Annual Report 2009

CHINA RENJI Medical Group Ltd.

中國仁濟醫療集團有限公司

Stock Code: 648

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Directors:

WANG Yongchang
WU Zhenfang
WANG Hai

Independent Non-executive Directors:

PANG Wai Hong
LI Wing Chiu
LI Tieliu

AUDIT COMMITTEE

PANG Wai Hong
LI Wing Chiu
WANG Hai

REMUNERATION COMMITTEE

PANG Wai Hong
LI Wing Chiu
WANG Hai

EXECUTIVE COMMITTEE

LI Juewen
YU Chung Hang, Lucian
GUO Bao Ping

COMPANY SECRETARY

FORK Siu Lun, Tommy CPA, FCCA

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Wuhu YangZi Rural Commercial Bank Company Limited

AUDITORS

BDO Limited

SHARE REGISTRARS

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

REGISTERED OFFICE

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

WEBSITE

www.renjimedical.com

STOCK CODE

648

Dear Shareholders,

The fiscal year 2009 was a year of challenges for China Renji Medical Group Limited (the "Company") and its subsidiaries (together herein referred to as the "Group"). With the support from the continuous implementation of a loose monetary policy across countries in the world, the impact of the global financial tsunami appeared since the end of 2008 is gradually subsiding and the global economy is recovering gently alongside the stabilization of the People's Republic of China ("China")'s overall business environment. The Chinese government announced China's health care reform program in the first half of 2009 and medical expenditure is estimated to increase by RMB850 billion in the next three years. While the clear policy support, protection and guidance as determined by the health care reform program has laid foundation for the stable development of the Group's medical network business in the long run, specific policies and execution measures have not been implemented in the preliminary stage of the health care reforms and that government institutions of some regions have made adjustments to the prices for diagnosis and treatment, intensifying competition within the sector and increasing the cost of medical centres, hence exerting pressure on the short-term growth of the Group's business to a certain extent.

FINANCIAL SNAPSHOT

The Group booked a 12.89% drop in turnover to HK$180,834,000 in the fiscal year 2009 from HK$207,600,000 in the fiscal year 2008. Loss attributable to owners of the Company recorded in this fiscal year was HK$560,980,000 as compared to HK$53,911,000 of profit attributable to owners of the Company in the fiscal year 2008. This was mainly attributable to the impairment losses on goodwill and promissory note receivable.

Basic loss per share was HK4.54 cents while net asset value was HK7.47 cents per share.

OPERATIONAL HIGHLIGHTS

Operationally, the Group continued to develop its network of medical centres and strengthen its advanced medical equipment portfolio through a series of acquisitions implemented during the year. The Group expanded its medical network to 15 centres, covering the central, eastern, southern, northern and northwestern regions of China.

On the corporate governance front, the Group has established an in-house internal audit team in order to strengthen internal controls and corporate governance.

OUTLOOK

Specific policies and execution measures of China's health care reform are being gradually implemented. Given the continuous increase in the number of cancer cases in China as well as the increasing awareness of doctors and patients toward the adoption of advanced radioactive diagnosis and medical technology, we believe that the demand for tumour and/or cancer diagnosis 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 actively yet cautiously drive the development of its existing medical network and its expansion strategies for the penetration into China's specialist hospital services market through investments and acquisitions with an aim to achieve long-term and stable growth in return for the Group and Shareholders.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank our Shareholders for their loyalty on behalf of our Board of Directors. I would also like to express my heartfelt gratitude to our partners, management and staff for their support, efforts and contributions.

LI JUEWEN
Chairman

Hong Kong, 2 May 2010

OVERVIEW

The Group is principally engaged in medical network business which includes leasing of medical equipment and provision of services for the operation of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseases, by applying advance radiotherapy technologies, in China, spanning 11 cities across 11 provinces and administrative regions in China (including Shanghai, Beijing, Hefei, Shenyang, Xian, Shijiazhuang, Wuhan, Jining, Shenzhen, Urumqi and Zhengzhou).

We grow our business by expanding our network of diagnostic imaging and radiotherapy centres through (1) purchasing new equipments, acquiring and investing in hospitals and entering into new agreements with other business partners, (2) acquiring equipments which are already in use and the associated contract rights from other players in the market, and (3) swapping equipments which are already in use and the associated contract rights with other players in the market.

The turnover of the Group derives from leasing and service income from operation of medical equipment. The principal cost of services comprises (1) equipment and facility costs, which comprise mainly of depreciation and amortisation costs; and (2) the salaries and service costs of the physician and technical staff.

FINAL RESULTS REVIEW

Turnover

For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$180,834,000 (2008: HK$207,600,000), representing a decrease of approximately 12.89% from last year. The turnover for the year was derived from the medical business operated by the Group. The decline in turnover was primarily due to the decrease in average turnover per treatment as a result of price adjustments exercised by certain local government authorities and increasing competitive operating environment.

Gross profit

For the year ended 31 December 2009, the Group recorded a gross profit of approximately HK$116,860,000 (2008: HK$163,027,000) and a gross profit ratio of approximately 64.62% (2008: 78.53%) from its medical network business, which included an amortisation charge of other intangible assets of approximately HK$16,369,000 (2008: HK$16,526,000). When excluding the said amortisation charge, the gross profit and gross profit ratio of the Group's medical network business for the year would have been approximately HK$133,229,000 (2008: HK$179,553,000) and 73.67% (2008: 86.49%). The decrease in gross profit was primarily attributable to the decrease in turnover and the decline in gross margin due to the increase in equipment depreciation and amortisation resulting from the Group's continued investment in new medical centres.

Impairment loss on goodwill

The Group reassessed the recoverable amount of goodwill as at 31 December 2009 by considering the effects of the under-utilisation of certain items of the underlying assets and the slower economic growth of China, and recorded an impairment loss on goodwill of approximately HK$550,000,000 for the year ended 31 December 2009 (2008: HK$Nil).

Impairment loss on promissory note receivable

As detailed in the announcements of the Company dated 21 April 2010 and 27 April 2010, Clear Smart Enterprises Limited, the issuer of a HK$81,000,000 non-convertible bond payable to the Group which was due on 8 April 2010, has defaulted on the payment upon maturity. A provision for impairment loss of HK$81,449,000 has been charged to the consolidated income statement for the year ended 31 December 2009 (2008: HK$Nil).

(Loss)/profit from continuing operations

For the year ended 31 December 2009, the Group recorded a loss from continuing operations of approximately HK$560,980,000 (2008: a profit of HK$52,122,000). This was mainly attributable to the significant impairment losses on goodwill and promissory note receivable.

Profit from discontinued operations

For the year ended 31 December 2009, there was no discontinued operation. For the year ended 31 December 2008, the Group recorded a profit from discontinued operations of approximately HK$1,789,000, which represented the net gain on disposal of the Group's financial services business.

(Loss)/profit for the year

The loss attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$560,980,000 (2008: a profit of HK$53,911,000). This was mainly attributable to the significant impairment losses on goodwill and promissory note receivable.

Basic loss per share for the year was approximately HK4.54 cents (2008: earnings per share of HK0.47 cents).

BUSINESS REVIEW

The Group is principally engaged in provision of medical equipment and services for the operation of the medical centre network specialising in the diagnosis and treatment of tumours/cancer in China. During the year, the Group further expanded and strengthened its medical network by pursuing the following significant medical assets acquisitions.

In January 2009, the Group entered into a swap agreement pursuant to which it agreed to acquire the entire interest in a body gamma knife and a head gamma knife used in Xinjiang Hospital of Cardio-Cerebral Vascular Diseases. The nominal 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 two medical centres in Shanghai. The swap was completed in January 2009.

In March 2009, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a gamma-knife machine and a stereotactic treatment planning system for use in Hebei General Hospital. The consideration for the acquisition amounted to RMB19.60 million (equivalent to approximately HK$22.27 million) and was satisfied in cash. The acquisition was completed in March 2009.

In July 2009, the Group entered into a swap agreement for the acquisition of the entire interest in a head gamma knife and a body gamma knife located in Zhengzhou Renji Tumour Hospital at a nominal consideration of RMB46.42 million (equivalent to approximately HK$52.73 million), which was satisfied by the Group's entire interest in a head gamma knife and a body gamma knife located in Tianjin Anjie Hospital. The swap was completed in July 2009.

Also in July 2009, the Group entered into a business operating agreement pursuant to which the Group would become a provider of management services in respect of Shanghai Renji Hospital Radiotherapy Centre located at Shanghai Renji Hospital and is entitled to share its net income. The Group, in return, had issued 1,950,000,000 new shares of the Company to a nominee of the vendor (which amounted to approximately HK$128.70 million based on the closing price of the Company's shares of HK$0.066 per share as of the date of the relevant announcement issued by the Company) as consideration under the business operating agreement. The transaction was completed in August 2009.

In December 2009, the Group entered into a business management agreement pursuant to which the Group would become a provider of the management services to the PET-CT Diagnosis Centre and the IGRT Treatment Centre located at the Cancer Treatment Hospital in Beijing and is entitled to share its net income. The consideration under the business management agreement amounted to RMB90 million (equivalent to approximately HK$102.24 million) and was satisfied in cash. The transaction was completed in December 2009.

Our ability to expand our network of centres is one of the most important factors affecting our results of operation and financial condition. Historically, our business growth has been primarily driven by developing new centres through acquisitions from third parties and we expect this to continue to be the key driver for our future growth. Each additional centre that we develop increases the number of patient cases treated in our network and contributes to our long term revenue growth. However, certain new centres developed involved a ramp-up period during which time the operating efficiency of such centres may be lower than that of our established centres, which may negatively affect our profitability.

In addition, our industry is greatly supported by the Chinese government. While the Chinese medical system is undergoing the deepened reform, under supervision of the government authorities, various kinds of systems are being improved. The application for the necessary licences/approvals by certain medical centres of our medical network would gain care and support from all levels of government authorities. We will be active and serious in dealing with the risks in the business development.

PROSPECTS

With the implementation of an economic stimulus policy together with a loose monetary policy by the PRC government in 2009, there is improvement of operating conditions in China. The PRC healthcare reform pronounced in the first half of 2009 has laid down clear direction and guidance for the medical sector in China. This allows for the Group's stable and continuous business development in the long run. However, the healthcare reform also leads to new price adjustments implemented by certain local government authorities and brings along increasing competition to the industry. This decreases the Group's average turnover per treatment and has a negative impact on its growth in the short-term. The Group will minimise the effect by (1) further expanding its medical network, (2) enhancing the utilisation rate and cost efficiency of its existing medical centres, (3) exploring other forms of radiotherapy tumour treatment to diversify its technology base, and (4) accelerating its expansion strategy into the Chinese specialised hospital service market. Given the ever increasing incidence rate of cancer in China and awareness among physicians and patients and their adoption of advanced diagnosis and radiotherapy technologies, we expect long term growth on our medical network business. The Group will continue to provide quality healthcare services for cancer patients in China and believes that it will ultimately reap significant rewards for its shareholders.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's major financial resources were derived from cash generated from operating activities of approximately HK$176,989,000 for the year ended 31 December 2009 (2008: HK$173,520,000). The net cash generated from operating activities was derived primarily from cash received from our medical network business, decrease in trade and other receivables and increase in other payables.

For the year ended 31 December 2009, the net cash used in investing activities amounted to approximately HK$179,925,000 (2008: HK$299,582,000) and the net cash inflow in financing activities amounted to approximately HK$16,545,000 (2008: net cash outflow of HK$69,242,000). The cash outflow in investing activities mainly resulted from capital expenditure for acquisition of medical equipment and management operation rights in China. The cash inflow in financing activities mainly resulted from the advance of a new bank loan after netting off the final redemption of promissory note and guaranteed convertible notes.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2009 a net cash inflow of approximately HK$13,609,000 (2008: net cash outflow of HK$195,304,000).

As at 31 December 2009, the Group maintained bank balances and cash amounting to approximately HK$91,766,000 (2008: HK$78,157,000).

As at 31 December 2009, the Group's total borrowings amounted to approximately HK$118,599,000 (2008: HK$103,747,000) which included borrowings of HK$117,619,000 (2008: HK$90,281,000), guaranteed convertible notes of approximately HK$980,000 (2008: HK$3,931,000). There was no outstanding promissory note payable as at 31 December 2009 (2008: HK$9,535,000). The borrowings of HK$13,636,000 were repayable within one year (2008: HK$2,963,000) and HK$104,963,000 were repayable over one year (2008: HK$100,784,000).

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

As at 31 December 2009, the Group's net asset value was approximately HK$1,011,250,000 (2008: HK$1,435,508,000) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 2.29 times (2008: 3.39 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guarantee convertible notes and promissory notes payable to the equity attributable to the owners of the Company) was 11.73% (2008: 7.23%). The increase in gearing ratio was mainly due to advance of a bank loan and after netting off the final redemption of the promissory note and guaranteed convertible notes and loss incurred during the year.

The Group continued to maintain low gearing level. 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, the Company issued 1,950,000,000 new ordinary shares to an independent vendor (via its nominee) at an issue price of HK$0.1 per share in August 2009 as consideration for entering into a business operating agreement pursuant to which the Group would become the provider of management services in respect of Shanghai Renji Hospital Radiotherapy Center located at Shanghai Renji Hospital and is entitled to share its net income.

Exposure to fluctuation in exchange rates

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

Charge on group assets

As at 31 December 2009, certain of the Group's medical equipment with aggregate carrying amount of HK$78,196,000 were pledged to secure general banking facilities granted to the Group. As at 31 December 2008, no asset was pledged by the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the total number of employees of the Group was 63. 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, 2 May 2010

LI JUEWEN

(Chairman)

Mr Li Juewen, aged 67, was appointed as Chairman and Executive Director of the Company in July 2009 and is a substantial shareholder of the Company. He is also currently a Director of China Renji Medical (BVI) Limited, a subsidiary of the Company. Mr Li, holding the title of Senior Economist in the People's Republic of China, possesses over 30 years of substantial experience in corporate development and management. He was a Member of the 9th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and a Member of the Standing Committee of the CPPCC of Hunan Province. He was the Chairman and President of Hunan Trading Company Limited established in Hong Kong in 1985. From 1989 to 2000, Mr Li was a Director of Hong Kong Hunan Sunshine Holdings Limited and was appointed Chairman and President who was responsible for formulating forward-looking corporate development strategies and the overall operations and management of the company, allowing Hunan Sunshine Holdings Limited rapidly developed into a multinational conglomerate engaging in import and export trading, industrial investment, property development and hotel management. Mr Li was also the Chairman of Shenzhen Sunshine Hotel, a provincial minister graded Inspector of the Department of Commerce of Hunan Province and the Chairman of Hunan Kangda Voluntary Drug Rehabilitation Centre.

YU CHUNG HANG, LUCIAN

(Chief Executive Officer)

Mr Yu Chung Hang, Lucian, aged 34, 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 a Non-executive Director of Westminster Travel Limited (listed on Singapore Exchange). Mr Yu holds a Master's Degree in Engineering from the University of London, England.

GUO BAO PING

(Executive Director)

Mr Guo Bao Ping, aged 53, was appointed as Executive Director of the Company in March 2009. He also holds a number of directorships in companies within the Group. Mr Guo 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 63, was appointed as Non-executive Director of the Company in May 2008. He is also currently a Director of Anping Medical Treatment Technology (Wuhu) Co., Ltd. and Wuhu Anping Medical Management Co., Ltd., both are subsidiaries 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.

WU ZHENFANG

(Non-executive Director)

Mr Wu Zhenfang, aged 63, was appointed as Non-executive Director of the Company in November 2009. He is also currently the Chairman of Wuhu Longyuan Investment Company Limited, a substantial shareholder of the Company, and a Director and Vice President of Anping Medical Treatment Technology (Wuhu) Co., Ltd., a subsidiary of the Company. He has over 35 years of experience in hospital management and clinical services. Mr Wu was a Member of the Shanghai Municipal Health Bureau Hospital Level Vetting Committee and the Shanghai Municipal Medical Ethics Society and a Standing Member of the Shanghai Municipal Labour Hospital Management Association. Mr Wu was the Vice President and Deputy Director of surgery of the People's Hospital of Shanghai Putuo District. He was also the Independent Director of Shanghai Xinmei Real Estate Co., Ltd. (listed on the Shanghai Stock Exchange) up to October 2009. Mr Wu holds a Bachelor's Degree from the Faculty of Medicine of the Shanghai Second Medical University, China.

WANG HAI

(Non-executive Director)

Mr Wang Hai, aged 56, was appointed as Non-executive Director of the Company in November 2009. He is also currently a Director of Anping Medical Treatment Technology (Wuhu) Co., Ltd., a subsidiary of the Company, and a Legal Counsel of the Company since December 2008. Mr Wang is a registered Lawyer in China and an Arbitrator of the International Court of Arbitration of the International Chamber of Commerce. He has been a Partner at Beijing Forever Law Firm since 1999. Mr Wang holds a Bachelor's Degree in Law from the Southwest University of Political Science & Law and a Master's Degree in Law from Foreign Affairs College, China.

PANG WAI HONG

(Independent Non-executive Director)

Mr Pang Wai Hong, aged 45, 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 1997 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 44, was appointed as Independent Non-executive Director of the Company in October 2008. He is presently a Managing Director of Neuf Capital Limited and the Vice Chairman of 創冠金融國際有限公司, both are private equity investment holding companies engaged in equity investment. 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.

LI TIELIU

(Independent Non-executive Director)

Mr Li Tieliu, aged 64, was appointed as Independent Non-executive Director of the Company in October 2009. Mr Li is a qualified Solicitor and a qualified Associate Chief Editor in the People's Republic of China. He is currently the Deputy Secretary of China Law Society, the Vice President of China Public Relations Association and China Cuisine Association. During the 20 years after 1983, Mr Li has worked at the General Office of the Standing Committee of the National People's Congress of China serving as the Chief of the Government Offices Administration, the Chief Editor of China Democracy and Legal System Press and the Chief of the Bureau for Letters and Calls. Mr Li holds a Bachelor's Degree in Aero-engineering from the Northwestern Polytechnical University, China.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2009.

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 42 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 respectively.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 33.

RESERVES

Movements in the reserves of the Company during the year are set out in note 29 to the consolidated financial statements.

As at 31 December 2009, the Company had no reserves available for distribution under Section 79B of the Hong Kong Companies Ordinance. (2008: HK$Nil)

PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT AND OTHER INTANGIBLE ASSETS

Details of the movements in property, plant and equipment and deposits paid for acquisition of property, plant and equipment, land use right and other intangible assets of the Group and of the Company (where applicable) are set out in notes 17, 18 and 20 to the consolidated financial statements respectively.

BORROWINGS

Particulars of the Group's and the Company's borrowings at the end of the reporting period are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are shown in note 28 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 27 to the consolidated financial statements.

DONATION

During the year, no charitable and other donation has been made by the Group (2008: HK$314,000).

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 100.

DIRECTORS

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

Executive Directors:	
LI Juewen	(appointed on 1 July 2009)
YU Chung Hang, Lucian	
GUO Bao Ping	(appointed on 10 March 2009 and re-elected on 29 May 2009)
YANG Yifei	(resigned on 1 July 2009)
DUAN Xuzhen	(resigned on 8 September 2009)
SHENG Yang	(removed on 9 September 2009)
Non-executive Directors:	
WANG Yongchang	
WU Zhenfang	(appointed on 13 November 2009)
WANG Hai	(appointed on 13 November 2009)
BAI Yongrui	(resigned on 10 March 2009)
WONG Sin Just	(resigned on 8 December 2009)
Independent Non-executive Directors:	
PANG Wai Hong	
LI Wing Chiu	
LI Tieliu	(appointed on 15 October 2009)
LI Yang	(resigned on 31 July 2009)

In accordance with article 110 of the Company's Articles of Association, Messrs Li Juewen, Wu Zhenfang, Wang Hai and Li Tieliu, 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 10 to 12.

DIRECTORS' EMOLUMENTS

At the own request of Mr Yang Yifei, a former Chairman of the Company up to 30 June 2009, (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$6, during the year up to 30 June 2009. 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 2009, the following Directors of the Company were interested in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to 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
Li Juewen	beneficial owner	personal	2,710,000,000	20.007%
Yu Chung Hang, Lucian	beneficial owner	personal	3,500,000	0.026%
Guo Bao Ping	beneficial owner	personal	500,000	0.004%

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

Details of the share options granted to the Directors by the Company and outstanding as at 31 December 2009 are set out under the section "Options granted under the share option scheme" below.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2009
Directors								
Yu Chung Hang, Lucian	29-03-2005	29-03-2005 to 28-03-2015	0.100	10,000,000	—	—	—	10,000,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	43,112,000	—	—	—	43,112,000
Wong Sin Just (ex-Director)	21-02-2002	21-02-2002 to 07-03-2010[1]	0.280	24,402,000	—	—	—	24,402,000
	03-11-2003	03-11-2003 to 07-03-2010[1]	0.100	35,000,000	—	—	—	35,000,000
	24-05-2004	24-05-2004 to 07-03-2010[1]	0.100	1,632,000	—	—	—	1,632,000
	10-04-2006	10-04-2006 to 07-03-2010[1]	0.100	43,112,000	—	—	—	43,112,000
Sheng Yang (ex-Director)	07-03-2008	07-03-2008 to 06-03-2018	0.130	109,332,000	—	—	(109,332,000)	—
				266,590,000	—	—	(109,332,000)	157,258,000

Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2009
Employees	21-02-2002	21-02-2002 to 20-02-2012	0.280	2,400,000	—	—	(300,000)	2,100,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	20,000,000	—	—	(15,000,000)	5,000,000
	26-04-2007	26-04-2007 to 25-04-2017	0.200	24,800,000	—	—	(10,400,000)	14,400,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	169,332,000[2]	—	—	—	169,332,000
				216,532,000	—	—	(25,700,000)	190,832,000
Consultants/ Advisors	21-02-2002	21-02-2002 to 20-02-2012	0.280	38,002,000	—	—	—	38,002,000
	03-11-2003	03-11-2003 to 02-11-2013	0.100	52,632,000	—	—	—	52,632,000
	24-05-2004	24-05-2004 to 23-05-2014	0.100	42,632,000	—	—	—	42,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.100	142,026,000	—	—	—	142,026,000
	26-04-2007	26-04-2007 to 25-04-2017	0.200	50,300,000	—	—	—	50,300,000
	06-11-2007	06-11-2007 to 05-11-2017	0.202	100,000,000	—	—	—	100,000,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	126,906,000	—	—	—	126,906,000
				552,498,000	—	—	—	552,498,000
			TOTAL:	**1,035,620,000**	**—**	**—**	**(135,032,000)**	**900,588,000**

Notes:

(1) The exercisable period in respect of the options held by Dato Dr Wong Sin Just was shortened to 7 March 2010 as a result of his resignation as Director of the Company on 8 December 2009.

(2) 30,000,000 options (granted on 7 March 2008) previously classified under "Directors" were re-classified under "Employees" as a result of the resignation of Ms Duan Xuzhen as Director of the Company on 8 September 2009 but remains as employee of the Group and continues to be an eligible person under the Scheme.

(3) 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 Mr Sheng Yang, ex-Director of the Company, 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

(4) 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	225,000
	01-11-2002	225,000
	21-02-2003	375,000
	01-11-2003	450,000
	21-02-2004	375,000
	21-02-2005	750,000
10-04-2006	10-04-2006	3,750,000
	10-04-2007	3,750,000
	02-10-2007	12,500,000
26-04-2007	26-04-2007	6,200,000
	26-04-2008	6,200,000
	26-04-2009	12,400,000
07-03-2008	07-03-2008	7,500,000
	07-03-2009	77,166,000
	07-03-2010	84,666,000

(5) 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

SUBSTANTIAL SHAREHOLDER

As at 31 December 2009, the following person 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
蕪湖隆源投資有限公司 (Wuhu Longyuan Investment Company Limited*)	beneficial owner	1,950,000,000	14.40%

* *for identification purpose only*

Save as disclosed above, as at 31 December 2009, no person (other than Directors of the Company as disclosed above) had any interest or short position in any shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

GUO BAO PING
(Executive Director)

In respect of the year ended 31 December 2009 (effective from the date of appointment of 10 March 2009), Mr Guo Bao Ping was entitled to total director's emoluments of HK$808,095, including salaries of HK$776,065, additional subsidies of HK$22,320 and employer's contribution to pension scheme of HK$9,710. Mr Guo currently entitles to a monthly salary of HK$80,000 plus an additional monthly subsidy with an upper limit of HK$10,000; and shall be eligible for discretionary bonuses or share options to be granted under the Scheme 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 2009:

(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	31%
— five largest customers combined	70%

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.

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. During the year, rental expense of HK$1,187,000 paid to Fung Choi was charged to the consolidated income statement.

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 23 to 29.

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 2009.

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.

AUDITORS

The consolidated financial statements have been audited by BDO Limited who shall retire and, being eligible, offer themselves for re-appointment.

BDO Limited were appointed as Auditors on 29 May 2009 in place of Shu Lun Pan Hong Kong CPA Limited who retired as Auditors following the merger of their business with BDO Limited. Shu Lun Pan Hong Kong CPA Limited were formerly appointed as Auditors on 29 August 2008 to fill the casual vacancy caused by the resignation of Deloitte Touche Tohmatsu.

By Order of the Board

LI JUEWEN
Chairman

Hong Kong, 2 May 2010

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 2009, 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.

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

Immediately following the resignation of Dr Li Yang as an Independent Non-executive Director of the Company on 31 July 2009 due to his other business commitments, the Company had only two Independent Non-executive Directors, the number of which falls below the minimum number of Independent Non-executive Directors required under rule 3.10(1) of the Listing Rules. Subsequently, on 15 October 2009, Mr Li Tieliu (being a suitable candidate) was appointed to fill the vacancy and to meet the minimum requirement.

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 existing Board comprises nine members with a wide range of business, financial, accounting, legal 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:				
Li Juewen, *Chairman*	appointed on 1 July 2009	1/1	2/2	3/3
Yu Chung Hang, Lucian, *Chief Executive Officer*		2/2	4/4	6/6
Guo Bao Ping	appointed on 10 March 2009	2/2	3/4	5/6
Yang Yifei, *Chairman*	resigned on 1 July 2009	1/1	2/2	3/3
Duan Xuzhen	resigned on 8 September 2009	1/1	3/3	4/4
Sheng Yang	removed on 9 September 2009	1/1	3/3	4/4
Non-executive Directors:				
Wang Yongchang		2/2	2/4	4/6
Wu Zhenfang	appointed on 13 November 2009	0/0	1/1	1/1
Wang Hai	appointed on 13 November 2009	0/0	1/1	1/1
Bai Yongrui	resigned on 10 March 2009	0/0	0/0	0/0
Wong Sin Just	resigned on 8 December 2009	2/2	2/3	4/5
Independent Non-executive Directors:				
Pang Wai Hong		1/2	4/4	5/6
Li Wing Chiu		2/2	4/4	6/6
Li Tieliu	appointed on 15 October 2009	0/0	0/1	0/1
Li Yang	resigned on 31 July 2009	0/1	1/2	1/3

The biographical details of each existing Director are set out on pages 10 to 12.

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 two 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. 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 three 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
Li Juewen, *Chairman*	appointed on 1 July 2009	8/8
Yu Chung Hang, Lucian		9/9
Guo Bao Ping	appointed on 10 March 2009	9/9
Yang Yifei, *Chairman*	ceased to act on 1 July 2009	1/1
Duan Xuzhen	ceased to act on 8 September 2009	3/3
Sheng Yang	ceased to act on 9 September 2009	3/3

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 change of external Auditors following the merger of their businesses.

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*		2/2
Li Wing Chiu		2/2
Wang Hai	appointed on 8 December 2009	0/0
Wong Sin Just	ceased to act on 8 December 2009	2/2

Remuneration Committee

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

During the year, the Remuneration Committee has reviewed the Company's policy for remunerating all Directors and approved the remuneration package of each Executive Directors in respect of the year 2009 as well as the remuneration of the newly appointed Executive Directors during the year.

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 meeting held and attended by each individual member during their respective term of office in the year are as follows:

		Remuneration Committee Meeting Attended/Held
Pang Wai Hong, *Chairman*		1/1
Li Wing Chiu		1/1
Wang Hai	appointed on 8 December 2009	0/0
Wong Sin Just	ceased to act on 8 December 2009	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 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 (either specifically or by means of a resolution authorizing the Board to fix the fees) 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 17 and 18.

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 2009.

COMMUNICATION WITH SHAREHOLDERS

Pursuant to rule 13.46(1)(a) of the Listing Rules, the Company is required to dispatch its 2009 annual report not more than four months after the end of the financial year, that is, on or before 30 April 2010. As more time was required to finalise the final results of the Company and its subsidiaries for the year ended 31 December 2009, the Company failed to dispatch its 2009 annual report by the prescribed time under the Listing Rules. However, the Company was able to fulfill its commitment to dispatch its 2009 annual report no later than 14 May 2010 as mentioned in the announcement of the Company dated 22 April 2010.

Nevertheless, 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 available to shareholders on a timely basis save as the above mentioned exceptional circumstances. 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 2009, 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 30 to 32.

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 covering the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

AUDITORS' FEES

The Company's external Auditors were BDO Limited who were appointed on 29 May 2009 in place of the retired external Auditors, Shu Lun Pan Hong Kong CPA Limited, following the merger of their business with BDO Limited. For the year ended 31 December 2009, the fees payable to the external Auditors for audit service and review service (non-audit service) were HK$1,200,000 and HK$200,000 respectively.

By Order of the Board

FORK SIU LUN, TOMMY
Company Secretary

Hong Kong, 2 May 2010

Tel : +852 2541 5041
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+ 852 2541 5041
傳真：+ 852 2815 2239
www.bdo.com.hk

香港干諾道中 111 號
永安中心 25 樓

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

We were engaged to audit the financial statements of China Renji Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 these financial statements based on our audit. This report is made 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.

Except for the limitations in the scope of our work as explained below, 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. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(1) As disclosed in Note 30(a) to the financial statements, an impairment review has been performed by the directors of Company on the promissory note receivable from Clear Smart Enterprises Limited ("Clear Smart") of HK$81,449,000 (the "PN") which was due on 8 April 2010 but remained unsettled. The directors of the Company consider that, after taking into consideration the latest available information on Clear Smart, it would be prudent to recognise an impairment loss of the entire amount of the PN in the financial statements. However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the recognition of the impairment loss of the entire amount of the PN of HK$81,449,000 in the financial statements is appropriate.

(2) As disclosed in Note 19 to the financial statements, an impairment review of the Group's cash-generating unit of medical network has been performed by the directors of the Company. As a result of the review, an impairment loss on goodwill of HK$550,000,000 has been recognised in the financial statements. This impairment review has been performed on the assumption that the necessary licences can be obtained for certain medical equipment of the Group and those medical equipment which underlie the value of the related other intangible assets of the Group as disclosed in Notes 17 and 20 to the financial statements and penalty will not be imposed by the relevant local government authority because of the lack of such licences. However, we are not able to obtain sufficient appropriate audit evidence or to carry out other satisfactory procedures to satisfy ourselves the basis upon which the directors of the Company have formed their opinion. Accordingly, we have not been able to determine whether the recognition of impairment loss of goodwill of HK$550,000,000 in the financial statements is appropriate or adequate; whether the carrying amounts of the assets of the cash-generating unit, including the remaining goodwill of HK$87,246,000, other intangible assets of HK$442,578,000, property, plant and equipment of HK$516,131,000 and deposits paid for acquisition of property, plant and equipment of HK$49,910,000, and deferred tax liabilities of HK$64,545,000 as at 31 December 2009 were fairly stated; whether any provision or contingent liability for penalty should have been recognised or disclosed respectively as at 31 December 2009; and whether the recognition of impairment loss of totalling HK$121,634,000 for the investments in subsidiaries and amounts due from subsidiaries recognised in the financial statements of the Company for the year is appropriate or adequate, and the aggregate carrying amount of investments in subsidiaries and amounts due from subsidiaries of HK$1,126,793,000 as at 31 December 2009 is fairly stated.

(3) During the course of our audit, we are not able to carry out audit procedures that we considered necessary concerning the completeness and accuracy of related parties and transactions with such parties. As a result, we have not been able to determine whether the financial statements have fully complied with the requirements of Hong Kong Accounting Standard 24 *Related Party Disclosures*, the Hong Kong Companies Ordinance and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of Company and the Group as at 31 December 2009 and the financial performance and cash flows of the Group for the year then ended, and the related disclosures in the financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the limitation on our work relating to matters as described in the basis for disclaimer of opinion paragraph:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of account had been kept.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate no. P05308

Hong Kong, 2 May 2010

	NOTES	**2009** **HK$'000**	2008 HK$'000
Continuing operations			
Turnover	7(a)	**180,834**	207,600
Cost of services		**(63,974)**	(44,573)
Gross profit		**116,860**	163,027
Other income and gains and losses	7(b)	**2,234**	14,261
Administrative expenses		**(49,852)**	(61,866)
Impairment loss on goodwill	19	**(550,000)**	—
Write-off of/impairment loss on other intangible assets	20	**(6,624)**	(40,384)
Impairment loss on promissory note receivable	30(a)	**(81,449)**	—
Gain on disposal of subsidiaries	33	**5,278**	—
Finance costs	9	**(3,782)**	(17,001)
(Loss)/profit before taxation		**(567,335)**	58,037
Income tax	10	**6,355**	(5,915)
(Loss)/profit for the year from continuing operations		**(560,980)**	52,122
Discontinued operations			
Profit for the year from discontinued operations	11	**—**	1,789
(Loss)/profit for the year attributable to owners of the Company	12, 14	**(560,980)**	53,911
(Loss)/earnings per share attributable to owners of the Company, in HK cents	16		
— Continuing and discontinued operations			
Basic		**(4.54)**	0.47
Diluted		**(4.54)**	0.47
— Continuing operations			
Basic		**(4.54)**	0.45
Diluted		**(4.54)**	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
(Loss)/profit for the year	**(560,980)**	53,911
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	—	62,910
Less: Reclassification adjustment of exchange reserve on disposal of jointly-controlled entities under proportionate consolidation	—	(2,442)
Total comprehensive income for the year attributable to owners of the Company	**(560,980)**	114,379

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**516,131**	475,878
Land use right	18	**3,812**	3,892
Goodwill	19	**87,246**	637,246
Other intangible assets	20	**442,578**	273,736
Promissory notes receivables	30(a)	**395**	77,075
Deposits paid for acquisition of property, plant and equipment	17	**49,910**	—
		1,100,072	1,467,827
Current assets			
Land use right	18	**80**	80
Promissory note receivable	30(a)	**—**	—
Trade receivables	23	**47,764**	71,698
Other receivables, prepayments and deposits	23	**3,588**	54,074
Bank balances and cash	24	**91,766**	78,157
		143,198	204,009
Current liabilities			
Other payables and accruals	25	**48,244**	20,412
Income tax liabilities		**632**	36,845
Borrowings	26	**13,636**	—
Guaranteed convertible notes	27	**—**	2,963
		62,512	60,220
Net current assets		**80,686**	143,789
Total assets less current liabilities		**1,180,758**	1,611,616

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Borrowings	26	**103,983**	90,281
Guaranteed convertible notes	27	**980**	968
Promissory note payable	30(b)	**—**	9,535
Deferred tax liabilities	31	**64,545**	75,324
		169,508	176,108
Net assets		**1,011,250**	1,435,508
CAPITAL AND RESERVES			
Share capital	28	**1,354,511**	1,159,511
Reserves		**(343,261)**	275,997
Total equity		**1,011,250**	1,435,508

These financial statements were approved and authorised for issue by the Board of Directors on 2 May 2010 and are signed on its behalf by:

LI JUEWEN	**YU CHUNG HANG, LUCIAN**
DIRECTOR	DIRECTOR

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	40	70
Investments in subsidiaries	21	776,243	918,942
Amounts due from subsidiaries	21	350,550	236,151
Promissory notes receivables	30(a)	395	77,075
		1,127,228	1,232,238
Current assets			
Promissory note receivable	30(a)	—	—
Other receivables, prepayments and deposits	23	1,337	41,037
Bank balances and cash	24	2,899	9,315
		4,236	50,352
Current liabilities			
Other payables and accruals		7,535	6,327
Amounts due to subsidiaries	21	43,916	50,964
		51,451	57,291
Net current liabilities		(47,215)	(6,939)
Total assets less current liabilities		1,080,013	1,225,299
Non-current liabilities			
Borrowings	26	88,074	90,281
Promissory note payable	30(b)	—	9,535
		88,074	99,816
Net assets		991,939	1,125,483
CAPITAL AND RESERVES			
Share capital	28	1,354,511	1,159,511
Reserves	29	(362,572)	(34,028)
Total equity		991,939	1,125,483

These financial statements were approved and authorised for issue by the Board of Directors on 2 May 2010 and are signed on its behalf by:

LI JUEWEN	**YU CHUNG HANG, LUCIAN**
DIRECTOR	DIRECTOR

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 28)	Share premium HK$'000 (Note 29(i))	Capital redemption reserve HK$'000 (Note 29(i))	Share option reserve HK$'000 (Note 29(ii))	Exchange translation reserve HK$'000 (Note 29(iii))	Guaranteed convertible notes-equity component reserve HK$'000 (Note 29(iv))	Accumulated losses HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	1,140,234	1,048,315	1,899	22,618	40,047	684	(970,693)	1,283,104	23,376	1,306,480
Total comprehensive income for the year	—	—	—	—	60,468	—	53,911	114,379	—	114,379
Issue of ordinary shares	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 27)	—	—	—	—	—	36	—	36	—	36
Conversion of guaranteed convertible notes (Note 27)	3,636	745	—	—	—	(464)	—	3,917	—	3,917
Fair value of share options credited to share option reserve (Note 32)	—	—	—	17,562	—	—	—	17,562	—	17,562
Released upon disposal of jointly-controlled entities under proportionate consolidation	—	—	—	—	—	—	—	—	(23,376)	(23,376)
Exercise of share options	781	201	—	(201)	—	—	—	781	—	781
Lapse of share options	—	—	—	(1,243)	—	—	1,243	—	—	—
At 31 December 2008 and 1 January 2009	1,159,511	1,050,130	1,899	38,736	100,515	140	(915,423)	1,435,508	—	1,435,508
Total comprehensive income for the year	—	—	—	—	—	—	(560,980)	(560,980)	—	(560,980)
Issue of ordinary shares	195,000	(68,250)	—	—	—	—	—	126,750	—	126,750
Release upon maturity of guaranteed convertible notes	—	—	—	—	—	(104)	104	—	—	—
Fair value of share options credited to share option reserve (Note 32)	—	—	—	9,972	—	—	—	9,972	—	9,972
Lapse of share options	—	—	—	(9,034)	—	—	9,034	—	—	—
At 31 December 2009	1,354,511	981,880	1,899	39,674	100,515	36	(1,467,265)	1,011,250	—	1,011,250

	2009 *HK$'000*	2008 *HK$'000*
OPERATING ACTIVITIES		
(Loss)/profit for the year	**(560,980)**	53,911
Income tax (credit)/expense from continuing operations	**(6,355)**	5,915
	(567,335)	59,826
Adjustments for:		
Finance costs	**3,782**	17,001
Interest income	**(4,984)**	(3,910)
Depreciation of property, plant and equipment	**40,128**	24,528
Amortisation of land use right	**80**	—
Amortisation of other intangible assets	**16,369**	16,526
Write-off of/impairment loss on other intangible assets	**6,624**	40,384
Write-off of property, plant and equipment	**467**	—
Impairment loss on goodwill	**550,000**	—
Impairment loss on promissory note receivable	**81,449**	—
Gain on disposal of property, plant and equipment	**(2)**	—
Net loss/(gain) on swap	**3,139**	(5,222)
Loss on disposal of assets held for sale	**—**	12,911
Gain on disposal of subsidiaries	**(5,278)**	—
Gain on disposal of available-for-sale investments	**—**	(33)
Exchange (gain)/loss on borrowings and interest payable	**(2,255)**	16,921
Dividend income	**—**	(14,700)
Share-based payment expense	**9,972**	17,562
Operating cash flows before movements in working capital	**132,156**	181,794
Decrease/(increase) in trade receivables	**22,300**	(59,742)
Decrease in other receivables, prepayments and deposits	**13,607**	57,959
Increase/(decrease) in other payables and accruals	**11,053**	(13,667)
Cash generated from operations	**179,116**	166,344
Interest received	**215**	1,149
Interest paid	**(964)**	(5,734)
Dividends received	**—**	14,700
Income tax paid	**(1,378)**	(2,939)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**176,989**	173,520

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(46,801)	(195,127)
Purchase of land use right	—	(3,972)
Deposits paid for acquisition of property, plant and equipment	(49,910)	—
Purchase of other intangible assets	(79,546)	—
Net cash outflow from disposal of subsidiaries	(3,670)	—
Proceeds from disposal of available-for-sale investments	—	2,128
Net cash outflow from disposal of subsidiaries of a jointly-controlled entity	—	(102,611)
Proceeds from disposal of property, plant and equipment	2	—
NET CASH USED IN INVESTING ACTIVITIES	(179,925)	(299,582)
FINANCING ACTIVITIES		
Proceeds from exercise of share options	—	781
New bank loan raised	34,091	—
Repayment of bank loan	(4,546)	—
Redemption of promissory note payable	(10,000)	(70,000)
Redemption of guaranteed convertible notes	(3,000)	—
Transaction costs attributable to issue of shares	—	(23)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	16,545	(69,242)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,609	(195,304)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	2,688
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	78,157	270,773
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	91,766	78,157
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	91,766	78,157

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 42.

The consolidated financial statements are presented in Hong Kong dollar. In prior years, the directors regarded Hong Kong dollar as the functional currency of the Company. During the year, the directors reassessed the Company's functional currency after the disposal of discontinued operations during the prior year. The directors considered that the functional currency of the Company should be changed from Hong Kong dollar to Renminbi ("RMB") during the year. The change of functional currency is applied prospectively from the date of change in accordance with Hong Kong Accounting Standard No. 21 "The Effect of Change in Foreign Exchange Rates". As the Company is listed on the Stock Exchange, the directors consider that it will be more appropriate to adopt Hong Kong dollar as the Group's and the Company's presentation currency.

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 in 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 had no material effect on the reported results or financial position of the Group and the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 December 2008 have not been presented as there was no change to the originally published statements.

2. ADOPTION OF NEW AND REVISED STANDARDS — CONTINUED

At the date of authorisation of these financial statements, the following HKFRSs that are potentially relevant to the Group, were in issue but not yet effective and have not been early adopted:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the result and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the Hong Kong Companies Ordinance.

These financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of financial statements

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

(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 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(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 statement of financial position 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.

(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 statement of financial position.

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 the 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(e) Goodwill — continued

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) 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 involved the establishment of a separate entity in which venturers had joint control over the economic activity of the entity were referred to as a jointly-controlled entity.

The Group recognised its interests in jointly-controlled entities using proportionate consolidation, except when the investment was classified as held for sale, in which case it was 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 were combined with the Group's similar line items, line by line, in the consolidated financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(g) Revenue recognition

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

Rental income from operating leases 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.

(h) Property, plant and equipment

Property, plant and equipment 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 the end of each reporting period, 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
Medical equipment	5%–18% or over the shorter of the term of the co-operative contracts
Furniture, fixtures and equipment	10%–20%
Motor vehicles	10%–25%
Computer equipment	20%–30%

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(h) Property, plant and equipment — continued

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment 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 profit or loss in the year in which the item is derecognised.

(i) 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 profit or loss 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

Rental payable under operating leases is recognised in 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(j) 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. 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 dollar) at the rate of exchange prevailing at the end of reporting period, 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 in other comprehensive income and accumulated in equity under 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 end of reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(k) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets, which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending for their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) 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

(m) Taxation

Income tax includes current tax 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 at the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the 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 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 the end of each reporting period 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 recognised in profit or loss, except when it relates to items recognised in other comprehensive income in which case the deferred tax is also recognised in other comprehensive income.

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

(n) Other intangible assets

Other intangible assets acquired separately are initially recognised at cost. 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. In respect of other intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (Note 3(q)).

(o) Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position 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 as loans and receivables. 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(o) Financial instruments — continued

Financial assets — continued

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.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of each reporting period. 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.

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 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(o) Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

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.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(o) 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 component and amortised over the period of the guaranteed convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(o) Financial instruments — continued

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.

(p) 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 the end of each reporting period, 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 retained earnings/accumulated losses.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(p) Share-based payment transactions — continued

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 fair value of the original share options at the grant date.

In situation where equity instruments are issued to parties other than employees are measured at the fair value of the goods or services received, except where the fair value of goods or services cannot be estimated reliably, in which case, they are measured at the fair value of equity instruments granted, measured at the date the Group receives the goods or services.

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. Intangible assets with indefinite useful lives and those that have 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.

(r) 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.

3. PRINCIPAL ACCOUNTING POLICIES — CONTINUED

(s) Provisions

Provisions 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.

(t) 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.

(u) 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 and promissory note receivable

The Group makes allowance for impairment of trade and other receivables and promissory note receivable based on an estimate of the recoverability of these receivables. Allowance is applied to trade and other receivables and promissory note receivable where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables and promissory note receivable 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, other intangible assets and property, plant and equipment

Determining whether goodwill, other intangible assets and property, plant and equipment 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 Note 19.

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 26, 27 and 30(b) respectively, and equity attributable to owners of the Company, comprising issued share capital and 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
— Trade receivables	**47,764**	71,698	**—**	—
— Other receivables	**—**	48,883	**—**	39,865
— Promissory notes receivables	**395**	77,075	**395**	77,075
— Bank balances and cash	**91,766**	78,157	**2,899**	9,315
	139,925	275,813	**3,294**	126,255
Financial liabilities stated at amortised cost				
— Other payables and accruals	**48,244**	20,412	**7,535**	6,327
— Amounts due to subsidiaries	**—**	—	**43,916**	50,964
— Borrowings — due within one year	**13,636**	—	**—**	—
— Borrowings — due over one year	**103,983**	90,281	**88,074**	90,281
— Guaranteed convertible notes — (current liabilities)	**—**	2,963	**—**	—
— Guaranteed convertible notes — (non-current liabilities)	**980**	968	**—**	—
— Promissory note payable	**—**	9,535	**—**	9,535
	166,843	124,159	**139,525**	157,107

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 and guaranteed convertible notes. The Company's major financial instruments include other receivables, promissory notes receivables, amounts due to subsidiaries, bank balances and borrowings. 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 that appropriate measures are implemented on a timely and effective manner.

i) Credit risk management

As at 31 December 2008 and 2009, 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 statement of financial position; and

— the amount of contingent liabilities in relation to financial guarantees issued by the Company as at 31 December 2008 and 2009 as disclosed in Note 38.

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 the end of each reporting period 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.

In addition, the Group and the Company have gross promissory notes receivables in connection with the disposal of jointly-controlled entities amounting to HK$81,844,000 (2008: HK$77,075,000) for which a provision for impairment loss of HK$81,449,000 was made during the year ended 31 December 2009 (Note 30(a)), other receivables in connection with the disposal of subsidiaries amounting to HK$Nil (2008: HK$12,003,000) and tax indemnity given by the vendor in connection with the acquisition of paid-up capital of Shanghai Anping Medical Treatment Technology Co., Ltd. and its subsidiaries (the "Anping Medical Group") amounting to HK$Nil (2008: HK$27,862,000) as at 31 December 2009, which expose the Group and the Company to the concentration of credit risk on these counterparties.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

i) Credit risk management — continued

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 end of each reporting period, the Group has a certain concentration of credit risk as 31% (2008: 35%) and 70% (2008: 73%) of the trade receivables which was due from the Group's largest customer and the five largest customers respectively.

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 respective functional currencies of the relevant group entities at the end of each reporting period are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
United States dollar ("USD")	**12**	5,120	**4**	5,112
Japanese Yen ("JPY")	**—**	48	**—**	48
Singapore dollar ("SGD")	**—**	34	**—**	—
Liabilities				
JPY	**88,074**	90,281	**88,074**	90,281

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

ii) Market risk — continued

i) Currency risk — continued

Sensitivity analysis

At 31 December 2009 and 2008, 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$, against the JPY. A rate of 5% is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a rate of 5% change in JPY. A positive number indicates a decrease in loss/an increase in profit where HK$ strengthens 5% against the JPY. For a 5% weakening of HK$ against the JPY, there would be an equal and opposite impact on the loss/profit and the balances below would be opposite.

	THE GROUP JPY		THE COMPANY JPY	
	2009 *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*
Impact on the results for the year	**4,404**	4,512	**4,404**	4,512

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 27 and 30 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 26 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 end of each reporting period. For variable-rate bank balances and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period 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 loss for the year ended 31 December 2009 would increase by HK$146,000 (2008: the profit would decrease by HK$84,000). 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 as at 31 December 2008 and 2009. 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 or within 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Other borrowings	3%	—	91,707	—	91,707	88,074
Other payables and accruals	3%	48,244	—	—	48,244	48,244
Bank loan	5%	14,330	16,988	—	31,318	29,545
Guaranteed convertible notes	5%	—	1,063	—	1,063	980
		62,574	109,758	—	172,332	166,843
2008						
Other borrowings	3%	—	—	97,202	97,202	90,281
Other payables and accruals	3%	20,412	—	—	20,412	20,412
Guaranteed convertible notes	5%	3,001	—	1,097	4,098	3,931
Promissory note payable	3%	—	10,010	—	10,010	9,535
		23,413	10,010	98,299	131,722	124,159

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 or within 1 year	1–2 years	2–5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Amounts due to subsidiaries	—	43,916	—	—	43,916	43,916
Other borrowings	3%	—	91,707	—	91,707	88,074
Other payables and accruals	3%	7,535	—	—	7,535	7,535
		51,451	91,707	—	143,158	139,525
Finance guarantees issued — maximum amount guaranteed		—	1,000	—	—	—
2008						
Amounts due to subsidiaries	—	50,964	—	—	50,964	50,964
Other borrowings	3%	—	—	97,202	97,202	90,281
Other payables and accruals	3%	6,327	—	—	6,327	6,327
Promissory note payable	3%	—	10,010	—	10,010	9,535
		57,291	10,010	97,202	164,503	157,107
Finance guarantees issued — maximum amount guaranteed		—	4,000	—	—	—

(c) Fair value

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 GAINS AND LOSSES

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

All of the Group's turnover for the years ended 31 December 2008 and 2009 represented the leasing and service income from operations of medical equipment.

(b) Other income and gains and losses

	Continuing operations		Discontinued operations (Note11)		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Interest income on:						
Bank balances	**215**	540	**—**	—	**215**	540
Promissory notes receivables*	**4,769**	3,370	**—**	—	**4,769**	3,370
	4,984	3,910	**—**	—	**4,984**	3,910
Gain on 2008 SWAP (Note 20(i))	**—**	5,222	**—**	—	**—**	5,222
Loss on 2009 SWAP (Note 20(ii))	**(3,190)**	—	**—**	—	**(3,190)**	—
Gain on 2009 FURTHER SWAP (Note 20(iii))	**51**	—	**—**	—	**51**	—
Dividend income from a jointly-controlled entity	**—**	—	**—**	14,700	**—**	14,700
Government grants#	**387**	4,934	**—**	—	**387**	4,934
Gain on disposal of property, plant and equipment	**2**	—	**—**	—	**2**	—
Gain on disposal of available-for-sale investments	**—**	33	**—**	—	**—**	33
Others	**—**	162	**—**	—	**—**	162
	2,234	14,261	**—**	14,700	**2,234**	28,961

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").

* The current year balance also represented the interest income from impaired assets of the Group for the year.

8. SEGMENT INFORMATION

During the years ended 31 December 2008 and 2009, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of services on operation of medical equipment in the PRC and most of the assets of the Group are located in the PRC as at 31 December 2008 and 2009.

There were 3 customers with whom transactions have exceeded 10% of the Group's revenues, representing respective turnover of HK$44,181,000, HK$37,611,000 and HK$24,002,000 for the year.

9. FINANCE COSTS

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**776**	—
Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years	**2,304**	2,170
Guaranteed convertible notes (Note 27)	**148**	390
Promissory note payable (Note 30(b))	**554**	14,441
	3,782	17,001

10. INCOME TAX

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
PRC tax	**4,424**	19,875
Deferred taxation (Note 31)	**(10,779)**	(13,960)
	(6,355)	5,915

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2008: HK$Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC enterprise income tax rate is 25% for the years ended 31 December 2008 and 2009. Pursuant to the relevant laws and regulations in the PRC, one major subsidiary of the Company is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation:		
Continuing operations	**(567,335)**	58,037
Discontinued operations (Note 11)	**—**	14,700
Loss on disposal of jointly-controlled entities (Note 11)	**—**	(12,911)
	(567,335)	59,826
Taxation at the Hong Kong statutory income tax rate of 16.5% (2008: 16.5%)	**(93,610)**	9,871
Tax effect of income not taxable	**(16,077)**	(11,906)
Tax effect of expenses not deductible	**109,827**	10,703
Tax effect of unrecognised tax losses	**4,796**	6,589
Effect of tax exemption granted	**(17,376)**	(16,343)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**3,813**	7,001
Provision of withholding taxes of dividend	**2,272**	—
Income tax for the year	**(6,355)**	5,915

11. DISCONTINUED OPERATIONS

During the year ended 31 December 2008, the jointly-controlled entities that previously carried out all of the Group's financial services business had been disposed of and the net profit arising therefrom of HK$1,789,000 was included in the profit for the year ended 31 December 2008 from the discontinued operations.

Accordingly, no results of the discontinued operations are presented for the current year. The results of the discontinued operations for the year ended 31 December 2008, which were included in the consolidated income statement, were as follows:

	2008 *HK$'000*
Net loss on disposal of jointly-controlled entities engaged in discontinued operations	
Loss on disposal of jointly-controlled entities engaged in provision of financial services (Note 34)	(12,911)
Profit for the year from discontinued operations	
Dividend income from a jointly-controlled entity (Note 7(b))	14,700
	1,789

The cash flows of the discontinued operations during the prior year were net cash generated from investing activities of HK$14,700,000.

12. (LOSS)/PROFIT FOR THE YEAR

	Continuing operations	
	2009 ***HK$'000***	2008 *HK$'000*
This has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 17)	**30,090**	21,082
Depreciation of jointly-controlled assets (Note 17)	**10,038**	3,446
Amortisation of other intangible assets included in cost of services (Note 20)	**16,369**	16,526
Amortisation of land use right (Note 18)	**80**	—
Total depreciation and amortisation	**56,577**	41,054
Auditors' remuneration	**1,434**	1,621
Write-off of property, plant and equipment	**467**	—
Net exchange (gains)/losses	**(2,172)**	11,823
Employee benefit expenses, including directors' emoluments (Note 13):		
— salaries and other benefits	**22,400**	18,232
— share-based payment expense (Note 32)	**5,330**	11,922
	27,730	30,154

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 2009

	Yang Yifei	Wong Sin Just	Li Juewen	Yu Chung Hang, Lucian	Pang Wai Hong	Duan Xuzhen	Li Wing Chiu	Sheng Yang	Li Tieliu	Wu Zhenfang	Wang Hai	Li Yang	Guo Bao Ping	Wang Yongchang	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	—	93	—	—	100	—	100	—	21	13	—	58	—	161	80	626
— salaries and other benefits	1	—	600	1,704	—	823	—	1,984	—	—	61*	—	798	—	—	5,971
— employer's contribution to pension scheme	—	—	—	12	—	—	—	9	—	—	—	—	12	—	—	33
Share-based payment expense	—	—	—	—	—	496	—	1,807	—	—	—	—	—	—	—	2,303
	1	93	600	1,716	100	1,319	100	3,800	21	13	61	58	810	161	80	8,933

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, Wilfred	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

* being emoluments in respect of Mr. Wang Hai's position as a legal counsel of the Company after 13 November 2009 when he was appointed as a non-executive director of the Company.

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 emolument during the current and prior years.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS — CONTINUED

Of the five individuals with the highest emoluments in the Group, three (2008: all) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals and the remuneration of Mr. Guo Bao Ping before 10 March 2009 when he has not been appointed as an executive director were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	2,352	—
Employer's contribution to pension scheme	24	—
Total	2,376	—

Their emoluments of the two non-director individuals with the highest emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
Nil to HK$1,000,000	1	—
HK$1,000,001 to HK$1,500,000	1	—

14. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated (loss)/profit attributable to owners of the Company includes a loss of HK$148,632,000 (2008: a loss of HK$66,279,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: HK$Nil).

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

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

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners 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 (loss)/earnings 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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY — CONTINUED

From continuing and discontinued operations

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

(Loss)/earnings

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the purpose of basic (loss)/earnings per share	**(560,980)**	53,911
Interest on guaranteed convertible notes	**—***	—*
(Loss)/profit for the purpose of diluted (loss)/earnings per share	**(560,980)**	53,911

Number of shares

	2009	2008
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**12,343,058**	11,582,667
Effect of dilutive potential ordinary shares:		
— Share options	**—***	849
— Guaranteed convertible notes	**—***	—*
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**12,343,058**	11,583,516

16. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY — CONTINUED

From continuing and discontinued operations — continued

From continuing operations

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

(Loss)/profit figures are calculated as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to owners of the Company	(560,980)	53,911
Less: Profit for the year from discontinued operations attributable to owners of the Company	—	(1,789)
(Loss)/profit for the purpose of basic (loss)/earnings per share from continuing operations	(560,980)	52,122

* The guaranteed convertible notes and share options have an anti-dilutive effect on the basic (loss)/earnings per share of the Group from continuing and discontinued operations for the years ended 31 December 2008 and 2009, and for the year ended 31 December 2009, respectively. Accordingly, the effect of the guaranteed convertible notes and share options was not included in the calculation of diluted (loss)/earnings per share from continuing and discontinued operations for the years ended 31 December 2008 and 2009, and for the year ended 31 December 2009, respectively.

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

From discontinued operations

For the year ended 31 December 2008, the basic and diluted earnings per share for the discontinued operations are HK0.02 cents, based on the earnings for the year from the discontinued operations of HK$1,789,000.

17. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	Notes	Leasehold improvements HK$'000	Medical equipment HK$'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 2008		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
Additions		104	150,560#	74	533	6	2,308	153,585
Disposals of subsidiaries	33	—	—	(2)	—	—	—	(2)
Disposals		—	(78,960)*	(1)	—	(23)	—	(78,984)
Write-off		—	(2,049)	(19)	—	(52)	—	(2,120)
At 31 December 2009		1,822	576,458	1,184	2,386	533	2,308	584,691
ACCUMULATED DEPRECIATION								
At 1 January 2008		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
Provided for the year	12	146	39,699	67	184	32	—	40,128
Eliminated on disposals		—	(6,225)*	(1)	—	(23)	—	(6,249)
Write-off		—	(1,588)	(16)	—	(49)	—	(1,653)
At 31 December 2009		1,634	64,841	939	639	507	—	68,560
CARRYING AMOUNT								
At 31 December 2009		188	511,617	245	1,747	26	2,308	516,131
At 31 December 2008		230	473,952	243	1,398	55	—	475,878

* The disposals consist of two swaps during the year. The carrying amounts of the related medical equipment being swap out are HK$20,207,000 (Note 20(ii)) and HK$52,528,000 (Note 20(iii)).

\# Included in the additions during the year are assets of HK$54,205,000 (Note 20(ii)) and HK$52,579,000 (Note 20(iii)) acquired through swap.

17. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT — CONTINUED

Included in the carrying value of medical equipment as at 31 December 2009 were jointly-controlled assets of HK$123,647,000 (2008: HK$71,944,000). Details of the financial information of the jointly-controlled assets are set out in Note 22. A bank loan is secured by pledge of the Group's medical equipment with aggregate carrying amount of HK$78,196,000 (2008: HK$Nil) as at 31 December 2009.

At 31 December 2009, the relevant licences were obtained for the Group's medical equipment with the aggregate carrying amount of HK$249,664,000 (2008: HK$284,543,000). In respect of the remaining medical equipment of the Group as at 31 December 2009, most of the relevant licences were in the process of application or in the directors' opinion that no such licence was required.

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
COST					
At 1 January 2008	1,491	947	347	591	3,376
Additions	—	—	—	11	11
At 31 December 2008	1,491	947	347	602	3,387
Additions	—	9	—	6	15
Disposal	—	—	—	(23)	(23)
Write-off	—	(19)	—	(52)	(71)
At 31 December 2009	1,491	937	347	533	3,308
ACCUMULATED DEPRECIATION					
At 1 January 2008	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
Provided for the year	—	6	—	33	39
Eliminated on disposal	—	—	—	(23)	(23)
Write-off	—	(16)	—	(49)	(65)
At 31 December 2009	1,491	922	347	508	3,268
CARRYING AMOUNT					
At 31 December 2009	—	15	—	25	40
At 31 December 2008	—	15	—	55	70

As at 31 December 2009, the deposits balance represented deposits paid for acquisition of items of property, plant and equipment.

18. LAND USE RIGHT

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount:		
At 1 January	**3,972**	—
Additions	**—**	3,972
Amortisation of land use right (Note 12)	**(80)**	—
At 31 December	**3,892**	3,972
Analysed for reporting purpose as:		
Non-current assets	**3,812**	3,892
Current assets	**80**	80
	3,892	3,972

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

19. GOODWILL

	HK$'000
COST	
At 1 January 2008	602,739
Exchange realignment	36,199
At 31 December 2008 and 2009	638,938
ACCUMULATED IMPAIRMENT	
At 1 January 2008 and 31 December 2008	(1,692)
Impairment loss recognised	(550,000)
At 31 December 2009	(551,692)
CARRYING AMOUNT	
At 31 December 2009	87,246
At 31 December 2008	637,246

Goodwill acquired in a business combination is allocated to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to the medical network of the Group.

19. GOODWILL — CONTINUED

The basis of the recoverable amounts of this 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 4-year period, and discount rate of 18.8% per annum. The cash flows beyond the 4-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 2009 by reference to the valuation as at 31 December 2009 performed by Greater China Appraisal Limited, an independent firm of professionally qualified 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 operations of the underlying assets of the CGU. In determining the value-in-use amount, the Group took into account the effects of the under-utilisation of certain items of the underlying assets and the slower economic growth of the PRC, and the recoverable amount of the relevant CGU has been determined on the basis of their value in use with reference to the probable discounted cash flows from all the underlying assets, resulting in impairment loss on goodwill of approximately HK$550,000,000 recognised for the year.

20. OTHER INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2008	373,106
Released upon disposal of underlying assets (Note (i))	(29,310)
Exchange realignment	19,520
At 31 December 2008	363,316
Additions	229,023
Released upon disposal of underlying assets (Note (ii))	(51,391)
Write-off upon termination of underlying contracts	(7,383)
At 31 December 2009	533,565
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2008	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
Provided for the year (Note 12)	16,369
Written back upon disposal of underlying assets (Note (ii))	(14,203)
Written back upon termination of underlying contracts	(759)
At 31 December 2009	90,987
CARRYING AMOUNT	
At 31 December 2009	442,578
At 31 December 2008	273,736

Other intangible assets as at 31 December 2008 represent contract-based intangible assets relating to the lease contracts and services contracts acquired as part of the business combination in prior years. The lease contracts and service contracts entitle the Group to receive leasing and service income by leasing the gamma knife machines and related medical equipment to medical centres and provision of services on the operations of gamma knife machines and related medical equipment.

20. OTHER INTANGIBLE ASSETS — CONTINUED

During the year, there are additions of other intangible assets which represent the two new business operating agreements with two different parties during the year, pursuant to which the Group is entitled to the respective share of income from leasing the underlying medical equipment and provision of services of two specific medical centres. The two different parties have also pledged certain percentage of their interests in assets located in these two medical centres to the Group.

The above other intangible assets have a finite life and are amortised on a straight-line basis over the remaining useful lives ranging from 9 to 25 years (2008: 14 to 25 years).

At 31 December 2009, the relevant licences were obtained for those medical equipment which underlie the Group's other intangible assets with the aggregate carrying amount of HK$185,899,000 (2008: HK$133,471,000). In respect of the remaining other intangible assets of the Group as at 31 December 2009, in the directors' opinion that no such licence was required for most of the underlying medical equipment.

Notes:

(i) During the year ended 31 December 2008, the Group entered into a 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, (a) 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 professionally qualified surveyors; and (b) 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 prior 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 had also been charged to the consolidated income statement during the prior year respectively (Note 31).

(ii) On 1 January 2009, the Group entered into a conditional swap agreement with Shanghai Aoguan Industrial Investment Limited ("Shanghai Aoguan"), a limited liability company established in the PRC, for the acquisition 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 located in Shanghai City (the "2009 SWAP"). At the effective date of the 2009 SWAP, (a) 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 professionally qualified surveyors; and (b) 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 (a) and (b) above 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 prior 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 prior year (Note 31).

    During the 2009 SWAP, (c) the carrying amounts of the Group's disposed medical equipment in Shanghai City and the related other intangible assets after impairment loss of prior year were reassessed as HK$20,207,000 and HK$37,188,000 respectively, and the difference between (a) and (c) resulted in a loss HK$3,190,000 (Note 7(b)).

20. OTHER INTANGIBLE ASSETS — CONTINUED

(iii) On 8 July 2009, the Group entered into another conditional swap agreement with Shanghai Lun Kan Medical Investment Management Limited ("Shanghai Lun Kan"), a limited liability company established in the PRC, for the disposal of Shanghai Lun Kan's entire 100% interest in the radiotherapy medical equipment located in medical centre in Zhengzhou City, the PRC, at a consideration of RMB46.42 million (equivalent to HK$52.73 million), which shall be satisfied by the interest in certain medical equipment of the Group located in Tianjin City (the "2009 FURTHER SWAP"). At the effective date of the 2009 FURTHER SWAP, (a) the fair value of the acquired medical equipment in Zhengzhou City was determined at HK$52,579,000 based on a valuation carried out by an independent firm of professionally qualified surveyors; and (b) the carrying amount of the Group's disposed radiotherapy assets was HK$52,528,000, which resulted in a gain of HK$51,000 credited to the consolidated income statement during the year (Note 7(b)). The corresponding release of deferred tax liabilities of HK$7,640,000 has also been credited to the consolidated income statement during the year (Note 31). No other intangible asset is attributable to the Group's disposed radiotherapy assets as mentioned above.

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**985,263**	994,464
Less: impairment losses	**(209,020)**	(75,522)
	776,243	918,942
Amounts due from subsidiaries	**772,082**	669,547
Less: impairment losses	**(421,532)**	(433,396)
	350,550	236,151

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. 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 42.

An accumulated allowance of impairment for investment costs and amounts due from subsidiaries of HK$209,020,000 (2008: HK$75,522,000) and HK$421,532,000 (2008: HK$433,396,000) respectively was provided as at 31 December 2009 because the related recoverable amounts of the investment costs and the amounts 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.

22. JOINTLY-CONTROLLED ASSETS

During the year ended 31 December 2009, the Group entered into certain arrangements with third parties to acquire/retain interests of ranging from 40% to 70% (2008: 40% to 51%) in certain medical equipment:

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	
	2009	2008
	HK$'000	*HK$'000*
Non-current assets (Note 17)	**123,647**	71,944
Income	**81,750**	11,743
Expenses	**10,038**	3,446

23. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**47,764**	71,698	**—**	—
Prepayments and deposits	**3,424**	5,099	**1,337**	1,167
Consideration receivable for disposal of subsidiaries (Note (a))	**—**	12,003	**—**	12,003
Receivable due from a former equity holder of subsidiaries (Note (b))	**—**	9,018	**—**	—
Receivable in respect of tax indemnity (Note (c))	**—**	27,862	**—**	27,862
Others	**164**	92	**—**	5
	3,588	54,074	**1,337**	41,037
	51,352	125,772	**1,337**	41,037

23. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — CONTINUED

Notes:

(a) The balance of HK$12,003,000 was due on or before 31 October 2008. During the year ended 31 December 2009, the amount was fully settled.

(b) The amount was unsecured, interest free and repayable on demand. The amount was derecognised from the financial statements of the Group during the current year upon disposal of interests in subsidiaries as further detailed in Note 33.

(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 was unsecured, interest free and repayable upon the request of payment from the relevant PRC tax bureau. The amount was derecognised from the financial statements of the Group during the current year upon disposal of interests in subsidiaries as further detailed in Note 33.

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**38,745**	59,170
1 to 3 months past due	**8,615**	12,528
4 to 6 months past due	**229**	—
7 to 12 months past due	**175**	—
	47,764	71,698

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

At 31 December 2009, trade receivables of HK$38,745,000 (2008: HK$59,170,000) 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$9,019,000 (2008: HK$12,528,000) at 31 December 2009 were past due at 31 December 2009 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.

24. BANK BALANCES AND CASH

The Group's bank balances of HK$88,531,000 (2008: HK$73,527,000) carried variable-rate interest at 0.001%–0.360% per annum (2008: 0.010%–0.360% per annum).

The Company's bank balances of HK$4,000 (2008: HK$5,265,000) carried variable-rate interest at 0.001% per annum (2008: 0.010%–0.120% 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**12**	5,120	**4**	5,112
JPY	**—**	48	**—**	48
SGD	**—**	34	**—**	—
	12	5,202	**4**	5,160

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to HK$88,848,000 (2008: HK$68,484,000). 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. OTHER PAYABLES AND ACCRUALS

Included in the Group's other payables and accruals as at 31 December 2008 and 2009 is an amount which represented 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 2008 and 2009.

26. BORROWINGS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured interest-bearing borrowings				
Loan from former intermediate holding company (Note (a))	**12,654**	12,971	**12,654**	12,971
Loan from a former fellow subsidiary (Note (b))	**75,420**	77,310	**75,420**	77,310
	88,074	90,281	**88,074**	90,281
Secured interest-bearing borrowings				
Bank loan (Note (c))	**29,545**	—	**—**	—
	117,619	90,281	**88,074**	90,281

As at 31 December 2008 and 2009, total current and non-current borrowings were repayable as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
On demand or within one year shown under current liabilities	**13,636**	—	**—**	—
More than one year, but not exceeding two years	**103,983**	—	**88,074**	—
More than two years, but not exceeding five years	**—**	90,281	**—**	90,281
Total borrowings shown under non-current liabilities	**103,983**	90,281	**88,074**	90,281
	117,619	90,281	**88,074**	90,281

26. BORROWINGS — CONTINUED

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 27).

(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 27).

(c) The bank loan, denominated in RMB, is secured by the Group's medical equipment with the aggregate carrying value of HK$78,196,000 (Note 17), by personal guarantees of (i) an ex-director of a subsidiary who is also the current member of senior management of the subsidiary; and (ii) a director of the Company. The loan is interest bearing at the benchmark interest rate published by the People's Bank of China with 10% mark-up.

The effective interest rate on the Group's borrowings denominated in Japanese Yen was 2.475% (2008: 2.875%) per annum and the effective interest rate on the Group's bank loan, denominated in RMB, was 5.089% (2008: Nil) per annum for the year ended 31 December 2009.

27. GUARANTEED CONVERTIBLE NOTES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount of liability component of guaranteed convertible notes issued/extended on:		
— 28 August 2008 ("2011 5% Notes") (Note (a))	**980**	968
— 23 March 2007 ("2007 5% Notes") (Note (b))	**—**	2,963
	980	3,931
Less: Amounts due within one year shown under current liabilities	**—**	(2,963)
Amounts due after one year shown under non-current liabilities	**980**	968

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 10.75% and 6.32% per annum for the 2007 5% Notes and 2011 5% Notes respectively.

27. GUARANTEED CONVERTIBLE NOTES — CONTINUED

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".

The movements of the liability component of the guaranteed convertible notes for the prior and current years are set out below:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	**3,931**	7,698
Issue/extension of convertible notes	**—**	964*
Interest accrued (Note 9)	**148**	390
Interest paid	**(99)**	(204)
Redemption/deemed redemption	**(3,000)**	(1,000)*
Conversion	**—**	(3,917)
Carrying amount at the end of the year	**980**	3,931

* The balance of HK$964,000 represented the liability component of 2011 5% Notes extended in 2008. 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 in prior year.

Notes:

(a) On 28 August 2002, SIIS Treasury Limited issued HK$156,400,000 5% guaranteed convertible notes originally due in August 2005, the maturity date of which was subsequently extended to 28 August 2008. The notes bear a fixed interest of 5% per annum.

In prior year, the Group entered into a further supplemental agreement with the noteholder of the convertible notes whereby the maturity date of the outstanding convertible 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 2009, the outstanding principal amount of the 2011 5% Notes was HK$1,000,000 (2008: HK$1,000,000).

(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. On 1 May 2009, the Company redeemed all the 2007 5% Notes in the principal amount of HK$3,000,000 in cash.

(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.

28. SHARE CAPITAL

	THE COMPANY			
	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Issued and fully paid:				
At 1 January	**11,595,113**	**1,159,511**	11,402,339	1,140,234
Issue of ordinary shares (Note (a))	**1,950,000**	**195,000**	148,600	14,860
Issue of shares upon conversion of guaranteed convertible notes (Note (b))	**—**	**—**	36,364	3,636
Exercise of share options (Note (c))	**—**	**—**	7,810	781
At 31 December	**13,545,113**	**1,354,511**	11,595,113	1,159,511

Notes:

a. (i) During the year ended 31 December 2009, the Company issued:

— 1,950,000,000 ordinary shares at HK$0.065 per share (being the market price at the date of acquisition) as consideration for acquisition of the Group's assets.

(ii) 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 acquisition) as part of the consideration for acquisition of the Group's assets.

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.

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

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

29. RESERVES OF THE COMPANY

	Share premium HK$'000 (Note (i))	Capital redemption reserve HK$'000 (Note (i))	Share option reserve HK$'000 (Note (ii))	Guaranteed convertible notes-equity component reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	1,048,315	1,899	22,618	684	(1,056,381)	17,135
Total comprehensive income for the year	—	—	—	—	(69,911)	(69,911)
Issue of ordinary shares	892	—	—	—	—	892
Transaction costs attributable to issue of ordinary shares	(23)	—	—	—	—	(23)
Release upon maturity of guaranteed convertible notes	—	—	—	(116)	116	—
Recognition of equity component of guaranteed convertible notes	—	—	—	36	—	36
Conversion of guaranteed convertible notes	745	—	—	(464)	—	281
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)
Total comprehensive income for the year	—	—	—	—	(270,266)	(270,266)
Issue of ordinary shares	(68,250)	—	—	—	—	(68,250)
Release upon maturity of guaranteed convertible notes	—	—	—	(104)	104	—
Fair value of share options credited to share option reserve	—	—	9,972	—	—	9,972
Lapse of share options	—	—	(9,034)	—	9,034	—
At 31 December 2009	981,880	1,899	39,674	36	(1,386,061)	(362,572)

29. 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(p).

(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(j).

(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(o).

30. PROMISSORY NOTES RECEIVABLES AND PAYABLE

(a) Promissory notes receivables

In 2008, the Group disposed of its interests in the 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 2009 represented the fair value of the promissory notes at the time of initial recognition of HK$73,970,000 and HK$344,000 respectively and the net interest receivables of the Company of HK$7,479,000 (2008: HK$2,736,000) and HK$51,000 (2008: HK$25,000) respectively as at 31 December 2009. The average effective interest rate of the promissory notes receivables is 6.18% per annum (2008: 6.18% per annum).

30. PROMISSORY NOTES RECEIVABLES AND PAYABLE — CONTINUED

(a) Promissory notes receivables — continued

Clear Smart Enterprises Limited, the issuer of the promissory note with principal amount of HK$81,000,000 and 1.5% coupon interest per annum which was due on 8 April 2010, has defaulted on the payment upon maturity, details of which are set out in the announcements of the Company dated 21 April 2010 and 27 April 2010. A provision for impairment loss of HK$81,449,000 has been charged to the consolidated income statement for the year.

(b) Promissory note payable

As part of the consideration for acquisition of the Anping Medial Group in prior years, the Company issued promissory note with a principal of HK$320,000,000. The promissory note bears coupon interest at 3% per annum. The maturity date of the promissory note is 13 July 2010. Interest is payable semi-annually. Pursuant to the terms of 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 2009, the Company exercised its right to early and fully redeem the remaining principal amount of promissory note amounting to HK$10,000,000 in cash.

	THE GROUP AND THE COMPANY *HK$'000*
At 1 January 2008	110,171
Interest accrued (Note 9)	14,441
Interest payment#	(4,957)
Redemption of promissory note#	(110,000)
	9,655
Less: interest payable included in other payables	(120)
At 31 December 2008 and 1 January 2009	9,535
Interest accrued (Note 9)	554
Interest payment	(89)
Redemption of promissory note	(10,000)
At 31 December 2009	—

During the prior 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 by the same amounts.

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the prior and current years:

	Accelerated tax depreciation	Withholding taxes	Fair value adjustment of other intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	—	—	86,285	86,285
Charge/(credit) to consolidated income statement for the year (Note 10):				
— arising from swap during the year	7,869	—	(6,713)	1,156
— release upon impairment of underlying other intangible assets	—	—	(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
Charge/(credit) to consolidated income statement for the year (Note 10):				
— arising from swap during the year	(7,640)	—	—	(7,640)
— release upon impairment of underlying other intangible assets	—	—	(1,656)	(1,656)
— release upon amortisation of other intangible assets	(555)	—	(3,200)	(3,755)
— arising from withholding tax of dividend	—	2,272	—	2,272
At 31 December 2009	—	2,272	62,273	64,545

At the end of reporting period, the Group had unused tax losses of HK$267,114,000 (2008: HK$254,474,000) 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 2008 and 2009.

32. 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 2009, the number of shares in respect of which options was granted and remained outstanding under the Scheme was 900,588,000 (2008: 1,035,620,000), representing 6.6% (2008: 8.9%) 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.

32. SHARE-BASED PAYMENTS — CONTINUED

The following table discloses movements of the Company's share options during the year ended 31 December 2009:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*	Number of share options: At 1 January 2009	Reallocation	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2009
Directors	21-02-2002	N/A*	21-02-2002 to 20-02-2012	0.280	24,402,000	—	—	—	—	24,402,000
	03-11-2003	N/A*	03-11-2003 to 02-11-2013	0.100	35,000,000	—	—	—	—	35,000,000
	24-05-2004	N/A*	24-05-2004 to 23-05-2014	0.100	1,632,000	—	—	—	—	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	86,224,000	—	—	—	—	86,224,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	139,332,000	(30,000,000)	—	—	(109,332,000)	—
					296,590,000	(30,000,000)	—	—	(109,332,000)	157,258,000
Employees	21-02-2002	21-02-2002 to 21-01-2005	21-02-2002 to 20-02-2012	0.280	2,400,000	—	—	—	(300,000)	2,100,000
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	0.100	20,000,000	—	—	—	(15,000,000)	5,000,000
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	24,800,000	—	—	—	(10,400,000)	14,400,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	109,332,000	30,000,000	—	—	—	139,332,000
	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
					186,532,000	30,000,000	—	—	(25,700,000)	190,832,000
Consultants/ Advisors	21-02-2002	21-02-2002 to 21-02-2005	21-02-2002 to 20-02-2012	0.280	38,002,000	—	—	—	—	38,002,000
	03-11-2003	03-11-2003 to 03-11-2005	03-11-2003 to 02-11-2013	0.100	52,632,000	—	—	—	—	52,632,000
	24-05-2004	N/A*	24-05-2004 to 23-05-2014	0.100	42,632,000	—	—	—	—	42,632,000
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	0.100	142,026,000	—	—	—	—	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
					552,498,000	—	—	—	—	552,498,000
				TOTAL:	1,035,620,000	—	—	—	(135,032,000)	900,588,000
Exercisable at the end of the year										689,016,000

32. 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	Number of share options: At 1 January 2008	Reallocation	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2008
				HK$						
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
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

* 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).

32. SHARE-BASED PAYMENTS — CONTINUED

The Group amortises the fair value of the share options previously granted, which was calculated using Black-Scholes Option Pricing Model over the relevant vesting period. Accordingly, an amount of HK$9,972,000 was charged as an equity-settled share-based payment expense (2008: HK$17,562,000) of which HK$5,330,000 (2008: HK$11,922,000) (Note 12) and HK$4,642,000 (2008: HK$5,640,000) are attributable to the shares options granted to employees and other eligible persons providing similar services, respectively.

33. DISPOSAL OF SUBSIDIARIES

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

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

	HK$'000
Property, plant and equipment (Note 17)	2
Trade receivables	1,634
Other receivables	9,017
Bank balances and cash	9,352
Other payables	(8,204)
Income tax liabilities	(39,259)
Net liabilities disposed of	(27,458)
Release of tax indemnity, receivable attributable to the subsidiaries disposed of (Note)	27,862
Gain on disposal of subsidiaries	5,278
	5,682
Satisfied by:	
Cash consideration	5,682
Net cash outflow arising on disposal:	
Cash consideration	5,682
Bank balances and cash disposed of	(9,352)
	(3,670)

33. DISPOSAL OF SUBSIDIARIES — CONTINUED

Note: The amount represented tax indemnity given by the vendor, Li Juewen, pursuant to a sale and purchase agreement in respect of the Group's acquisition of the Anping Medical Group in prior years. The amount was unsecured, interest-free and repayable upon the request of payment from the relevant PRC tax bureau. As the Group's entire interest in the entities within the Anping Medical Group has been disposed of during the current year, such amount was also derecognised and included in the calculation of gain on disposal of the subsidiaries during the year.

34. DISPOSAL OF INTERESTS IN JOINTLY-CONTROLLED ENTITIES

During the year ended 31 December 2008, the Group disposed of its interests in jointly-controlled entities, mainly including SBI E2-Capital Limited (a proportionate consolidated jointly-controlled entity), 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 date of disposal was as follows:

	2008 *HK$'000*
Property, plant and equipment	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
Trade and other payables	(61,516)
Income tax liabilities	(1,328)
	120,637
Allowance of impairment loss	(7,594)
	113,043
Minority interest	(23,376)
Release of exchange translation reserve	(2,442)
Loss on disposal (Note 11)	(12,911)
Total consideration	74,314
Satisfied by:	
Promissory notes (Note 30(a))	74,314
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(102,611)

35. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2009 *HK$'000*	2008 *HK$'000*
Premises	3,021	2,477
Servicing contracts for medical equipment	3,692	2,182
	6,713	4,659

At the end of reporting period, the Group had outstanding commitments payable under non-cancellable operating leases which fall due as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	4,309	4,112
In the second to fifth years inclusive	55	2,674
Over five years	53	—
	4,417	6,786

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 end of reporting period, the Group contracted with certain medical centres for the leasing of medical equipments (included in property, plant and equipment) with the majority of the lease period up to 31 December 2022 (2008: 31 December 2022). 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.

36. PLEDGE OF ASSETS

Certain bank loans are secured by pledge of the Group's medical equipment with aggregate carrying amount of HK$78,196,000 (2008:HK$Nil) as at 31 December 2009.

37. COMMITMENTS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
(a) Contracted for but not provided in respect of acquisition of property, plant and equipment	**16,664**	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 Note 20(ii).

38. GUARANTEES

As further disclosed in Note 27(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.

39. 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 recognised in profit or loss of HK$326,000 (2008: HK$262,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. At the end of reporting period, no contribution due in respect of the reporting period had not been paid over to the schemes.

40. RELATED PARTY DISCLOSURES

Except for disclosed elsewhere in these financial statements, the Group has the following transactions with related parties during the year:

(a) i) Rental paid to a related party

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Rental payments paid to Fung Choi Properties Limited ("Fung Choi") (Note)	**1,187**	1,062

ii) Rental and other deposits of HK$260,000 were paid to Fung Choi (Note) as at 31 December 2008 and 2009.

iii) 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) Interest paid to a related party

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Interest expense paid to subsidiary of E2-Capital (Holdings) Limited ("E2-Capital", renamed as CIAM Group Limited with effect from 27 June 2008) (Note)	**—**	161

Note: E2-Capital is a company incorporated in Bermuda and listed on the Stock Exchange. An executive director of the Company (who was re-designated as a non-executive director of the Company on 1 August 2008 and subsequently resigned on 8 December 2009), Dato' Dr Wong Sin Just, was also an executive director (up to 30 May 2008) and a shareholder (up to 7 April 2008) of E2-Capital.

(c) Amount due from a related party

	THE GROUP	
	2009 **HK$'000**	2008 HK$'000
Amount receivable in respect of tax indemnity (Note)	**—**	27,862

Note: The balance represented the amount of tax indemnity given by the vendor, Li Juewen, pursuant to the sale and purchase agreement in respect of the acquisition in 2007, who is also a shareholder and executive director (appointed on 1 July 2009) of the Company. Further details are set out in Note 33.

40. RELATED PARTY DISCLOSURES — CONTINUED

(d) Compensation of key management personnel of the Group

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

(e) The bank loan of the Group was guaranteed by related parties, details of which are set out in Note 26(c).

41. MATERIAL NON-CASH TRANSACTIONS

As further disclosed in Note 28(a), certain shares of the Company were issued for acquisition of the Group's assets.

There is an unsettled consideration of HK$22,727,000 in relation to acquisition of other intangible assets and interest payable of HK$2,304,000 which were included in other payables and accruals of the Group as at 31 December 2009.

As further disclosed in Notes 17 and 20, there were certain swap arrangements which involved property, plant and equipment and other intangible assets during the current and prior years.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 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
Anping Medical Treatment Technology (Wuhu) Co., Ltd (Formerly known as "Shangde Electrical Machinery Technology (Wuhu) Co., Ltd.")	PRC	RMB246,200,000	—	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Anping Medical Management Co., Ltd.	PRC	RMB15,000,000	—	100%	Leasing of medical equipment and provision of services on operations 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.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December

RESULTS

	2005 *HK$'000*	2006 *HK$'000* (Note (i))	2007 *HK$'000* (Note (ii))	2008 *HK$'000*	**2009** ***HK$'000***
Turnover — continuing operations	112,405	9,108	58,453	207,600	**180,834**
Continuing operations:					
(Loss)/profit before taxation	(92,436)	(100,750)	(75,399)	58,037	**(567,335)**
Income tax	(802)	—	(1,507)	(5,915)	**6,355**
(Loss)/profit for the year from continuing operations	(93,238)	(100,750)	(76,906)	52,122	**(560,980)**
Discontinued operations:					
Profit for the year from discontinued operations	—	17,332	93,714	1,789	**—**
(Loss)/profit for the year	(93,238)	(83,418)	16,808	53,911	**(560,980)**
(Loss)/profit attributable to:					
Owners of the Company	(93,594)	(83,006)	12,809	53,911	**(560,980)**
Minority interests	356	(412)	3,999	—	**—**
	(93,238)	(83,418)	16,808	53,911	**(560,980)**

ASSETS AND LIABILITIES

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000* (Restated)	2008 *HK$'000*	**2009** ***HK$'000***
Total assets	410,701	461,818	1,699,577	1,671,836	**1,243,270**
Total liabilities	(189,553)	(212,464)	(393,097)	(236,328)	**(232,020)**
Net assets	221,148	249,354	1,306,480	1,435,508	**1,011,250**
Equity attributable to owners of the Company	187,320	217,147	1,283,104	1,435,508	**1,011,250**
Minority interests	33,828	32,207	23,376	—	**—**
	221,148	249,354	1,306,480	1,435,508	**1,011,250**

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.