operations were as follows:

	2008 HK$'000	2007 HK$'000
Net cash generated from operating activities	—	122,796
Net cash generated from/(used in) investing activities	14,700	(62,147)
Net cash generated from financing activities	—	25,449
	14,700	86,098

The carrying amounts of the assets and liabilities of disposed subsidiaries related to garment manufacturing segment and property holding and others segment at the dates of disposals are set out in Note 36.

The carrying amounts of assets and liabilities related to financial services segment at date of disposal are set out in Note 37.

12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations	Consolidated	
	2008	2007	2007	**2008**	2007
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
This has been arrived at after charging/(crediting):					
Depreciation of property, plant and equipment (Note 17(a))	**21,082**	5,035	3,124	**21,082**	8,159
Depreciation of jointly-controlled assets (Note 17(a))	**3,446**	740	—	**3,446**	740
Amortisation of other intangible assets included in cost of services (Note 19)	**16,526**	26,934	—	**16,526**	26,934
Amortisation of land use right (Note 17(b))	**—**	—	353	**—**	353
Total depreciation and amortisation	**41,054**	32,709	3,477	**41,054**	36,186
Auditors' remuneration	**1,621**	2,895	1,353	**1,621**	4,248
Net exchange losses/(gains)	**11,823**	4,727	(530)	**11,823**	4,197
Gain on swap of assets (Note 19(i))	**(5,222)**	—	—	**(5,222)**	—
Loss on disposal of property, plant and equipment	**—**	5	229	**—**	234
Gross rental income from investment properties	**—**	—	(1,469)	**—**	(1,469)
Less: direct operating expenses from investment properties that generated rental income	**—**	—	316	**—**	316
	—	—	(1,153)	**—**	(1,153)
Employee benefit expenses, including directors' emoluments (Note 13):					
-salaries and other benefits	**18,232**	20,804	78,179	**18,232**	98,983
-share-based payment expense (Note 33)	**11,922**	8,282	—	**11,922**	8,282
	30,154	29,086	78,179	**30,154**	107,265
Additional allowance for bad and doubtful debts on other receivables (Note 23)	**—**	905	40	**—**	945

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each director of the Company was as follows:

For the year ended 31 December 2008

	Yang Yifei	Wong Sin Just	Wong Kean Li	Yu Chung Hang, Lucian	Pang Wai Hong	Duan Xuzhen	Li Wing Chiu	Sheng Yang	Yu Kam Yuen, Lincoln	Ng Sau Kei, Wifred	Lo Wing Yan, William	Li Yang	Wang Yongchang	Sun Huali	Bai Yongrui	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$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors																
- fees	–	42	39	–	42	–	25	–	58	75	58	100	–	–	–	439
- salaries and other benefits	1	1,712	–	1,704	–	1,200	–	2,880	–	–	–	–	–	–	–	7,497
- employer's contribution to pension scheme	–	7	–	12	–	–	–	5	–	–	–	–	–	–	–	24
Share-based payment expense	–	–	–	–	–	1,261	–	4,596	–	–	–	–	–	2,285	–	8,142
	1	1,761	39	1,716	42	2,461	25	7,481	58	75	58	100	–	2,285	–	16,102

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$'000*	*HK$'000*	*HK$'000*	*HK$'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
- employer's contribution to pension scheme	4	12	12	12	–	1	–	1	–	–	–	–	–	–	–	42
Share-based payment expense	–	–	–	–	–	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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

During the year ended 31 December 2007, 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 emolument paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years. None of the directors has waived any emoluments during the current and prior years.

The five highest paid individuals in the Group for the years ended 31 December 2008 and 2007 were all directors of the Company and details of their emoluments are included above.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of HK$69,911,000 (2007: a loss of HK$42,753,000) which has been dealt with in the financial statements of the Company (Note 30).

15. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: HK$Nil).

16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

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

16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (continued)

From continuing and discontinued operations

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

Earnings

	2008	2007
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share	**53,911**	12,809
Interest on guaranteed convertible notes (Note 9)	**390***	3,342*
Profit for the purpose of diluted earnings per share	**54,301**	16,151

Number of shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**11,582,667**	8,053,797
Effect of dilutive potential ordinary shares:		
- Share options	**849**	255,639
- Guaranteed convertible notes	**39,091***	172,438*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,622,607**	8,481,874

16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (continued)

From continuing operations

The calculation of the basic and diluted earnings/(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:

	2008	2007
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**53,911**	12,809
Less: Profit for the year from discontinued operations attributable to equity holders of the Company	**(1,789)**	(90,271)
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	**52,122**	(77,462)

* The guaranteed convertible notes have an anti-dilutive effect on the basic earnings/(loss) per share of the Group from continuing and discontinued operations for the years ended 31 December 2007 and 2008. Accordingly, the effect of the guaranteed convertible notes was not included in the calculation of diluted earnings/(loss) per share from continuing and discontinued operations for the year ended 31 December 2007 and 2008.

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

No diluted loss per share for continuing operations was presented for the year ended 31 December 2007 as the exercise of share options and conversion of guaranteed convertible notes would result in decrease of the loss per share from continuing operations for the year ended 31 December 2007.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations are HK0.02 cents (2007: HK1.12 cents (restated)) and HK0.02 cents (2007: HK1.09 cents) respectively, based on the earnings for the year from the discontinued operations HK$1,789,000 (2007: HK$90,271,000).

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

17 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT

(a) Property, plant and equipment

	Notes	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 2007		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	34	—	—	78,739	—	109	585	—	3,345	82,778
Reclassified as assets held for sale	25	(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	37	(671)	—	—	—	(1,694)	(2,229)	(1,830)	—	(6,424)
Acquisition of subsidiaries of a jointly-control entity	35	4	—	—	—	62	—	—	—	66
Disposals of subsidiaries	36	—	(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
Exchange adjustments		18	—	22,955	—	28	—	—	24	23,025
Additions		50	—	264,073	—	12	1,506	11	—	265,652
Reclassification		—	—	409	—	—	—	—	(409)	—
Disposals		—	—	(27,556)	—	—	—	—	—	(27,556)
At 31 December 2008		**1,718**	**—**	**506,907**	**—**	**1,132**	**1,853**	**602**	**—**	**512,212**

17 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT (continued)

(a) Property, plant and equipment (continued)

	Notes	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
ACCUMULATED DEPRECIATION										
At 1 January 2007		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	12	197	1,890	5,470	200	234	437	471	—	8,899
Reclassified as assets held-for-sale	25	(423)	—	—	—	(171)	—	(713)	—	(1,307)
Eliminated on disposals		(663)	(1,032)	—	(2,710)	(861)	—	(338)	—	(5,604)
Eliminated on disposals of subsidiaries	36	—	(26,643)	—	(30,005)	(13,392)	(4,399)	—	—	(74,439)
Eliminated on disposal of subsidiaries of a jointly-control entity	37	(642)	—	—	—	(1,607)	(74)	(1,311)	—	(3,634)
At 31 December 2007		1,373	—	5,741	—	803	333	506	—	8,756
Exchange adjustments		3	—	7,890	—	13	—	—	—	7,906
Provided for the year	12	112	—	24,180	—	73	122	41	—	24,528
Eliminated on disposals		—	—	(4,856)	—	—	—	—	—	(4,856)
At 31 December 2008		**1,488**	**—**	**32,955**	**—**	**889**	**455**	**547**	**—**	**36,334**
CARRYING AMOUNT										
At 31 December 2008		**230**	**—**	**473,952**	**—**	**243**	**1,398**	**55**	**—**	**475,878**
At 31 December 2007		277	—	241,285	—	289	14	85	385	242,335

17 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT (continued)

(a) Property, plant and equipment (continued)

At 31 December 2008, the Group's medical equipment of HK$351,560,000 (2007: HK$241,285,000) are held under operating lease to earn the leasing income. Included in the carrying value of medical equipment as at 31 December 2008 were jointly-controlled assets of HK$71,944,000 (2007: HK$66,809,000). Details of the financial information of the jointly-controlled assets are set out in Note 22(b)(ii).

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
The Company					
COST					
At 1 January 2007	1,491	1,097	347	815	3,750
Additions	—	13	—	70	83
Disposals	—	(163)	—	(294)	(457)
At 31 December 2007	1,491	947	347	591	3,376
Additions	—	—	—	11	11
At 31 December 2008	**1,491**	**947**	**347**	**602**	**3,387**
ACCUMULATED DEPRECIATION					
At 1 January 2007	1,491	1,013	246	726	3,476
Provided for the year	—	58	87	66	211
Eliminated on disposals	—	(159)	—	(286)	(445)
At 31 December 2007	1,491	912	333	506	3,242
Provided for the year	—	20	14	41	75
At 31 December 2008	**1,491**	**932**	**347**	**547**	**3,317**
CARRYING AMOUNT					
At 31 December 2008	**—**	**15**	**—**	**55**	**70**
At 31 December 2007	—	35	14	85	134

17 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHT (continued)

(b) Land use right

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount:		
At 1 January	**—**	11,198
Additions	**3,972**	—
Amortisation of land use right (Note 12)	**—**	(353)
Exchange realignment	**—**	813
Disposal of subsidiaries (Note 36)	**—**	(11,658)
At 31 December	**3,972**	—
Analysed for reporting purpose as:		
Non-current assets	**3,892**	—
Current assets	**80**	—
	3,972	—

The land use right is situated outside Hong Kong and is held under a medium term lease.

18. GOODWILL

	Notes	***HK$'000*** (Restated)
COST		
At 1 January 2007		—
Arising on acquisition of subsidiaries	34	578,946
Arising on acquisition of additional interest in a subsidiary of a jointly-controlled entity	35	1,692
Exchange realignment		22,101
At 31 December 2007		602,739
Exchange realignment		36,199
At 31 December 2008		**638,938**
ACCUMULATED IMPAIRMENT		
At 1 January 2007		—
Impairment loss recognised (Note)		1,692
At 31 December 2007 and **2008**		**1,692**
CARRYING AMOUNT		
At 31 December 2008		**637,246**
At 31 December 2007		601,047

Note: The prior year 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 (Note 11) was recognised in the consolidated income statement for the pirior year accordingly.

Particulars regarding impairment testing on goodwill are set out below.

The carrying amount of goodwill as at 31 December 2007 and 2008 is attributable to the acquisition of the Anping Medical Group.

18. GOODWILL (continued)

The basis of the recoverable amounts of this cash-generating unit ("CGU") and their major underlying assumptions are summarised below:

CGU of medical network

The recoverable amount of this CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15%. The cash flows beyond the 5-year period are extrapolated using an annual growth rate of 3%. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted leasing and service income and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

The directors reassessed the recoverable amount of goodwill as at 31 December 2008 by reference to the valuation as at 31 December 2008 performed by Greater China Appraisal Limited, an independent firm of professional valuers. The recoverable amount of the CGU was determined by the professional valuers based on the present value of the expected future revenue arising from the operation of the underlying assets of the CGU. These calculations resulted in a value-in-use amount higher than the carrying amount of goodwill as at 31 December 2008.

Accordingly, there is no impairment on the carrying amount of goodwill as at 31 December 2008 from the above value-in-use calculation.

19. OTHER INTANGIBLE ASSETS

	HK$'000 (Restated)
COST	
At 1 January 2007	—
Acquired on acquisition of subsidiaries during the year (Note 34)	359,387
Exchange realignment	13,719
At 31 December 2007	373,106
Released upon disposal of underlying assets (Note i)	(29,310)
Exchange realignment	19,520
At 31 December 2008	**363,316**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2007	—
Provided for the year (Note 12)	26,934
Exchange realignment	1,028
At 31 December 2007	27,962
Provided for the year (Note 12)	16,526
Written back on disposal of underlying assets (Note i)	(2,459)
Impairment loss (Note ii)	40,384
Exchange realignment	7,167
At 31 December 2008	**89,580**
CARRYING AMOUNT	
At 31 December 2008	**273,736**
At 31 December 2007	345,144

Other 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 service contracts entitle the Anping Medical Group to receive leasing and service 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.

The above other intangible assets have a definite life and are being amortised on a straight-line basis over the remaining useful lives of 14 to 25 years.

The amortisation charge amounted to HK$16,526,000 (2007: HK$26,934,000) was included in cost of services.

19. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) During the year, the Group entered into an assets swap agreement with a third party vendor pursuant to which the Group acquired 100% interest in medical equipment located in Tianjin City in exchange for its 100% interest in medical equipment located in Jiangxi Province (the "2008 SWAP"). At the effective date of the 2008 SWAP, (i) the fair value of the acquired medical equipment in Tianjin City was determined at HK$54,773,000 based on a valuation carried out by an independent firm of professional surveyors; and (ii) the carrying amounts of the disposed medical equipment in Jiangxi Province and the related other intangible assets were HK$22,700,000 and HK$26,851,000 respectively, which resulted in a gain of HK$5,222,000 during the year (Note 7(b)). The relevant deferred tax liability amounts of HK$7,869,000 attributable to the fair value of the acquired items of property, plant and equipments, and HK$6,713,000 attributable to the fair value adjustment of other intangible assets disposed of have also been charged to the consolidated income statement during the year respectively (Note 32).

(ii) As further detailed in Note 44(a), on 1 January 2009, the Group entered into a conditional assets swap agreement with Shanghai Aoguan Industrial Investment Limited ("Shanghai Aoguan"), a limited liability company established in the PRC, for the disposal of Shanghai Aoguan's entire 100% interest in the body gamma knife and head gamma knife located in medical centre in Urumqi, Xinjiang Autonomous Region, the PRC, at a consideration of RMB21 million (equivalent to HK$23.86 million), which shall be satisfied by the partial interests of certain medical equipment of the Group (the "2009 SWAP"). At the effective date of the 2009 SWAP, (i) the fair value of the acquired medical equipment in Xinjiang was determined at HK$54,205,000 based on a valuation carried out by an independent firm of professional surveyors; and (ii) the carrying amounts of the Group's disposed medical equipment in Shanghai City and the related other intangible assets were HK$20,420,000 and HK$74,169,000 respectively, and the difference between (i) and (ii) provided an indication that there was an impairment loss on other intangible assets of HK$40,384,000 as at 31 December 2008, which was recognised as an impairment loss in the consolidated income statement during the year. The relevant deferred tax liability amount of HK$10,985,000 released on the impairment loss of other intangible assets has also been credited to the consolidated income statement during the year (Note 32).

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**994,464**	997,241
Less: impairment losses	**(75,522)**	(75,522)
	918,942	921,719
Amounts due from subsidiaries	**669,547**	707,145
Less: impairment losses	**(433,396)**	(429,764)
	236,151	277,381

The amounts due from subsidiaries are unsecured and interest free except for an amount of of HK$10,697,000 as at 31 December 2007 which bears interest ranging from 4% to 8% per annum. In the opinion of the directors, all of the amounts in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans.

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

Details of principal subsidiaries are set out in Note 45.

An allowance of impairment for investment costs and amounts due from subsidiaries of HK$75,522,000 (2007: HK$75,522,000) and HK$433,396,000 (2007: HK$429,764,000) respectively was provided as at 31 December 2008 because the related recoverable amounts of the investment costs and the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs and amounts due therefrom are reduced to their recoverable amounts.

21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Unlisted securities:		
- Equity securities	—	95
- Debt securities	—	2,000
	—	2,095

Unlisted securities are measured at cost less impairment at each balance sheet date. During the prior year, a loss arising on change in fair value of HK$29,124,000 for the available-for-sale investments was recognised in the investment revaluation reserve.

The Group disposed of certain unlisted securities with the carrying amount of HK$2,095,000 (2007: HK$57,428,000) (with the amount of HK$Nil (2007: HK$4,746,000) released from the investment revaluation reserve) at a total consideration of HK$2,128,000 (2007: HK$57,428,000), resulting in a gain on disposal of HK$33,000 (2007: loss on disposal of HK$4,746,000) for the current year (Note7(b)).

As at 31 December 2007, an impairment loss of HK$22,183,000 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 on the available-for-sale investments. A cumulative revaluation gain of HK$6,583,000 was removed from investment revaluation reserve and recognised in the consolidated income statement during the prior year while an additional impairment loss of HK$15,600,000 was directly recognised in the consolidated income statement for the year ended 31 December 2007.

22. 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 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 for the prior year. During the year ended 31 December 2008, the Group's jointly-controlled entities have been disposed of, details of which are set out in Note 37.

The summarised financial information in respect of the Group's interest in jointly-controlled entities which was accounted for using proportionate consolidation with the line-by-line reporting format in the consolidated financial statements for the year ended 31 December 2007 is set out below:

	THE GROUP 2007 *HK$'000*
Current assets	180,637
Non-current assets	2,844
Current liabilities	62,844
Income	124,502
Expenses	100,285

The Group classified its interests in the assets and liabilities of jointly-controlled entities 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 above amounts are disclosed in Note 25.

22. INTERESTS IN JOINT VENTURES (continued)

(b) Jointly-controlled assets

In addition to the jointly-controlled entities listed above, the Group entered into the following agreements to acquire interests in certain medical equipment:

(i) In 2007, the Group entered into an agreement with Shanghai Rentung Hospital Investment Management Limited ("Shanghai Rentung") to acquire a 51% and 25.5% interest held by Shanghai Rentung 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 City, 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 HK$0.10 each issued by 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.

On 23 January 2008, the Group entered another agreement with Shanghai Rentung to acquire the remaining 49% and 24.5% interest held by Shanghai Rentung 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 City, the PRC at a consideration of HK$54,811,000 including cash of HK$39,060,000 and fair value of 148,600,000 ordinary shares of HK$0.10 each issued by the Company amounted to HK$15,752,000 which was calculated based on the published market price at date of acquisition. After such acquisition, the Group holds 100% interest in gamma knife machines and therefore it is no longer treated as a jointly-controlled asset of the Group as at 31 December 2008 whilst the Group holds 50% interest in PET-CT medical equipment which is still treated as a jointly-controlled asset of the Group as at 31 December 2008.

Further details of the above acquisitions are set out in the Company's announcements dated 2 October 2007 and 23 January 2008.

22. INTERESTS IN JOINT VENTURES (continued)

(b) Jointly-controlled assets (continued)

(ii) In August 2008, the Group entered into agreements with Shenzhen Yong Sheng Tat Technology Co., Ltd. to acquire (1) a 51% interest in gamma-ray stereotactic radiotherapy system located in Shandong Ankang Hospital Gamma Knife Treatment and Research Centre, Jining City, Shandong Province, the PRC (the "Shandong Radiotherapy Asset"); and (2) a 40% interest in gamma-ray stereotactic radiotherapy system located in The Shenzhen Luohu Hospital Gamma Knife Treatment Centre, Shenzhen City, Guangdong Province, the PRC (the "Shenzhen Radiotherapy Asset"), at an aggregate cash consideration of HK$33,790,000. Pursuant to the terms of the agreements, the Anping Medical Group is entitled to the 51% of income derived from the Shandong Radiotherapy Asset and the 40% of income derived from the Shenzhen Radiotherapy Asset. Further details of the above acquisitions are set out in the Company's announcement dated 1 August 2008. The Shandong Radiotherapy Asset and the Shenzhen Radiotherapy Asset are treated as jointly-controlled assets of the Group as at 31 December 2008.

The aggregate amounts of assets and liabilities recognised in the consolidated financial statements in relation to interests in jointly-controlled assets are as follows:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Non-current assets (Note 17)	**71,944**	66,809
Income	**11,743**	3,798
Expenses	**3,446**	740

23. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**71,698**	11,277	**—**	—
Prepayments and deposits	**5,099**	1,795	**1,167**	1,481
Consideration receivable for disposal of subsidiaries (Note a)	**12,003**	112,481	**12,003**	112,481
Receivable due from a former equity holder of subsidiaries (Note b)	**9,018**	9,270	**—**	—
Receivable in respect of tax indemnity (Note c)	**27,862**	27,862	**27,862**	27,862
Others	**92**	2,222	**5**	207
	54,074	153,630	**41,037**	142,031
	125,772	164,907	**41,037**	142,031

Notes:

(a) The balance of HK$12,003,000 was due on or before 31 October 2008. Subsequently, the amount has been fully settled.

(b) The amount is unsecured, interest free and repayable on demand.

(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. The amount is unsecured, interest free and repayable upon the request of payment from the relevant PRC tax bureau (Note 34).

The Group generally allows an average credit period of 90 days (2007: 30 to 90 days) to its trade customers. The following is an ageing analysis of trade receivables as at balance sheet date which are neither individually nor collectively considered to be impaired:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**59,170**	11,277
1 to 3 months past due	**12,528**	—
	71,698	11,277

23. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

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

At 31 December 2008, trade receivables of HK$59,170,000 (2007: HK$11,277,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$12,528,000 (2007: HK$Nil) at 31 December 2008 were past due at 31 December 2008 against which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movement of allowance for bad and doubtful debts on other receivables:

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Balance at 1 January	**—**	—
Additional allowance during the year (Note 12)	**—**	945
Amount written off as uncollectible	**—**	(945)
Balance at 31 December	**—**	—

24. BANK BALANCES AND CASH

The Group's bank balances of HK$73,527,000 (2007: HK$108,919,000) carried variable-rate interest at 0.01% - 0.36% per annum (2007: 0.25% - 3% per annum).

The Company's bank balances of HK$5,265,000 (2007: HK$5,568,000) carried variable-rate interest at 0.01% - 0.12% per annum (2007: 0.25% - 3% per annum).

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

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**5,120**	5,430	**5,112**	5,424
JPY	**48**	39	**48**	39
SGD	**34**	33	**—**	—
	5,202	5,502	**5,160**	5,463

At the balance sheet date, the bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to HK$68,484,000 (2007: HK$103,298,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As explained in Note 11, the assets and liabilities of jointly-controlled entities, mainly including 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 share of assets and liabilities of the jointly-controlled entities, which were mainly attributable from SBI E2-Capital Limited as at 31 December 2007, which were presented separately in the consolidated balance sheet at 31 December 2007.

	HK$'000
	(Note 37)
Property, plant and equipment (Note 17)	1,212
Interests in associates	1,607
Other assets	25
Trade and other receivables	69,092
Financial assets at fair value through profit or loss	8,934
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

During the year ended 31 December 2008, the Group disposed of its interests of jointly-controlled entities at an aggregate consideration of HK$81,384,000, details of which are set out in Note 37. The consideration was satisfied by promissory notes of HK$81,000,000 and HK$384,000 (Note 31(a)). 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 during the year ended 31 December 2008 of HK$14,700,000 and the net asset value of jointly-controlled entities attributable to the Group amounting to HK$97,261,000 at 31 December 2007.

26. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued expenses	**9,128**	8,264	**4,139**	5,928
Deferred income (Note)	**8,915**	8,915	**—**	—
Interest payable	**2,247**	655	**2,188**	465
Others	**122**	16,125	**—**	2
	20,412	33,959	**6,327**	6,395

Note: The amount represent a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of HK$8,915,000, which was calculated based on the net realised 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 directors of the Company considered that no further provision was required as at 31 December 2007 and 2008.

27. BORROWINGS

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unsecured interest-bearing borrowings		
Loan from former intermediate holding company (Note a)	**12,971**	10,540
Loan from a former fellow subsidiary (Note b)	**77,310**	62,820
	90,281	73,360

As at 31 December 2007 and 2008, total current and non-current borrowings were repayable as follows:

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
On demand or within one year	**—**	73,360
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**90,281**	—
	90,281	73,360

Notes:

(a) The amount represents a loan from 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 28).

(b) The amount represents a loan from a former fellow subsidiary 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 28).

The effective interest rate on the Group's borrowings was 2.875% per annum for the year ended 31 December 2008 (2007: ranging from 6.93% to 7.66% per annum).

28. GUARANTEED CONVERTIBLE NOTES

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of liability component of guaranteed convertible notes issued/extended on:		
- 28 August 2002 ("2002 5% Notes") (Note a(i))	**—**	4,891
- 23 March 2007 ("2007 5% Notes") (Note b)	**2,963**	2,807
- 28 August 2008 ("2011 5% Notes") (Note a(ii))	**968**	—
	3,931	7,698
Less: Amounts due within one year shown under current liabilities	**(2,963)**	(4,891)
Amounts due after one year shown under non-current liabilities	**968**	2,807

The guaranteed convertible notes were issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company, and entitled the holders to convert into 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/extension of the guaranteed convertible notes. The effective interest rate is 9.75%, 10.75% and 6.32% for the 2002 5% Notes, 2007 5% Notes and 2011 5% Notes respectively.

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

28. GUARANTEED CONVERTIBLE NOTES (continued)

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

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	**7,698**	17,464
Issue/extension of convertible notes	**964***	78,877
Interest accrued (Note 9)	**390**	3,342
Interest paid	**(204)**	(1,826)
Deemed redemption	**(1,000)***	—
Conversion	**(3,917)**	(90,159)
Carrying amount at the end of the year	**3,931**	7,698

* The balance of HK$964,000 represented the liability component of 2011 5% Notes extended during the year. The difference between the principal of 2011 5% Notes of HK$1,000,000 and such liability component amounted to HK$36,000 which represented the equity component of 2011 5% Notes was recognised in the equity during the year.

28. GUARANTEED CONVERTIBLE NOTES (continued)

Notes:

(a)(i) 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.

(a)(ii) In May 2008, the Group entered into a further supplemental agreement with the noteholder of the 2002 5% Notes whereby the maturity date of the outstanding 2002 5% Notes with principal of HK$1,000,000 was extended from 28 August 2008 to 29 August 2011. Save as the extension of the maturity date, all other terms and conditions remain unchanged.

As at 31 December 2008, the outstanding principal amounts of the 2011 5% Notes were HK$1,000,000 (2007: 2002 5% Notes HK$5,000,000). During the year ended 31 December 2008, a principal amount of HK$4,000,000 of the 2002 5% Notes was converted into 36,363,636 new ordinary shares of HK$0.10 each of the Company (2007: HK$Nil) (Note 29).

(b) 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 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 noteholder, 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 ended 31 December 2007, a principal amount of HK$86,500,000 of the 2007 5% Notes was converted into 865,000,000 new ordinary shares of HK$0.10 each of the Company. During the year ended 31 December 2008, there was no conversion of the 2007 5% Notes.

On 23 March 2009, the noteholder demanded repayment of the 2007 5% Notes. The Group agreed with the noteholder to repay the amount due on 1 May 2009.

(c) 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.

29. SHARE CAPITAL

	THE COMPANY			
	2008		2007	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**20,000,000**	**2,000,000**	10,000,000	1,000,000
Increase during the year (Note d)	**—**	**—**	10,000,000	1,000,000
At 31 December	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Issued and fully paid:				
At 1 January	**11,402,339**	**1,140,234**	4,976,291	497,629
Issue of ordinary shares (Note a)	**148,600**	**14,860**	4,860,000	486,000
Issue of shares upon conversion of guaranteed convertible notes (Note b)	**36,364**	**3,636**	1,005,000	100,500
Exercise of share options (Note c)	**7,810**	**781**	561,048	56,105
At 31 December	**11,595,113**	**1,159,511**	11,402,339	1,140,234

Notes:

a. (i) During the year ended 31 December 2008, the Company issued:

– 148,600,000 ordinary shares at HK$0.106 per share (being the market price at the date of issue) as part of the consideration for the acquisition of the Group's assets.

(ii) 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$0.223 per share (being the fair value at date of issue measured using the Black-Scholes Option Pricing Model as disclosed in Note 34) 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.

29. SHARE CAPITAL (continued)

Notes: (continued)

b. During the year ended 31 December 2008, guaranteed convertible notes with principal amounts of HK$4,000,000 and carrying value of HK$3,636,000 were converted into 36,363,636 ordinary shares at a conversion price of HK$0.11 per share.

   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. During the year ended 31 December 2008, 7,810,000 ordinary shares were issued as a result of exercise of share options.

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

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.

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

30. RESERVES OF THE COMPANY

	Share premium HK$'000 (Note (i))	Capital redemption reserve HK$'000 (Note (i))	Investment revaluation reserve HK$'000 (Note (vi))	Share option reserve HK$'000 (Note (ii))	Guaranteed convertible note-equity component reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	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)
Loss for the year (Note 14)	—	—	—	—	—	(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

30. RESERVES OF THE COMPANY (continued)

	Share premium HK$'000 (Note (i))	Capital redemption reserve HK$'000 (Note (i))	Investment revaluation reserve HK$'000 (Note (vi))	Share option reserve HK$'000 (Note (ii))	Guaranteed convertible note-equity component reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Total HK$'000
Loss for the year and total recognised expenses for the year (Note 14)	—	—	—	—	—	(69,911)	(69,911)
Issue of ordinary shares	892	—	—	—	—	—	892
Transaction costs attributable to issue of ordinary shares	(23)	—	—	—	—	—	(23)
Conversion of guaranteed convertible notes	745	—	—	—	(464)	—	281
Release upon maturity of guaranteed convertible notes	—	—	—	—	(116)	116	—
Recognition of equity component of guaranteed convertible notes	—	—	—	—	36	—	36
Fair value of share options credited to share option reserve	—	—	—	17,562	—	—	17,562
Exercise of share options	201	—	—	(201)	—	—	—
Lapse of share options	—	—	—	(1,243)	—	1,243	—
At 31 December 2008	**1,050,130**	**1,899**	**—**	**38,736**	**140**	**(1,124,933)**	**(34,028)**

30. RESERVES OF THE COMPANY (continued)

(i) Share premium and capital redemption reserve

The application of the share premium account and capital redemption reserve is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted 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, recognised in accordance with the accounting policy in Note 3(r).

(iii) Exchange translation reserve of the Group

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(l).

(iv) Guaranteed convertible notes – equity component reserve

This reserve represents the value of the unexercised equity component of guaranteed convertible notes issued by the Company recognised in accordance with the accounting policy in Note 3(q).

(v) Other properties revaluation reserve

This reserve represents the difference between the carrying amount and the fair value of an item of premises at the time when such item becomes an investment property.

(vi) Investment revaluation reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale investments securities held at the balance sheet date and is dealt with in accordance with the accounting policies in Note 3(q).

31. PROMISSORY NOTES RECEIVABLES AND PAYABLE

(a) Promissory notes receivables

As further detailed in Note 37, 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 31 December 2008 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$2,736,000 and HK$25,000 respectively as at 31 December 2008. The average effective interest rate of the promissory notes receivables is 6.18% per annum.

31. PROMISSORY NOTES RECEIVABLES AND PAYABLE (continued)

(b) Promissory note payable

As part of the consideration for acquisition of the Anping Medial Group, the Company issued promissory note with a principal of HK$320,000,000. The promissory note bears 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 the 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. In 2008, the Company exercise its right to early redeem part of the principal amount of promissory note amounting to HK$110,000,000 at par (2007: HK$200,000,000).

	THE GROUP AND THE COMPANY *HK$'000*
At 1 January 2007	—
Issue of promissory note (Note 34)	289,145
Interest accrued (Note 9)	21,026
Redemption of promissory note	(200,000)
At 31 December 2007	110,171
Interest accrued (Note 9)	14,441
Redemption of promissory note #	(110,000)
Interest payment #	(4,957)
	9,655
Less: interest payable included in other payables	(120)
At 31 December 2008	**9,535**

During the year, redemption of promissory note payable in the amount of HK$40,000,000 and interest payment in the amount of HK$1,597,000 were made by the way of offsetting of other receivables of the same amounts.

On 3 April 2009, the Company redeemed the remaining promissory note payable in the principal amount of HK$10,000,000 in cash.

32. 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$'000*	Fair value adjustment of other intangible assets *HK$'000* (Restated)	Total *HK$'000* (Restated)
At 1 January 2007	411	3,768	(2,412)	—	1,767
Arising on acquisition of subsidiaries (Note 34)	—	—	—	89,847	89,847
(Credit)/charge to consolidated income statement for the year (Note 10)	(411)	(3,768)	2,412	(6,734)	(8,501)
Exchange realignment	—	—	—	3,172	3,172
At 31 December 2007	—	—	—	86,285	86,285
Charge/(credit) to consolidated income statement for the year (Note 10)					
- arising from swap of assets during the year (Note 19(i))	7,869	—	—	(6,713)	1,156
- release upon impairment of underlying other intangible assets (Note 19(ii))	—	—	—	(10,985)	(10,985)
- release upon amortisation of other intangible assets	—	—	—	(4,131)	(4,131)
	7,869	—	—	(21,829)	(13,960)
Exchange realignment	326	—	—	2,673	2,999
At 31 December 2008	**8,195**	**—**	**—**	**67,129**	**75,324**

At the balance sheet date, the Group had unused tax losses of HK$254,474,000 (2007: HK$204,680,000) available for offset against the future profits. 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.

There was no other significant unrecognised temporary difference as at 31 December 2007 and 2008.

33. SHARE-BASED PAYMENTS

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 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,035,620,000 (2007: 1,039,730,000), representing 8.9% (2007: 9.1%) 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 shares.

33. SHARE-BASED PAYMENTS (continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2008:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	At 1 January 2008	Reallocation	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2008
					Number of share options					
Directors	21-02-2002	N/A*	21-02-2002 to 20-02-2012	0.280	31,902,000	(7,500,000)	—	—	—	24,402,000
	03-11-2003	N/A*	03-11-2003 to 02-11-2013	0.100	73,632,000	(38,632,000)	—	—	—	35,000,000
	24-05-2004	N/A*	24-05-2004 to 23-05-2014	0.100	18,264,000	(16,632,000)	—	—	—	1,632,000
	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	155,202,000	(64,668,000)	—	(4,310,000)	—	86,224,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	248,664,000	(109,332,000)	—	—	—	139,332,000
					537,664,000	(236,764,000)	—	(4,310,000)	—	296,590,000
Employees	21-02-2002	21-02-2002 to 21-01-2005	21-02-2002 to 20-02-2012	0.280	2,100,000	1,500,000	—	—	(1,200,000)	2,400,000
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	0.100	29,000,000	—	—	(3,500,000)	(5,500,000)	20,000,000
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	44,400,000	—	—	—	(19,600,000)	24,800,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	—	109,332,000	—	—	—	109,332,000
	07-03-2008	07-03-2008 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	—	—	30,000,000	—	—	30,000,000
					75,500,000	110,832,000	30,000,000	(3,500,000)	(26,300,000)	186,532,000

33. SHARE-BASED PAYMENTS (continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2008: (continued)

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*	At 1 January 2008	Reallocation	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2008
					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	32,002,000	6,000,000	–	–	–	38,002,000
	03-11-2003	03-11-2003 to 03-11-2005	03-11-2003 to 02-11-2013	0.100	14,000,000	38,632,000	–	–	–	52,632,000
	24-05-2004	N/A*	24-05-2004 to 23-05-2014	0.100	26,000,000	16,632,000	–	–	–	42,632,000
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	0.100	77,358,000	64,668,000	–	–	–	142,026,000
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	50,300,000	–	–	–	–	50,300,000
	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
					426,566,000	125,932,000	–	–	–	552,498,000
				TOTAL:	1,039,730,000	–	30,000,000	(7,810,000)	(26,300,000)	1,035,620,000
Exercisable at the end of the year										574,250,000

33. SHARE-BASED PAYMENTS (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 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
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

33. SHARE-BASED PAYMENTS (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 at 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).

33. SHARE-BASED PAYMENTS (continued)

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

The fair values of the options granted during the year are as follows:

Date of grant	**Fair value of share options per share**
7 March 2008	HK$0.0284 to HK$0.0331

The fair values were calculated using the Model. The inputs into the Model for the share options granted during the year were as follows:

	2008
Weighted average share price	HK$0.108
Exercise price	HK$0.130
Expected share volatility	33.156% to 34.20%
Expected life	5 to 6 years
Weighted average risk-free rate	2.001% to 2.204%
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 behavioural considerations.

The Model has been used to estimate the fair value of the options. The variables 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$17,562,000 was charged as an equity-settled share-based payment expense (2007: HK$17,389,000) of which HK$11,922,000 (2007: HK$8,282,000) (Note 12) and HK$5,640,000 (2007: HK$9,107,000) are attributable to the shares options granted to employees and non-employees, respectively.

34. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2007, the Company acquired 100% interest in China Renji Medical (BVI) Limited including the interests of the Anping Medical Group for a total consideration of HK$915,957,000. This transaction had 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:

	Notes	**Acquiree's carrying amount before combination** *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:				
Property, plant and equipment	17	82,778	—	82,778
Other intangible assets	19	—	359,387	359,387
Trade receivables		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 tax liabilities	32	—	(89,847)	(89,847)
		83,548	269,540	353,088
Minority interests				(16,077)
Goodwill	18			578,946
Total consideration				915,957
Total consideration satisfied by:				
Cash				50,000
Issue of shares	29			604,674
Issue of promissory note	31			289,145
Other receivable (Note)				(27,862)
				915,957
Net cash outflow arising on acquisition:				
Cash consideration paid				(50,000)
Bank balances and cash				13,930
				(36,070)

34. 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, (Note 23(c)).

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 a promissory note 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 of professional valuers. 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 valuation adjustment. 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.

As at the date of approval of the financial statements, the above valuation adjustment has not been finalised between the Group and the vendor. The 2,710,000,000 ordinary shares has not been released to the vendor.

The Anping Medial Group generated turnover of HK$56,994,000 and profit of HK$19,019,000 for the period between the date of acquisition and 31 December 2007.

35. ACQUISITION OF SUBSIDIARIES 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 cash 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 share of the interest of net assets acquired in the transaction and the goodwill arising therefrom are as follows:

	Notes	2007 *HK$'000*
Net assets acquired:		
Property, plant and equipment	17	66
Trade and other receivables		474
Bank balances and cash		1,583
Trade and other payables		(460)
Income tax liabilities		(101)
		1,562
Goodwill	18	1,692
Cash consideration		3,254
Net cash inflow arising on acquisition:		
Cash consideration		(3,254)
Bank balances and cash acquired		1,583
		(1,671)

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2007

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

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 are 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 (Note 17(a))	—	—	283	403	686	21,250	35,449	56,699	57,385
Land use rights (Note 17(b))	—	—	—	—	—	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 receivables	—	—	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 payables	—	—	—	—	—	(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 translation reserve realised	(153)	(705)	—	—	(858)	5,437	(2,084)	3,353	2,495
(Loss)/gain on disposal of subsidiaries (Note 11)	(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

36. DISPOSAL OF SUBSIDIARIES (continued)

	Continuing operations					Discontinued operations			
	SIIS (No. 2) HK$'000	SIIS (SVC) HK$'000	Anping Medical HK$'000	SLK Medical HK$'000	Sub-total HK$'000	Dragon Lion HK$'000	Gesway HK$'000	Sub-total HK$'000	Total 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 disposed SIIS (No. 2), SIIS (SVC), Anping Equipment and SLK Medical did not contribute significantly to the turnover and results of the Group. The cash flows contributed or utilised by SIIS (No. 2), SIIS (SVC), Anping Equipment and SLK Medical during the prior year were not significant.

The financial impact of Dragon Lion and Gesway on the Group's results and cash flows in the current and prior years are disclosed in Note 11.

37. DISPOSAL OF JOINTLY-CONTROLLED ENTITIES/SUBSIDIARIES OF A JOINTLY-CONTROLLED ENTITY

During the year ended 31 December 2007, SBI E2-Capital Limited disposed of its entire interest in certain subsidiaries which are engaged in the provision of broking services. During the year ended 31 Decebmer 2008, the Group disposed of its interests in jointly-controlled entities, mainly including SBI E2-Capital Limited, which is engaged in investment holding of financial services group. The Group's share of interests in net assets of entities disposed of at the respective dates of disposal were as follows:

	Disposal of jointly-controlled entities (Note 25) 2008 *HK$'000*	Disposal of subsidiaries of a jointly-controlled entity 2007 *HK$'000*
Property, plant and equipment (Note 17)	**1,212**	2,790
Interests in associates	**1,607**	—
Other assets	**25**	1,975
Available-for-sale investments	**—**	1,915
Trade and other receivables	**69,092**	90,792
Financial assets at fair value through profit or loss	**8,934**	22,258
Bank balances and cash	**102,611**	31,540
Trade and other payables	**(61,516)**	(105,410)
Income tax liabilities	**(1,328)**	(3,430)
	120,637	42,430
Allowance of impairment loss	**(7,594)**	—
	113,043	42,430
Minority interest	**(23,376)**	—
Release of exchange translation reserve	**(2,442)**	—
Loss on disposal (Note 11)	**(12,911)**	(4,818)
Total consideration	**74,314**	37,612
Satisfied by:		
Cash	**—**	37,612
Promissory notes (Note 31(a))	**74,314**	—
	74,314	37,612
Net cash (outflow)/inflow arising on disposal:		
Cash consideration	**—**	37,612
Bank balances and cash disposed of	**(102,611)**	(31,540)
	(102,611)	6,072

37. DISPOSAL OF JOINTLY-CONTROLLED ENTITIES/SUBSIDIARIES OF A JOINTLY-CONTROLLED ENTITY (continued)

During the year ended 31 December 2007, the disposed subsidiaries of SBI E2-Capital Limited contributed HK$85,938,000 to turnover, HK$13,342,000 to profit for that year, HK$109,664,000 to the Group's net operating cash flows and used HK$53,244,000 in respect of investing activities. Details of the impact of jointly-controlled entities, disposed of during the year, to the Group's results and cash flows are set out in Note 11.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2008	2007
	HK$'000	*HK$'000*
Premises	**2,477**	2,356
Servicing contracts for medical equipment	**2,182**	1,842
	4,659	4,198

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

	2008	2007
	HK$'000	*HK$'000*
Within one year	**4,112**	3,013
In the second to fifth years inclusive	**2,674**	4,103
	6,786	7,116

Operating lease payment represents rentals and servicing fee payable by the Group for its office premises and medical equipment respectively. Lease terms ranged from one to two years with fixed rental.

The Group as lessor

At the balance sheet date, the Anping Medical Group contracted with certain medical centres for the leasing of medical equipments (included in property, plant and equipment) for the period up to 31 December 2022 (2007: 30 June 2017). The leasing income to be received by the Group is based on specific percentages of the net income of the medical centres as stipulated in the respective contracts.

39. PLEDGE OF ASSETS

At the balance sheet dates, the Group did not pledge any asset for the credit facilities granted to the Group.

40. COMMITMENTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
(a) Contracted for but not provided in respect of acquisition of property, plant and equipment	**2,074**	—

(b) As at 31 December 2008, the Group has authorised-but-not-contracted for commitment in respect of the 2009 SWAP, details of which are set out in Notes 19(ii) and 44(a).

41. GUARANTEES AND COUNTER-INDEMNITIES

i) In 2004, E2-Capital (Holdings) Limited ("E2-Capital", renamed as CIAM Group Limited with effect from 27 June 2008), a related party of the Group, provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by a bank to certain subsidiaries of SBI E2-Capital Limited, a former 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, there was no utilisation of such banking facilities by SBI E2-Capital Limited. In April 2008, the above guarantee and counter-indemnity were released.

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 at 31 December 2007, the Group held 49% interest in SBI E2-Capital Limited and shared the guarantee of HK$38,220,000. In 2008, the Group's entire interest in SBI E2-Capital Limited has been disposed of and therefore such guarantee has no longer been shared by the Group as at 31 December 2008.

41. GUARANTEES AND COUNTER-INDEMNITIES (continued)

iii) In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 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, 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 S$3,716,000, 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. As at 31 December 2007, there was no utilisation of such counter-indemnity. In April 2008, the above guarantee and new counter-indemnity were released.

iv) As further disclosed in Note 28(c), 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.

42. 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$262,000 (2007: HK$2,101,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at the balance sheet date, no contribution due in respect of the reporting period had not been paid over to the schemes.

43. RELATED PARTY DISCLOSURES

(a) i) Rental payments to a related party

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Rental payments to Fung Choi Properties Limited ("Fung Choi") (Note)	**1,062**	1,594
ii) Dividend income from a jointly-controlled entity	**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) i) Guaranteed convertible notes held by and interest payments to related party

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of the guaranteed convertible notes held by subsidiaries of E2-Capital (Note) - 2002 5% Notes and 2011 5% Notes	**—**	4,891
Interest expense paid to subsidiary of E2-Capital	**161**	1,090

Note: E2-Capital is a company incorporated in Bermuda and listed on the Stock Exchange. An executive director of the Company (who was re-designated as a non-executive director of the Company on 1 August 2008), Dato' Dr 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.

ii) Provision of guarantees and counter-indemnities to related party

The Company has provided guarantees and counter-indemnities to E2-Capital (Note 41).

43. RELATED PARTY DISCLOSURES (continued)

(c) Amount due from a related party

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Amount receivable in respect of tax indemnity (Note)	**27,862**	27,862

Note: 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, (Note 23(c)), who is also a shareholder of the Company.

(d) Compensation of key management personnel of the Group

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 13.

44. MAJOR POST BALANCE SHEET EVENTS

(a) On 1 January 2009, Shangde Electrical Machinery Technology (Wuhu) Co., Ltd. ("Shangde Technology"), the Company's indirect wholly-owned subsidiary, entered into a conditional assets swap agreement with Shanghai Aoguan, a limited liability company established in the PRC, for the disposal of Shanghai Aoguan's entire 100% interest in the body gamma knife and head gamma knife machine located in a medical centre in Urumqi, Xinjiang Autonomous Region, the PRC, at a consideration of RMB21 million (equivalent to HK$23.86 million), which shall be satisfied by the partial interests of certain medical equipment of the Group located in Shanghai City. Further details are set out in the Company's announcement dated 1 January 2009. Further analysis of the financial impact of the above post balance sheet event to the Group is set out in Note 19(ii).

(b) On 26 March 2009, Shangde Technology entered into a conditional acquisition agreement with Tianjian Yue Hang Fu Shi Long Technology Development Co., Ltd. ("Tianjian Technology"), a limited liability company established in the PRC, for the acquisition of Tianjian Technology's entire 100% interest in one Sweden gamma-knife machine and one Sweden stereotactic treatment planning system located in a medical centre in Shijiazhuang City, Hebei Province, the PRC, at a consideration of RMB19.6 million (equivalent to HK$22.27 million), which shall be satisfied in cash to be financed by the Group's internal resources. Further details are set out in the Company's announcement dated 26 March 2009.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2008 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
China Renji Medical (BVI) Limited	British Virgin Islands	US$1	100%	—	Investment holding
Wintin International Limited	British Virgin Islands	US$1	—	100%	Investment holding
Shanghai Anping Medical Treatment Technology Co. Ltd.	PRC	RMB5,000,000	—	100%	Leasing of medical equipment and provision of consultancy services on operation of medical equipment
Shanghai Hangyi Medical Management Co., Ltd.	PRC	RMB5,000,000	—	100%	Provision of consultancy services on operation of medical equipment
Shangde Electrical Machinery Technology (Wuhu) Co., Ltd.	PRC	RMB246,200,000	—	100%	Leasing of medical equipment and provision of consultancy services on operation of medical equipment

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.

46. RESTATEMENT/RECLASSIFICATION OF COMPARATIVES

(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, by which the carrying values of the comparative goodwill, other intangible assets, deferred tax liabilities and exchange translation reserve as at 31 December 2007 were increased by HK$22,101,000, HK$12,691,000, HK$3,172,000 and HK$31,620,000 respectively. There was no significant impact on the profit for the year ended 31 December 2007.

(b) Certain comparative figures have been reclassified in order to conform with the current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

For the years ended 31 December

RESULTS

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000* (Note (i))	2007 *HK$'000* (Note (ii))	**2008** ***HK$'000***
Turnover - continuing operations	109,053	112,405	9,108	58,453	**207,600**
Continuing operations:					
Profit/(loss) before taxation	8,167	(92,436)	(100,750)	(75,399)	**58,037**
Income tax	(1,088)	(802)	—	(1,507)	**(5,915)**
Profit/(loss) for the year from continuing operations	7,079	(93,238)	(100,750)	(76,906)	**52,122**
Discontinued operations:					
Profit for the year from discontinued operations	—	—	17,332	93,714	**1,789**
Profit/(loss) for the year	7,079	(93,238)	(83,418)	16,808	**53,911**
Profit/(loss) attributable to:					
Equity holders of the Company	6,293	(93,594)	(83,006)	12,809	**53,911**
Minority interests	786	356	(412)	3,999	**—**
	7,079	(93,238)	(83,418)	16,808	**53,911**

ASSETS AND LIABILITIES

	2004 *HK$'000*	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000* (Restated)	**2008** ***HK$'000***
Total assets	426,418	410,701	461,818	1,699,577	**1,671,836**
Total liabilities	(158,377)	(189,553)	(212,464)	(393,097)	**(236,328)**
Net assets	268,041	221,148	249,354	1,306,480	**1,435,508**
Equity attributable to equity holders of the Company	238,899	187,320	217,147	1,283,104	**1,435,508**
Minority interests	29,142	33,828	32,207	23,376	**—**
	268,041	221,148	249,354	1,306,480	**1,435,508**

Note: (i) Certain amounts 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.

(ii) 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, by which the carrying values of the comparative goodwill, other intangible assets, deferred tax liabilities and exchange translation reserve as at 31 December 2007 were increased by HK$22,101,000, HK$12,691,000, HK$3,172,000 and HK$31,620,000 respectively. There was no significant impact on the profit for the year ended 31 December 2007.