China Renji Medical Group Ltd.
中國仁濟醫療集團有限公司

Stock Code: 648

Annual 2013 Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

TANG Chi Chiu *(Chairman)*
CHAN Ka Chung
WANG Jianguo

Independent Non-executive Directors:

KWOK Chung On *(resigned on 8 April 2014)*
WU Chi Keung
WU Yan
HU Xuezhen *(appointed on 8 April 2014)*

AUDIT COMMITTEE

WU Chi Keung *(Chairman)*
KWOK Chung On *(resigned on 8 April 2014)*
WU Yan
HU Xuezhen *(appointed on 8 April 2014)*

REMUNERATION COMMITTEE

WU Chi Keung *(Chairman)*
CHAN Ka Chung
KWOK Chung On *(resigned on 8 April 2014)*
HU Xuezhen *(appointed on 8 April 2014)*

NOMINATION COMMITTEE

WU Chi Keung *(Chairman)*
CHAN Ka Chung
KWOK Chung On *(resigned on 8 April 2014)*
HU Xuezhen *(appointed on 8 April 2014)*

CORPORATE GOVERNANCE COMMITTEE

WU Chi Keung *(Chairman)*
CHAN Ka Chung
KWOK Chung On *(resigned on 8 April 2014)*
TANG Chi Chiu
WANG Jianguo
WU Yan
HU Xuezhen *(appointed on 8 April 2014)*

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Wuhu YangZi Rural Commercial Bank Company Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRARS

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Unit 3001, 30/F., Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.renjimedical.com

STOCK CODE

648

CHAIRMAN'S STATEMENT

Dear Shareholders and Partners,

The year of 2013 was another challenging year for China Renji Medical Group Limited (the "Company", together with its subsidiaries, the "Group"). With the decrease in the number of medical equipment for operations in 2013 resulted from the Group's disposal of its medical assets underlying its medical network which did not possess the necessary licenses during late 2011 and 2012, the Group's turnover declined by 17.4% to HK$111.0 million for the year ended 31 December 2013. Furthermore, the National Health and Family Planning of China launched a program (the "Program") in 2013 for purpose of strengthening the management of China's hospitals and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments. In this connection, during 2013, the Group received notices for termination of the existing cooperation arrangements in respect of four of its medical centres, two of which the Group's operations had been ceased, one of which the termination date has been extended, and one of which is still in operation despite expiry of the termination date. Under the circumstances, it is expected that new policy(ies) like the aforesaid Program will not only cast uncertainties to the business model of the Group, but will also dampen the on-going working relationship with the Group's hospital and/or business partners underlying its medical network. Accordingly, an impairment losses on property, plant and equipment and other intangible assets in the aggregate amount of HK$163.5 million was provided for the year ended 31 December 2013, resulting in the Group having recorded a loss attributable to the owners of the Company of HK$122.7 million and basic loss per share attributable to owners of the Company of HK0.91 cents.

On the other hand, despite the net loss for the year of 2013 attributable to impairment losses mentioned above, net operating cash inflow of the Group was strong for the year of 2013 and amounted to HK$64.0 million (2012: HK$3.5 million). In addition, the Group did not have any bank borrowings as at 31 December 2013. Going forward, the Group will leverage in its strong cash flow position and continue to formulate strategies to strength the overall competitiveness and improve the financial condition of the Group, including seeking potential investment opportunities in other business sectors.

I, on behalf of the board of directors (the "Board"), would like to take this opportunity to thank our shareholders for your support and loyalty and express my sincere gratitude to our partners, management and staff for your effort and contributions.

Tang Chi Chiu
Chairman

Hong Kong, 26 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the provision of medical equipment and services for its network of medical centres specialising in the diagnosis and treatment of tumours and/or cancer related diseases in the People's Republic of China (the "PRC" or "China").

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

Under such arrangement, the Group mainly derives its turnover from the leasing and service income from the operation of medical equipment. The Group generally receives a contracted percentage of each medical centre's net income, representing the revenue of each medical centre, less the specified operating expenses including variable expenses such as salaries and benefits of the medical and other personnel at the medical centre, the cost of medical consumables, marketing commissions and expenses, training expenses, utility expenses and routine equipment repair and maintenance expenses. The Group's principal cost of services comprises (i) equipment and facility costs (mainly including depreciation and amortisation expenses) and (ii) the salaries and services for its physicians and technical staff.

FINAL RESULTS REVIEW

Turnover

For the year ended 31 December 2013, the Group recorded a turnover of HK$111.0 million (2012: HK$134.4 million), which was derived from the medical centres operated by the Group, and represented a decrease of 17.4% from last year. The decline in turnover was attributable to the decrease in the number of medical equipment for the Group's operations resulting from the disposal of the Group's medical assets that lack the necessary licences in 2012.

Gross profit

For the year ended 31 December 2013, the Group recorded a gross profit of HK$74.6 million (2012: HK$94.1 million) and a gross profit margin of 67.2% (2012: 70.0%) from its medical network business. The decrease in gross profit was attributable to the combined impact of, among other things, the decline in the Group's turnover as mentioned above and the relatively fixed nature of most of the Group's cost of services.

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

The Group reassessed the recoverable amount of property, plant and equipment and other intangible assets as at 31 December 2013 and recorded impairment losses on property, plant and equipment as well as other intangible assets of approximately HK$96.1 million and HK$67.4 million for the year ended 31 December 2013, respectively (2012: HK$Nil and HK$Nil, respectively).

Loss for the year

The loss attributable to owners of the Company for the year ended 31 December 2013 was HK$122.7 million (2012: profit of HK$61.3 million). The turnaround to loss in 2013 was mainly attributable to the record of impairment loss on property, plant and equipment and other intangible assets in the aggregate amount of HK$163.5 million.

Basic loss per share for the year was approximately HK0.91 cents (2012: basic earnings per share of HK0.45 cents).

BUSINESS REVIEW

During 2013, the operating environment of the Group's medical network business had become more challenging. Non-civilian medical institutions in the PRC are not permitted to enter into cooperation agreements with third parties to set up for-profit centres, but these non-civilian medical institutions are permitted to lease medical equipment from their partners if they do not have adequate funds to purchase the relevant medical equipment. As described in the Company's annual reports for the year ended 31 December 2011 and 2012 and the interim report for the six months ended 30 June 2013, since the medical centres in the Group's medical network are established through long-term lease and management service arrangements entered into with hospital and/or business partners of the Group, the business model of the Group may be exposed to challenges if the relevant PRC health departments/authorities have different interpretations that the Group's lease and management services agreements with its hospital partners and/or business partners may not be in compliance with the existing rules and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the National Health and Family Planning Commission of the PRC launched the Program for purpose of strengthening the management of the PRC's hospital and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments. Although the Group has not been assessed by any healthcare departments/authorities for non-compliance with the existing rules and regulations after the launching of the Program, the Program may dampen the ongoing working relationship with the Group's hospital partners, including the non-renewal upon the expiry or termination before the expiry of the Group's cooperation with the hospitals via its partners. As disclosed in the Company's relevant announcements in 2013 as well as its interim report for the six months ended 30 June 2013, the Group, during 2013, had received notices for termination of the existing cooperation arrangements in respect of four of its medical centres, two of which the Group's operations had been ceased, one of which the termination date has been extended, and one of which is still in operation despite expiry of the termination date. Given the uncertainties in connection with the continuation of the Group's cooperation arrangement underlying its other medical centres, an aggregate impairment loss of HK$163.5 million had been provided on the Group's assets (including plant and equipment and other intangible assets) for the year ended 31 December 2013.

Acquisition of an associate

As described in the Company's announcement dated 21 June 2013, the Company entered into an agreement to acquire 38% equity interest in an associate group engaged in the design, manufacture and sale of household products. The acquisition was completed in August 2013.

Investment in a medical project

As described on the Company's announcement dated 25 June 2013, the Group entered into an investment agreement for, among other things, the upgrading and participation in the management of a hospital in the PRC.

Disposal of part of the Group's interest in its medical business

As described on the Company's announcement and circular dated 28 June and 16 October 2013, respectively, with a view to mitigating the overall business risks given the difficult business environment of the Group's medical business, the Group entered into an agreement to dispose of 35% equity interest in its medical network business. The disposal was completed in November 2013.

EVENTS AFTER THE REPORTING PERIOD

Subscription of warrants

As described in the Company's announcements dated 5 July, 31 October and 20 December 2013 and the Company's circular dated 24 December 2013, the Company entered into warrant subscription agreements (as amended and supplemented) for the issuance of a total of 2,700,000,000 warrants under two tranches (1,350,000,000 warrants each) at the exercise prices of HK$0.022 and HK$0.05, respectively. The subscription of the warrants was completed in March 2014.

Proposed capital reorganisation

As described in the announcement and circular of the Company dated 25 June and 7 October 2013 respectively, the Group proposed to reorganise the capital of the Company in 2013. Given the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) which contains new requirement(s) on the share capital of companies incorporated in Hong Kong having become effective in March 2014, the Company will propose for shareholders' approval to cancel their previous resolution for the proposed capital reorganisation.

Formation of a Joint Venture

As described in the announcement of the Company dated 24 February 2014, the Group entered into a cooperation agreement relating to, among other things, the restructuring of a non wholly-owned subsidiary and the investment involving the construction, establishment and subsequent business operation of a tumours-specialised hospital in the PRC.

Corporate governance

The Company has engaged an internal control consultant to perform a follow-up review on the Group's financial reporting procedures and internal control systems for the year ended 31 December 2013 and on an annual retained basis thereafter in accordance with recognised framework. The Group has adopted the recommendations proposed by the consultant and carried out procedures to remediated the weaknesses identified during 2013.

PROSPECTS

Looking forward, the Group will continue to formulate strategies with a view to strengthening its overall competitiveness and financial condition including seeking potential investment opportunities in other business sectors.

FINANCIAL REVIEW

Liquidity and financial resources

For the year ended 31 December 2013, the Group's major financial resources were derived from cash generated from operating activities, which was primarily the cash proceeds received from the Group's medical network business and amounted to HK$64.0 million (2012: inflows of HK$3.5 million).

During the period, the net cash used in investing activities amounted to HK$98.0 million (2012: inflow of HK$37.2 million) and mainly comprised the amount paid for the above-mentioned acquisition of an associate and investment in a medical project. Also, there was no cash generated from financing activities (2012: inflow of HK$25.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK$34.0 million for the year ended 31 December 2013 (2012: inflow of HK$66.3 million).

As at 31 December 2013, the Group maintained bank balances and cash of HK$83.8 million (2012: HK$116.0 million).

As at 31 December 2013, the Group's total borrowings amounted to HK$78.6 million (2012: HK$94.7 million) which included borrowings of HK$77.6 million (2012: HK$93.7 million) and guaranteed convertible note of HK$1 million (2012: HK$1 million). The borrowings are denominated in Hong Kong dollars and Japanese Yen. The Board expects that all such borrowings will be rolled over upon maturity. In addition, the Group did not have any bank borrowings as at 31 December 2013.

As at 31 December 2013, the Group's net asset value (including non-controlling interests) was HK$498.3 million (2012: HK$526.8 million) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 2.05 times (2012: 2.5 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings to the total equity attributable to the owners of the Company) was 19.2% (2012: 19.1%).

Capital structure

There was no change in the Company's capital structure during the year ended 31 December 2013.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations and assets is mainly denominated in Renminbi and Hong Kong dollars and liabilities held are mainly denominated in Japanese Yen. Therefore, the impact of continued Renminbi appreciation may further lower the costs for the repayment of foreign debts. The Group currently does not have a foreign currency hedging policy. However, the Group 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

No assets of the Group were pledged as at 31 December 2012 and 2013.

Contingency

Details of the contingency are disclosed in note 46 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the total number of employees of the Group was 109. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs or share option scheme (if any).

By Order of the Board

Tang Chi Chiu
Chairman

Hong Kong, 26 March 2014

BIOGRAPHICAL DETAILS OF DIRECTORS

TANG CHI CHIU
(Chairman and Executive Director)

Mr. Tang, aged 64, has many years of working experience in Hong Kong and the PRC with extensive marketing network in both the domestic and overseas markets. Mr. Tang also has substantial experience in the capital market and has worked at a number of large-scale manufacturing and distribution enterprises in China and Hong Kong.

CHAN KA CHUNG
(Executive Director)

Mr. Chan, aged 43, has extensive international network and in-depth professional experience and knowledge in finance, particularly corporate finance involving initial public offerings, capital raising, mergers and acquisitions, corporate restructuring and investment. He was also awarded the "Outstanding Entrepreneur of Guangdong" by the Guangdong Provincial Executive Association of Entrepreneurs. Mr. Chan holds a bachelor's degree in commerce from the University of British Columbia in Canada and a master's degree in business administration and a post graduate's diploma in marketing from Edinburgh Business School in the United Kingdom.

WANG JIANGUO
(Executive Director)

Mr. Wang, aged 50, is a qualified lawyer in China. Prior to joining the Group, he was a practising lawyer at a law firm in China. Mr. Wang's practice had been mainly in the medical sector in China and has maintained an extensive network in the industry. Mr. Wang holds an executive master's degree in business administration from Nanjing University, China and was awarded an Advanced Lawyer in Anhui Province.

KWOK CHUNG ON
(Independent Non-executive Director)

Mr. Kwok, aged 44, has substantial working experience in the legal profession. Prior to joining the Company, Mr. Kwok had worked as an in-house lawyer for a number of reputable listed groups including New World Group, Lai Sun Group and MTR Corporation. He had also worked as a senior associate at an international law firm in Beijing. Over the years, Mr. Kwok has published a number of articles on Hong Kong Lawyer. Mr. Kwok resigned on 8 April 2014.

HU XUEZHEN
(Independent Non-executive Director)

Ms. Hu, age 47, is the chairman and founder of a company engaged in trading of household and consumer products. Prior to founding her own company, she used to work in a state-owned company and government department in the PRC. Ms. Hu has extensive experience in administration management, corporate management and business development. Ms. Hu was appointed on 8 April 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS

WU CHI KEUNG

(Independent Non-executive Director)

Mr. Wu, aged 57, has over 30 years of experience in financial audit, corporate restructuring, and mergers and acquisitions. Mr. Wu was a partner and the co-leader of the Public Offering Group of Deloitte Touche Tohmatsu in China and Hong Kong. Mr. Wu is currently an independent non-executive director of China Medical System Holdings Limited (stock code: 867), Jinchuan Group International Resources Co., Ltd. (stock code: 2362), GreaterChina Professional Services Limited (stock code: 8193), Zhong Fa Zhan Holdings Limited (stock code: 475), Huabao International Holdings Limited (stock code: 336), YuanSheng Tai Dairy Farms Limited (stock code: 1431), all of whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Wu was also an independent non-executive director of JF Household Furnishings Limited (Stock Code: 776) until October 2012. Mr. Wu is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

WU YAN

(Independent Non-executive Director)

Ms. Wu, aged 48, has over 20 years of experience in accounting and financial management and is currently a manager of China CITIC Bank Corporation Limited. Ms. Wu also used to serve at the managerial level of a number of large Chinese companies. Ms. Wu holds a bachelor's degree in accounting from Stamford College, Malaysia and a master's degree in business administration from The University of Greenwich, the United Kingdom.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Unit 3001, 30/F., Hopewell Centre, 183 Queen's Road East, 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 is 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 statement of profit or loss on page 31.

RESERVES

Movements in the reserves of the Company during the year are set out in note 35 to the consolidated financial statements. As at 31 December 2013, the Company had no reserves available for distribution under Companies Ordinance of Hong Kong (2012: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT, 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, 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 18, 19 and 21 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 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 34 to the consolidated financial statements. There were no movements in the share capital of the Company during 2013.

GUARANTEED CONVERTIBLE NOTE

Details of guaranteed convertible note issued by a subsidiary of the Company are set out in note 32 to the consolidated financial statements.

DONATION

During 2013, no charitable and other donation was made by the Group (2012: HK$Nil).

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 112.

DIRECTORS

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

Executive Directors:
TANG Chi Chiu (Chairman)
CHAN Ka Chung (appointed on 9 September 2013)
WANG Jianguo

Independent non-executive Directors:
KWOK Chung On
WU Chi Keung
WU Yan

In accordance with the articles of association of the Company, (i) Mr. Chan Ka Chung, who was appointed as executive director of the Company in September 2013, shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election; and (ii) Mr. Wang Jianguo and Ms. Wu Yan shall retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

All Directors (including independent non-executive Directors) 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 independence confirmation from all independent non-executive Directors and considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 10 and 11.

DIRECTORS' EMOLUMENTS

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 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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN SHARES AND OPTIONS

As at 31 December 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Companies contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) The Company

Interests in Shares

Name of Director	Capacity	Number of shares or underlying shares held (long position)	Approximate percentage of the issued share capital
Chan Ka Chung	corporate interest	2,700,000,000 (Note)	19.93%

Note: Since Mr. Chan Ka Chung is the beneficial owner of the subscriber pursuant to the warrant subscription agreement (as amended and supplemented) dated 5 July 2013, Mr. Chan is deemed to be interested in the underlying shares to be issued and allotted upon the exercise of the subscription rights attached to the warrants to be issued by the Company to the subscriber.

(ii) Associated Corporation

Interests in Shares

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of issued share capital
Chan Ka Chung	Redsun Development Limited	Corporate	62	62%

Save as disclosed above, as at 31 December 2013, no other Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting held on 30 October 2001, the Company adopted a share option scheme under which the Board 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. The scheme had been expired on 30 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 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013
Employees	26-04-2007	26-04-2007 to 25-04-2017	0.200	1,000,000	—	—	—	1,000,000
	07-03-2008	07-03-2008 to 06-03-2018	0.130	139,332,000	—	—	—	139,332,000
				140,332,000	—	—	—	140,332,000
Consultants/Advisors	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	98,914,000	—	—	—	98,914,000
	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
				471,384,000	—	—	(52,632,000)	418,752,000
			total:	**611,716,000**	**—**	**—**	**(52,632,000)**	**559,084,000**

REPORT OF THE DIRECTORS

Notes:

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

Date of grant	Date of vesting	No. of share options vested
26-04-2007	26-04-2007	250,000
	26-04-2008	250,000
	26-04-2009	500,000
07-03-2008	07-03-2009	69,666,000
	07-03-2010	69,666,000

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

Date of grant	Date of vesting	No. of share options vested
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	83,979,500
	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 SHAREHOLDERS

As at 31 December 2013, the following persons (other than a director or chief executive of the Company) 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
Pang Wei	corporate interest and beneficial owner	2,439,000,000 (Note)	18.01%
China North Heating Group Corporation ("China North")	corporate interest and beneficial owner	2,439,000,000 (Note)	18.01%
Yong Chang Investment Limited ("Yong Chang")	beneficial owner	2,439,000,000 (Note)	18.01%
蕪湖隆源投資有限公司 (Wuhu Longyuan Investment Company Limited*) ("Wuhu Longyuan")	beneficial owner	1,950,000,000	14.40%

* *for identification purpose only*

Notes: 1. Yong Chang is wholly-owned by China North and China North is wholly-owned by Pang Wei. By virtue of the SFO, each of Pang Wei and China North is deemed to be interested in the shares held by Yong Chang in the Company.

2. Wuhu Longyuan is a company incorporated in the PRC with limited liability.

Save as disclosed above, as at 31 December 2013, no person (other than a director or chief executive of the Company) 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 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during 2013.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013:

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

— the largest supplier	Not applicable
— five largest suppliers combined	Not applicable

(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	92%

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the 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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 28.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company 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 2013.

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 for the years ended 31 December 2012 and 2013 were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

The consolidated financial statements for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng. On 22 June 2012, HLB Hodgson Impey Cheng Limited were appointed as the auditors of the Company to fill the vacancy caused by the resignation of HLB Hodgson Impey Cheng.

By Order of the Board

Tang Chi Chiu
Chairman

Hong Kong, 26 March 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises 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 Corporate Governance Code (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.

During the year ended 31 December 2013, the Company has complied with all the code provisions of the CG Code except for none of the existing non-executive Directors being appointed for a specific term which constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

THE BOARD

The Board, which meets at least four times a year with additional meetings arranged when necessary, has established a schedule of matters reserved for its approval. In addition to the management and daily operation of the Company, the Board has specific responsibility including 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 and various Board committees to deal with the daily operations of the Company.

The existing Board comprises six members with a wide range of business, financial, accounting and legal skills and experience as well as a balanced composition of the executive and independent non-executive Directors to ensure independent judgment and effective operation of the Board. There were five Board meetings held during the year. Changes to the Board during the year as well as the number of Board meetings held and attended by each individual Director (including attendance via telephone conference) during his/her respective term of office in the year are as follows:

	Number of Board meetings held during the Director's term of office in 2013	Number of meetings attended
Executive Directors:		
TANG Chi Chu (Chairman)	5	5
CHAN Ka Chung *(appointed on 9 September 2013)*	1	—
WANG Jianguo	5	5
Independent Non-executive Directors:		
KWOK Chung On	5	4
WU Chi Keung	5	5
WU Yan	5	5

Mr. Wang Jianguo, Mr. Wu Chi Keung and Ms. Wu Yan attended the annual general meeting of the Company held on 16 May 2013.

Mr. Wang Jianguo, Mr. Wu Chi Keung and Ms. Wu Yan attended the extraordinary general meetings of the Company held on 31 October 2013.

The biographical details of each existing Director are set out on pages 10 and 11.

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.

During the year under review, the Company did not have a chief executive officer and the duties of chief executive officer were carried out by Mr. Wang Jianguo, an executive Director.

Directors' training

Upon joining the Company, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's affairs as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with updates on latest development and changes in Listing Rules and other relevant legal and regulatory requirements from time to time.

Pursuant to the revised CG Code which was effective on 1 April 2012, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. For the period from 1 January to 31 December 2013, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Each committee has defined terms of reference covering its constitution, duties and authorities. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website.

Audit Committee

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

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).

The Audit Committee currently comprises three members, all of which are independent non-executive Directors. All members possess diversified expertise and experience, including those in finance, accounting and legal matters. There were two Audit Committee meetings held during the year. The number of Audit Committee meetings held and attended by each individual member (including attendance via telephone conference) during his/her respective term of office in the year are as follows:

	Audit Committee meeting held/ attended
WU Chi Keung (Chairman)	2/2
KWOK Chung On	2/2
WU Yan	2/2

Remuneration Committee

The Remuneration Committee is principally responsible for recommending to the Board on the Company's remuneration policy and structure for the 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, there were no changes to the remuneration policy and the remuneration packages of the Directors and senior management.

The Remuneration Committee currently comprises three members, with Mr. Wu Chi Keung as chairman and Mr. Chan Ka Chung and Mr. Kwok Chung On as members. There was one Remuneration Committee meeting held during the year.

Nomination Committee

The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board; making recommendations on any proposed changes to the Board for implementation of the Company's corporate strategy; identifying and nominating appropriate candidates as Board members; assessing the independence of independent non-executive Directors; recommending to the Board on succession planning for chairman and chief executive officer.

The Nomination Committee currently comprises three members, with Mr. Wu Chi Keung as chairman and Mr. Chan Ka Chung and Mr. Kwok Chung On as members. There was one Nomination Committee meeting held during the year.

Corporate Governance Committee

The Corporate Government Committee is principally responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's internal control manual; reviewing the Company's compliance with the CG Code and disclosure in its corporate governance report.

The Corporate Governance Committee currently comprises all Directors, with Mr. Wu Chi Keung as chairman and other directors as members. There was one Corporate Governance Committee meeting held during the year.

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 organisations 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/or 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.

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 authorising 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 from time to time. 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 in compliance with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she had complied with the required standard as set out in the Model Code during the year ended 31 December 2013.

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 2013, 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 29 and 30.

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 Company has engaged an internal control consultant to perform a follow-up review on the Group's financial reporting procedures and internal control systems for the year ended 31 December 2013 an on an annual retained basis thereafter in accordance with recognised framework. The Group has adopted the recommendation proposed by the consultant and carried out procedures to remediated the weaknesses identified, and has established procedures regarding its connected transactions.

Set out below is the summary of the remedical measures taken by the Group in response to the recommendations proposed by the internal control consultant:

(i) to require staff of the Company to confirm that they have acknowledged the staff handbook upon their joining and establish formal procedures to ascertain proper dissemination or communication among staff of the Company for subsequent revision of the staff handbook;

(ii) to establish a formalised succession plan for Directors and staff at strategic management level with formal mechanism to monitor and report the turnover of staff with key management functions;

(iii) to establish a formal procedure to govern proper and timely period-end closing procedures and consolidation process, and to strengthen the adoption of accrual basis for preparation of the consolidated financial statements;

(iv) to use accounting software to enhance internal control on preparation of financial records;

(v) to appraise the Group's hospital partners more regularly to ascertain their suitability for partnership and to maintain a formal contract list for better contract management;

(vi) to segregate the custody for financial seal and seal of legal representative and retaining the cheque stub and void cheques for future reference;

(vii) to establish a more formalised fixed assets register by assigning serial numbers to each fixed assets;

(viii) to capitalise the medical equipment in the month when the relevant quality checks on the fixed assets were completed and to attach the relevant copy of the quality check results to the vouchers as evidence;

(ix) to formalise procedures for the preparation, review and approval of the payment request form for payroll; and

(x) to establish a tendering process for the selection of external advisors/consultants as well as to maintain a list of pre-approved external advisors/consultants which will be periodically reviewed to assess their suitability.

AUDITORS' FEES

The Company's current external auditors are HLB Hodgson Impey Cheng Limited. For the year ended 31 December 2013, the fees payable to the external auditors for audit service and review service (non-audit service) were HK$900,000 and HK$100,000, respectively.

COMPANY SECRETARY

Prior to 20 March 2013, the Company Secretary of the Company was Mr. Chan Chun Ho, who was a qualified professional staff provided by an external service provider, and his primary corporate contact person at the Company was Mr. Wang Jianguo, an executive Director. Following the resignation of Mr. Chan on 20 March 2013, the Board appointed Mr. Lam Sung Him, Gaston as the Company Secretary of the Company with effect from that date.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings ("EGM")

Shareholders holding not less than one-twentieth (i.e. 5%) of the paid-up capital and carrying the right of voting at a general meeting of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and shareholders concerned) at the register office of the Company for the attention of the Company Secretary. If the Directors do not within twenty one days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than twenty eight days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at shareholders' meetings

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (i.e. 2.5%) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected; together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later seven days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at Unit 3001, 30/F, Hopewell Centre, 183 Queen's Road East, Hong Kong (email: contact@renjimedical.com).

COMMUNICATION WITH SHAREHOLDERS

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

By Order of the Board

Tang Chi Chu
Chairman

Hong Kong, 26 March 2014

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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

We have audited the consolidated financial statements of China Renji Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 111, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

INDEPENDENT AUDITORS' REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**110,957**	134,438
Cost of services		**(36,321)**	(40,293)
Gross profit		**74,636**	94,145
Other gains and losses	9	**20,410**	13,559
Administrative expenses		**(38,066)**	(47,428)
Impairment loss on property, plant and equipment	18	**(96,136)**	—
Impairment loss on other intangible assets	21	**(67,389)**	—
Impairment loss on promissory note receivable	26	**(480)**	—
Share of profit of associates	23	**1,632**	—
Finance costs	10	**(3,650)**	(3,306)
(Loss)/profit before taxation		**(109,043)**	56,970
Income tax	11	**(7,452)**	4,291
(Loss)/profit for the year	12	**(116,495)**	61,261
(Loss)/profit for the year attributable to:			
Owners of the Company		**(122,665)**	61,261
Non-controlling interests		**6,170**	—
		(116,495)	61,261
(Loss)/earnings per share attributable to owners of the Company (HK cents)	16		
— Basic		**(0.91)**	0.45
— Diluted		**(0.91)**	0.45

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
(Loss)/profit for the year	**(116,495)**	61,261
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences in translating foreign operations	**18,009**	—
Other comprehensive income for the year, net of tax	**18,009**	—
Total comprehensive (loss)/income for the year	**(98,486)**	61,261
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(105,526)**	61,261
Non-controlling interests	**7,040**	—
	(98,486)	61,261

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**77,654**	167,137
Land use right	19	**3,904**	3,884
Other intangible assets	21	**10,335**	84,537
Interests in associates	23	**72,430**	—
Available-for-sale financial asset	24	**76,147**	—
Deposit paid for acquisition of property, plant and equipment	18	**52,478**	67,681
		292,948	323,239
Current assets			
Land use right	19	**89**	86
Promissory note receivable	26	**—**	478
Trade receivables	27	**52,308**	46,947
Other receivables, prepayments and deposits	27	**260,419**	175,830
Amount due from a non-controlling shareholder of a subsidiary		**5,711**	5,556
Cash and bank balances	28	**83,767**	115,980
		402,294	344,877
Current liabilities			
Other payables and accruals	29	**89,038**	32,998
Amounts due to directors	30	**15,594**	5,250
Tax payable		**13,199**	2,730
Borrowings	31	**77,564**	93,691
Guaranteed convertible note	32	**1,000**	1,000
		196,395	135,669
Net current assets		**205,899**	209,208
Total assets less current liabilities		**498,847**	532,447
Non-current liability			
Deferred tax liabilities	33	**533**	5,647
Net assets		**498,314**	526,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	34	**1,354,511**	1,354,511
Reserves		**(945,938)**	(858,822)
Equity attributable to owners of the Company		**408,573**	495,689
Non-controlling interests		**89,741**	31,111
Total equity		**498,314**	526,800

The consolidated financial statements on pages 31 to 111 were approved and authorised for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

TANG CHI CHIU
Director

WANG JIANGUO
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**530**	910
Investments in subsidiaries	22	**1**	287
Amounts due from subsidiaries	22	**303,356**	316,353
Interests in associates	23	**70,798**	—
		374,685	317,550
Current assets			
Promissory note receivable	26	**—**	478
Other receivables, prepayments and deposits	27	**693**	1,894
Cash and bank balances	28	**94**	1,748
		787	4,120
Current liabilities			
Other payables and accruals	29	**71,784**	16,667
Amounts due to directors	30	**15,594**	5,250
Amounts due to subsidiaries	22	**13,255**	43,901
Borrowings	31	**77,564**	93,691
		178,197	159,509
Net current liabilities		**(177,410)**	(155,389)
Total assets less current liabilities		**197,275**	162,161
Net assets		**197,275**	162,161
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	34	**1,354,511**	1,354,511
Reserves	35	**(1,157,236)**	(1,192,350)
Total equity		**197,275**	162,161

The financial statements on pages 31 to 111 were approved and authorised for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

TANG CHI CHIU
Director

WANG JIANGUO
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital redemption reserve**	**Share option reserve**	**Exchange translation reserve**	**Other reserves**	**Accumulated losses**	**Sub-Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 34)	(Note 35(i))	(Note 35(i))	(Note 35(ii))	(Note 35(iii))	(Note 35(iv))				
At 1 January 2012	1,354,511	981,858	1,899	35,415	163,559	—	(2,102,807)	434,435	—	434,435
Profit and total comprehensive income for the year	—	—	—	—	—	—	61,261	61,261	—	61,261
Transaction cost attributable to issue of ordinary shares	—	(7)	—	—	—	—	—	(7)	—	(7)
Non-controlling interests arising from incorporation of a subsidiary	—	—	—	—	—	—	—	—	31,111	31,111
At 31 December 2012 and 1 January 2013	**1,354,511**	**981,851**	**1,899**	**35,415**	**163,559**	**—**	**(2,041,546)**	**495,689**	**31,111**	**526,800**
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(122,665)**	**(122,665)**	**6,170**	**(116,495)**
Other comprehensive income for the year										
Exchange differences on translating foreign operations	**—**	**—**	**—**	**—**	**17,139**	**—**	**—**	**17,139**	**870**	**18,009**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**17,139**	**—**	**(122,665)**	**(105,526)**	**7,040**	**(98,486)**
Change in ownership interests of subsidiaries (Note 43)	**—**	**—**	**—**	**—**	**(49,834)**	**68,244**	**—**	**18,410**	**51,590**	**70,000**
At 31 December 2013	**1,354,511**	**981,851**	**1,899**	**35,415**	**130,864**	**68,244**	**(2,164,211)**	**408,573**	**89,741**	**498,314**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
(Loss)/profit before taxation	**(109,043)**	56,970
Adjustments for:		
Finance costs	**3,650**	3,306
Interest income	**(1,873)**	(447)
Depreciation of property, plant and equipment	**22,023**	17,965
Amortisation of land use right	**87**	86
Amortisation of other intangible assets	**8,930**	8,929
Impairment loss on other intangible assets	**67,389**	—
Write-off of property, plant and equipment	**2**	82
Loss on disposal of property, plant and equipment	**—**	7
Impairment loss on property, plant and equipment	**96,136**	—
Impairment loss on promissory note receivable	**480**	—
Share of profit of associates	**(1,632)**	—
Bad debts written back	**—**	(466)
Exchange gain on borrowings and interest payable	**(18,390)**	(12,672)
Operating cash flows before movements in working capital	**67,759**	73,760
(Increase)/decrease in trade receivables	**(3,993)**	31,327
Increase in other receivables, prepayments and deposits	**(8,240)**	(93,085)
Decrease in other payables and accruals	**(1,360)**	(9,440)
Increase in amounts due to directors	**10,344**	5,250
Cash generated from operations	**64,510**	7,812
Interest received	**1,871**	419
Income tax paid	**(2,379)**	(4,724)
Net cash generated from operating activities	**64,002**	3,507
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,084)**	(8,255)
Deposits paid for acquisition of property, plant and equipment	**(1,753)**	(42,430)
Proceeds from disposal of property, plant and equipment	**—**	3
Proceeds from disposal of assets classified as held for sale	**—**	87,901
Payment on acquisition of available-for-sale financial asset	**(75,132)**	—
Net cash outflow on acquisition of associates	**(15,000)**	—
Net cash (used in)/generated from investing activities	**(97,969)**	37,219

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Cash flows from financing activities		
Transaction costs attributable to issue of ordinary shares	—	(7)
Capital contribution from a non-controlling shareholder of a subsidiary	—	31,111
Advance to a non-controlling shareholder of a subsidiary	—	(5,556)
Net cash generated from financing activities	—	25,548
Net (decrease)/increase in cash and cash equivalents	**(33,967)**	66,274
Cash and cash equivalents at beginning of year	**115,980**	49,706
Effect of foreign exchange rate changes	**1,754**	—
Cash and cash equivalents at end of year	**83,767**	115,980
Analysis of balances of cash and cash equivalents		
Cash and cash balances	**83,767**	115,980

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated. The Directors consider that the functional currency of the Company is Renminbi ("RMB"). 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial year beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

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

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36	Recoverable Amount and Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 No mandatory effective date yet determined but is available for adoption.
4 Effective for annual periods beginning on or after 1 January 2016.

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

New and revised HKFRSs in issue but not yet effective — continued

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

New and revised HKFRSs in issue but not yet effective — continued

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures

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

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

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

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

Amendments to HKAS 36 — Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The Directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

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

New and revised HKFRSs in issue but not yet effective — continued

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities — continued

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The Directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

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

New and revised HKFRSs in issue but not yet effective — continued

HK(IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) — Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(c) Basis of consolidation — continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and,
- any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(c) Basis of consolidation — continued

Changes in the Group's ownership interests in existing subsidiaries — continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(d) Business combinations — continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 “*Provisions, Contingent Liabilities and Contingent Assets*”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES — continued

(d) Business combinations — continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(f) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES — continued

(f) Investments in associates — continued

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(g) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control (i.e. 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.

(h) 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. Revenue is recognised as follows:

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.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(i) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, 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%–33.3% or over the shorter of the term of the lease
Plant	5%
Medical equipment	5%–18% or over the shorter of the term of the co-operative contracts
Furniture, fixtures and equipment	20%–33.3%
Motor vehicles	10%–25%
Computer equipment	30%

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 the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in 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.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(j) Leasing — continued

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

(k) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised 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 that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, 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 (attributable to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES — continued

(k) Foreign currencies — continued

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through 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 each reporting period. Exchange differences arising are recognised in other comprehensive income.

(l) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Retirement benefits costs

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

3. PRINCIPAL ACCOUNTING POLICIES — continued

(n) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss)/profit before taxation" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(n) Taxation — continued

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Other intangible assets

Other intangible assets acquired separately

Other intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Other intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of other intangible assets

Other intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(p) Financial instruments

Financial assets and financial liabilities are recognised 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 and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(p) Financial instruments — continued

Financial assets — continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, promissory note receivable, other receivables, prepayments and deposits, amount due from a non-controlling shareholder of a subsidiary and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 affected.

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(p) Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

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

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

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(p) Financial instruments — continued

Financial liabilities and equity instruments — continued

Guaranteed convertible note

Guaranteed convertible note 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 note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the guaranteed convertible note into equity, is included in equity (guaranteed convertible notes — equity component reserve).

In subsequent periods, the liability component of the guaranteed convertible note 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 note — equity component reserve until it is exercised (in which case the balance stated in guaranteed convertible note — equity component reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in guaranteed convertible note — 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 note 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 note using the effective interest method.

Other financial liabilities

Other financial liabilities (including other payables and accruals, amounts due to directors and borrowings) are subsequently measured at amortised cost using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(p) Financial instruments — continued

Financial liabilities and equity instruments — continued

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value through profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES — continued

(q) 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 statement of profit or loss 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

(q) 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.

(r) 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 with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES — continued

(s) 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.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

(u) Related parties

A party is considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

3. PRINCIPAL ACCOUNTING POLICIES — continued

(u) Related parties — continued

(2) An entity is related to the Group if any of the following condition applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsorship employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Current assets and liabilities

Current assets are expected to be realised within twelve months of the reporting date or in the normal course of the operating cycle. Current liabilities are expected to be settled within twelve months of the reporting date or in the normal course of the operating cycle.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

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.

Impairment of other intangible assets and property, plant and equipment

Determining whether 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 other intangible assets and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in Notes 18 and 21, respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Impairment of available-for-sale financial assets

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and People's Republic of China. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and current tax charges in the period in which such estimates have been changed.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the entities in 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 net debt (which includes borrowings and guaranteed convertible note, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

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, issue of new shares, raise new borrowings and repayment of borrowings.

The gearing ratio at the end of the reporting period was as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Debt (note (i))	**78,564**	94,691
Cash and cash equivalents	**(83,767)**	(115,980)
Net debt	**(5,203)**	(21,289)
Equity (note (ii))	**408,573**	495,689
Net debt to equity ratio	**N/A**	N/A

Notes:

(i) Debt comprises borrowings and guaranteed convertible note as detailed in notes 31 and 32 respectively.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables:				
— Trade receivables	**52,308**	46,947	**—**	—
— Other receivables	**254,299**	175,830	**359**	1,894
— Amount due from a non-controlling shareholder of a subsidiary	**5,711**	5,556	**—**	—
— Amounts due from subsidiaries	**—**	—	**303,356**	316,353
— Promissory note receivable	**—**	478	**—**	478
— Cash and bank balances	**83,767**	115,980	**94**	1,748
	396,085	344,791	**303,809**	320,473
Financial liabilities				
At amortised cost				
— Other payables and accruals	**89,038**	32,998	**71,784**	16,667
— Amounts due to directors	**15,594**	5,250	**15,594**	5,250
— Amounts due to subsidiaries	**—**	—	**13,255**	43,901
— Borrowings	**77,564**	93,691	**77,564**	93,691
— Guaranteed convertible note	**1,000**	1,000	**—**	—
	183,196	132,939	**178,197**	159,509

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, promissory note receivable, amount due from a non-controlling shareholder of a subsidiary, cash and bank balances, other payables and accruals, amounts due to directors, borrowings and guaranteed convertible note. The Company's major financial instruments include other receivables, promissory note receivable, amounts due from subsidiaries, cash and bank balances, other payables and accruals, amounts due to directors, amounts due to subsidiaries 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 set 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 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statement of financial position; and

- the amount in relation to guarantees issued by the Company as at 31 December 2013 and 31 December 2012 as disclosed in note 39.

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 and debt investment at the end of the 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 and the Company's credit risk is significantly reduced.

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(i) Credit risk management — continued

In addition, the Group and the Company have gross promissory note receivable in connection with the disposal of jointly-controlled entities amounting to HK$478,000 as at 31 December 2012 which expose the Group and the Company to the concentration of credit risk on these counterparties.

The Group's exposure to credit risk is also influenced by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 31% (2012: 16%) and 92% (2012: 88%) of the trade receivables which was due from the Group's largest customer and the five largest customers respectively.

(ii) Market risk

(i) Foreign currency risk management

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Liabilities				
Japanese Yen ("JPY")	**86,731**	105,395	**86,731**	105,395

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(i) Foreign currency risk management — continued

Foreign currency sensitivity analysis

The Group and the Company is mainly exposed to the effects of fluctuation in JPY.

The following table details the Group's and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in Hong Kong dollars against JPY. 5% (2012: 5%) is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a rate of 5% (2012: 5%) change in JPY. A positive number below indicates a decrease in loss/ an increase in profit where HK$ strengthens 5% (2012: 5%) against the JPY. For a 5% (2012: 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 negative.

	Impact of JPY			
	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss (note)	**4,337**	5,270	**4,337**	5,270

Note:

This is mainly attributable to the exposure outstanding on payables denominated in JPY not subject to cash flow hedge at the end of the reporting period.

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to fixed-rate promissory note receivable and fixed-rate guaranteed convertible note (see Notes 26 and 32 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 28 and 31 respectively for details).

Interest rate 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 2013 would decrease/increase by HK$30,000 (2012: profit would increase/decrease by HK$102,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iii) Liquidity risk management

The Group has net current assets as at 31 December 2013 and 31 December 2012. 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 utilization of borrowings from time to time.

The following tables detail 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	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
2013					
Borrowings	**2.200**	**77,564**	**—**	**77,564**	**77,564**
Other payables and accruals	**—**	**89,038**	**—**	**89,038**	**89,038**
Amounts due to directors	**—**	**15,594**	**—**	**15,594**	**15,594**
Guaranteed convertible note	**5.000**	**1,000**	**—**	**1,000**	**1,000**
		183,196	**—**	**183,196**	**183,196**
2012					
Borrowings	2.475	93,691	—	93,691	93,691
Other payables and accruals	—	32,998	—	32,998	32,998
Amount due to a director	—	5,250	—	5,250	5,250
Guaranteed convertible note	5.000	1,000	—	1,000	1,000
		132,939	—	132,939	132,939

6. FINANCIAL INSTRUMENTS — continued

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iii) Liquidity risk management — continued

The Company

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
2013					
Amounts due to subsidiaries	**—**	**13,255**	**—**	**13,255**	**13,255**
Borrowings	**2.200**	**77,564**	**—**	**77,564**	**77,564**
Other payables and accruals	**—**	**71,784**	**—**	**71,784**	**71,784**
Amounts due to directors	**—**	**15,594**	**—**	**15,594**	**15,594**
		178,197	**—**	**178,197**	**178,197**
Financial guarantee issued — maximum amount granted		**1,000**	**—**	**1,000**	**—**
2012					
Amounts due to subsidiaries	—	43,901	—	43,901	43,901
Borrowings	2.475	93,691	—	93,691	93,691
Other payables and accruals	—	16,667	—	16,667	16,667
Amount due to a director	—	5,250	—	5,250	5,250
		159,509	—	159,509	159,509
Financial guarantee issued — maximum amount granted		1,000	—	1,000	—

6. FINANCIAL INSTRUMENTS — continued

(c) Fair value of financial instruments

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

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(iii) the fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated and Company's financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group and the Company has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the both years.

7. TURNOVER

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

All of the Group's turnover for the years ended 31 December 2013 and 2012 represented the leasing and service income from operations of medical equipment.

8. SEGMENT INFORMATION

During the years ended 31 December 2013 and 2012, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of services on operation of medical equipment in the People's Republic of China (the "PRC") and most of the assets of the Group are located in the PRC as at 31 December 2013 and 2012.

For the year ended 31 December 2013, there were 4 customers with whom transactions have exceeded 10% of the Group's revenues, which amounted to approximately HK$51,788,000, HK$17,562,000, HK$13,753,000 and HK$12,153,000, respectively.

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

9. OTHER GAINS AND LOSSES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Interest income on:		
Bank balances	**1,871**	419
Promissory note receivable	**2**	28
	1,873	447
Loss on disposal of property, plant and equipment	**—**	(7)
Write-off of property, plant and equipment	**(2)**	(82)
Exchange gain, net	**18,390**	12,672
Bad debts written back	**—**	466
Others	**149**	63
	20,410	13,559

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For the year ended 31 December 2013

10. FINANCE COSTS

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Interest expenses on:		
Loans from a former intermediate holding company and a former fellow subsidiary wholly repayable within five years	**2,283**	3,256
Imputed interest on purchase consideration payable	**1,317**	—
Guaranteed convertible note (Note 32)	**50**	50
	3,650	3,306

11. INCOME TAX

	The Group	
	2013	2012
	HK$'000	*HK$'000*
PRC enterprise income tax	**12,713**	8,448
Deferred taxation (Note 33)	**(5,261)**	(12,739)
Tax charge/(credit) for the year	**7,452**	(4,291)

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2012: 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 2013 and 2012.

11. INCOME TAX — continued

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(109,043)**	56,970
Taxation at Hong Kong profit tax rate of 16.5% (2012: 16.5%)	**(17,992)**	9,400
Tax effect of expenses not deductible for tax purpose	**23,294**	4,815
Tax effect of income not taxable for tax purpose	**(3,707)**	(19,277)
Tax effect of tax losses not recognised	**1,818**	2,212
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**4,489**	(1,179)
Over provision of profits tax in prior year	**(450)**	(262)
Income tax charge/(credit) for the year	**7,452**	(4,291)

12. (LOSS)/PROFIT FOR THE YEAR

	The Group	
	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment (Note 18)	**19,812**	14,408
Depreciation of jointly operated assets (Note 25)	**2,211**	3,557
Amortisation of other intangible assets included in cost of services (Note 21)	**8,930**	8,929
Amortisation of land use right (Note 19)	**87**	86
Total depreciation and amortisation	**31,040**	26,980
Auditors' remuneration	**1,000**	1,237
Impairment loss on property, plant and equipment (Note 18)	**96,136**	—
Impairment loss on other intangible assets (Note 21)	**67,389**	—
Impairment loss on promissory note receivable	**480**	—
Employee benefit expenses, including Directors' emoluments (Note 13):		
— salaries and other benefits	**19,241**	22,342

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

For the year ended 31 December 2013

	Tang Chi Chiu *HK$'000*	Wang Jianguo *HK$'000*	Wu Chi Keung *HK$'000*	Kwok Chung On *HK$'000*	Wu Yan *HK$'000*	Chan Ka Chung *HK$'000* (note (a))	Total *HK$'000*
Directors							
— fees	144	—	120	120	100	445	929
— salaries and other benefits	—	600	—	—	—	3	603
— employer's contributions to pension scheme	—	—	—	—	—	—	—
	144	600	120	120	100	448	1,532

For the year ended 31 December 2012

	Tang Chi Chiu *HK$'000* (note (b))	Wang Jianguo *HK$'000*	Wu Chi Keung *HK$'000* (note (b))	Kwok Chung On *HK$'000* (note (c))	Wu Yan *HK$'000*	Pang Wai Hong *HK$'000* (note (d))	Wang Yongchang *HK$'000* (note (d))	Geng Xiaobing *HK$'000* (note (d))	Wu Zhenfang *HK$'000* (note (e))	Total *HK$'000*
Directors										
— fees	144	—	120	120	100	—	—	—	37	521
— salaries and other benefits	—	600	—	—	—	—	—	—	106	706
— employer's contributions to pension scheme	—	—	—	—	—	—	—	—	—	—
	144	600	120	120	100	—	—	—	143	1,227

Notes:

(a) Appointed on 9 September 2013.

(b) Appointed on 3 January 2012.

(c) Appointed on 16 January 2012.

(d) Resigned on 3 January 2012.

(e) Resigned on 15 May 2012.

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 years ended 31 December 2013 and 2012. None of the Directors has waived any emolument during the year ended 31 December 2013 and 2012.

Senior management of the Group represents the executive directors during the years ended 31 December 2013 and 2012.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) was Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four individuals (2012: four) were as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**3,774**	4,413
Employer's contribution to pension scheme	**23**	48
Total	**3,797**	4,461

The emoluments of the four (2012: four) non-director individuals with the highest emoluments were within the following bands:

	2013	2012
	No. of employees	*No. of employees*
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	0
HK$2,000,001 to HK$2,500,000	**—**	1

There is no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012. None of the five highest paid individuals have waived any emolument during the years ended 31 December 2013 and 2012.

15. DIVIDEND

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: HK$ Nil).

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

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

(Loss)/earnings

	2013 ***HK$'000***	2012 *HK$'000*
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(122,665)**	61,261

Number of shares

	2013 ***'000***	2012 *'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**13,545,113**	13,545,113

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the years ended 31 December 2013 and 2012. The guaranteed convertible note and share options have an anti-dilutive effect on the basic (loss)/earnings per share of the Group for the years ended 31 December 2013 and 2012. Accordingly, the effect of the guaranteed convertible note and share options was not included in the calculation of diluted (loss)/earnings per share for the years ended 31 December 2013 and 2012.

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

The consolidated loss attributable to owners of the Company includes a profit of approximately HK$2,775,000 (2012: loss of HK$5,995,000) which has been dealt with in the financial statements of the Company.

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

	Notes	Leasehold improvements HK$'000	Plant HK$'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 2012		4,405	4,926	439,899	1,224	4,117	241	12,222	467,034
Additions		89	—	35,123	195	1,069	78	4,746	41,300
Disposal		—	—	—	(12)	—	(6)	—	(18)
Write-off		(126)	—	(821)	(162)	—	—	—	(1,109)
At 31 December 2012 and 1 January 2013		4,368	4,926	474,201	1,245	5,186	313	16,968	507,207
Additions		—	—	23,389	62	—	3	—	23,454
Write-off		—	—	(1,001)	(30)	—	—	—	(1,031)
Exchange realignment		112	138	14,220	28	126	—	475	15,099
At 31 December 2013		4,480	5,064	510,809	1,305	5,312	316	17,443	544,729
Accumulated depreciation and impairment									
At 1 January 2012		682	158	320,789	347	1,066	98	—	323,140
Provided for the year	12	896	236	15,974	195	602	62	—	17,965
Eliminated upon disposals		—	—	—	(5)	—	(3)	—	(8)
Write-off		(69)	—	(818)	(140)	—	—	—	(1,027)
At 31 December 2012 and 1 January 2013		1,509	394	335,945	397	1,668	157	—	340,070
Provided for the year	12	1,104	240	19,676	325	608	70	—	22,023
Write-off		—	—	(1,001)	(28)	—	—	—	(1,029)
Exchange realignment		54	14	9,754	11	42	—	—	9,875
Impairment loss recognised		—	—	96,136	—	—	—	—	96,136
At 31 December 2013		2,667	648	460,510	705	2,318	227	—	467,075
Carrying amount									
At 31 December 2013		**1,813**	**4,416**	**50,299**	**600**	**2,994**	**89**	**17,443**	**77,654**
At 31 December 2012		2,859	4,532	138,256	848	3,518	156	16,968	167,137

18. 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 2013 were jointly operated assets of approximately HK$21,934,000 (2012: HK$31,481,000). Details of the financial information of the jointly operated assets are set out in Note 25.

During the year ended 31 December 2013, as a result of the effects of termination of leasing and service of medical equipment in certain medical centre and the recent implementation of the New PRC's health care reform policies which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the medical equipment. These assets are used in the Group's medical network business segment. The review led to the recognition of an impairment loss of approximately HK$96,136,000 (2012: HK$ nil), which has been recognised in consolidated statement of profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The details of review are set out as follows:

The basis of the recoverable amount and the major underlying assumptions of the cash-generating unit ("CGU") of the Group's medical network business segment are summarised below:

CGU of medical network

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 25.48% (2012: 18.04%) per annum. 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.

18. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT — continued

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
The Company					
Cost					
At 1 January 2012	531	405	677	241	1,854
Additions	—	11	—	77	88
Disposals	—	(12)	—	(6)	(18)
Write-off	(13)	(34)	—	—	(47)
At 31 December 2012 and 1 January 2013	518	370	677	312	1,877
Additions	—	—	—	3	3
At 31 December 2013	518	370	677	315	1,880
Accumulated depreciation					
At 1 January 2012	65	198	197	99	559
Provided for the year	163	45	169	62	439
Eliminated upon disposals	—	(5)	—	(4)	(9)
Write-off	(5)	(17)	—	—	(22)
At 31 December 2012 and 1 January 2013	223	221	366	157	967
Provided for the year	103	41	169	70	383
At 31 December 2013	326	262	535	227	1,350
Carrying amount					
At 31 December 2013	**192**	**108**	**142**	**88**	**530**
At 31 December 2012	295	149	311	155	910

As at 31 December 2013 and 2012, the deposits balance represented deposits paid for acquisition of items of property, plant and equipment.

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19. LAND USE RIGHT

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount		
At 1 January	**3,970**	4,056
Exchange realignment	**110**	—
Amortisation of land use right (Note 12)	**(87)**	(86)
At 31 December	**3,993**	3,970
Analysed for reporting purpose as:		
Non-current assets	**3,904**	3,884
Current assets	**89**	86
	3,993	3,970

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

20. GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	661,428
Accumulated impairment	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	661,428
Carrying amount	
At 31 December 2013	**—**
At 31 December 2012	—

Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill is allocated to the medical network of the Group. The carrying amount of goodwill was fully impaired during the year ended 31 December 2010.

21. OTHER INTANGIBLE ASSETS

	The Group *HK$'000*
Cost	
At 1 January 2012, 31 December 2012 and 1 January 2013	312,138
Exchange realignment	7,446
At 31 December 2013	319,584
Accumulated amortisation and impairment	
At 1 January 2012	218,672
Provided for the year (Note 12)	8,929
At 31 December 2012 and 1 January 2013	227,601
Provided for the year (Note 12)	8,930
Impairment loss recognised (Note 12)	67,389
Exchange realignment	5,329
At 31 December 2013	309,249
Carrying amount	
At 31 December 2013	**10,335**
At 31 December 2012	84,537

The other intangible assets represented 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.

The above other intangible assets have a finite life and are amortised on a straight-line basis which have remaining useful lives ranging from 5 to 21 years as at 31 December 2013 (2012: 6 to 22 years).

At 31 December 2013 and 2012, the relevant licences were obtained for all of those medical equipment which underlie the Group's other intangible assets.

During the year ended 31 December 2013, as a result of the termination of leasing and service of medical equipment in certain medical centre and the recent implementation of the new PRC's health care reform policies which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the contract based other intangible assets related to the underlying medical equipment. An impairment loss of approximately HK$67,389,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: HK$Nil). The recoverable amount of the relevant assets has been determined on the basis of their value in use. The details of review are set out as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. OTHER INTANGIBLE ASSETS — continued

The basis of the recoverable amount and the major underlying assumptions of the CGU of the Group's medical network business segment are summarised below:

CGU of medical network

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 25.48% (2012: 18.04%) per annum. 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.

22. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**915,958**	985,263
Less: impairment losses	**(915,957)**	(984,976)
	1	287
Amounts due from subsidiaries	**399,792**	728,037
Less: impairment losses	**(96,436)**	(411,684)
	303,356	316,353

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.

22. INTERESTS IN SUBSIDIARIES — continued

Details of principal subsidiaries are set out in Note 42.

An accumulated allowance of impairment for investment costs and amounts due from subsidiaries of approximately HK$915,957,000 (2012: HK$984,976,000) and HK$96,436,000 (2012: HK$411,684,000) respectively was provided as at 31 December 2013 because the related recoverable amounts of the investment costs and the amounts due from 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.

23. INTERESTS IN ASSOCIATES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Investment cost	**70,798**	—
Share of results	**1,632**	—
	72,430	—

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Investment cost	**70,798**	—

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Net assets of the associates	**24,532**	—
Proportion of the Group's ownership interest	**38%**	—
Share of net assets of associates	**9,322**	—
Goodwill	**63,108**	—
	72,430	—

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23. INTERESTS IN ASSOCIATES — continued

On 21 June 2013, the Group entered into a sale and purchase agreement acquired 38% of the issued share capital of Redsun Developments Limited ("Redsun") and its subsidiaries ("Redsun Group") at a consideration of HK$75,240,000. The consideration was satisfied in cash of HK$15,000,000 and issuance of promissory note with the principal amount of HK$60,240,000. The amount of goodwill arising as a result of the acquisition was approximately HK$63,108,000. The completion of the acquisition was on 21 August 2013. At the completion date of the acquisition, the fair value of the consideration was approximately HK$70,798,000, comprising cash of HK$15,000,000 and the fair value of the promissory note of approximately HK$55,798,000. For more details, please refer to the Company's announcement dated 21 June 2013.

(a) The following list contains the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

			Proportion of ownership interest			
Name of associate	**Place of incorporation/ operations**	**Particulars of issued and paid up share capital**	**Group's effective interest** %	**Held by the Company** %	**Held by a subsidiary** %	**Principal activities**
Redsun Developments Limited	The British Virgin Islands	100 ordinary shares of US$1 each	38	38	—	Investment holding
Tech Champion Technology Limited	Hong Kong	1 ordinary share of HK$1 each	38	38	—	Investment holding
Gwong Dong Ming Dak Mou Geoi Sou Liu Ltd.*	The PRC	HK$65,000,000	38	38	—	Production of household products

* For identification purpose only.

(b) During the year ended 31 December 2013, the Group assessed the recoverable amount of the associate and determined no impairment on interest in associates was necessary. The recoverable amount of the associate was assessed by reference to value in use. A discount rate of 14.71% per annum was applied in the value in use model.

The recoverable amount of the associate is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.71% per annum. Cash flow projections during the budget period are based on the expected net profit margins during the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long term average growth rate for the market in which the associate operate. Management believes that a 3% per annum growth rate is reasonable.

23. INTERESTS IN ASSOCIATES — continued

(b) continued

The key assumptions used in the value in use calculations are as follows:

(i) Budgeted sales

The values assigned to the assumptions reflect past experience which is consistent with management plans for focusing operation in the production of household products. Management believes that the budgeted sales over the budget period is reasonably achievable.

(ii) Budgeted gross margin

Average gross margins achieved in the period immediately before the budget period is expected to be steady over the budget period. After taking into account this factor, the management considers that it is reasonable to expect a stable gross margin over the budget period.

(c) The financial information of Redsun Group is set out as follows:

	2013 ***HK$'000***
Total assets	**320,565**
Total liabilities	**(296,033)**
Net assets	**24,532**
Group's share of net assets of associates	**9,322**
Revenue for the period from date of acquisition to 31 December 2013	**4,357**
Profit for the period from date of acquisition to 31 December 2013	**4,295**
Group's share of profit of associates for the period from date of acquisition to 31 December 2013	**1,632**

24. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2013 ***HK$'000***	2012 *HK$'000*
Available-for-sale financial asset comprise: Unlisted investments, at cost:	**76,147**	—
Analysed for reporting purposes as: Non-current assets	**76,147**	—

24. AVAILABLE-FOR-SALE FINANCIAL ASSET — continued

On 25 June 2013, Anping Medical Treatment Technology (Wuhu) Co., Limited ("Anping Technology"), a wholly-owned subsidiary of the Company entered into an investment agreement and pursuant to which Anping Technology will invest RMB60 million and have an effective interest of approximately 11.25% in the medical project in which Anping Technology will be responsible for the management on the application of radiotherapy medical equipment.

The available-for-sale financial asset is measured at cost less impairment at the end of the reporting period because the variability in the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. Therefore the directors are of the opinion that the fair value cannot be measured reliably. No impairment was recognised during the year ended 31 December 2013.

25. JOINTLY OPERATED ASSETS

The Group has entered into certain arrangements with third parties to acquire/retain interests of ranging from 40% to 70% (2012: 40% to 70%) in certain medical equipment.

The aggregate amounts of assets recognised in the consolidated financial statements in relation to interests in jointly operated assets are as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Non-current assets (Note 18)	**21,934**	31,481
Income	**30,178**	44,821
Expenses (Note 12)	**2,211**	3,557

26. PROMISSORY NOTE RECEIVABLE

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 note receivable as at 31 December 2013 represented the fair value of the promissory notes at the time of initial recognition of HK$344,000 and the net interest receivables of the Company of HK$136,000 (2012: HK$134,000) as at 31 December 2013 respectively. The average effective interest rate of the promissory notes receivables is 6.18% per annum (2012: 6.18% per annum). The debtor is in financial difficulties and loss of contact of which the directors are of the opinion that the outstanding balance is not recoverable. Impairment loss on promissory note receivable has been included in the consolidated statement of profit or loss for the year ended 31 December 2013.

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**52,308**	46,947	**—**	—
Other receivables, prepayments and deposits	**260,419**	175,830	**693**	1,894
	312,727	222,777	**693**	1,894

The Group generally allows an average credit period of 180 days (2012: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
0–180 days (neither past due nor impaired)	**52,308**	46,947

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

At 31 December 2013, trade receivables of approximately HK$52,308,000 (2012: HK$46,947,000) 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. The Group does not hold any collateral over these balances.

Included in other receivables, prepayments and deposits of approximately HK$130,503,000 (2012: HK$108,642,000) are refundable deposits paid to a number of investment consulting companies and such amount was subsequently invested in the medical project as described in note 45(a) to the consolidated financial statements.

28. CASH AND BANK BALANCES

The Group's bank balances of approximately HK$83,693,000 (2012: HK$114,149,000) carried variable-rate interest at 0.35%–3.00% per annum (2012: 0.35%–3.05% per annum).

The Company's bank balances of approximately HK$93,000 (2012: HK$1,698,000) carried variable-rate interest at 0.001% per annum (2012: 0.001% per annum).

At the end of reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$83,673,000 (2012: HK$114,232,000). 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.

29. OTHER PAYABLES AND ACCRUALS

Included in the Group's other payables and accruals as at 31 December 2013 and 2012 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 (2012: HK$8,915,000) in prior years, 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 2013 and 2012.

Included in the Group's and Company's other payables and accruals as at 31 December 2013 of approximately HK$57,115,000 which represented the carrying amount of the promissory note with principal amount of HK$60,240,000, being the purchase consideration payable in relation to the acquisition of an associate which was issued subsequent to the year end date to Mr. Chan Ka Chung, who became a director of the Company in September 2013. The promissory note was issued on 27 February 2014 subsequently.

30. AMOUNTS DUE TO DIRECTORS

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

31. BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unsecured interest-bearing borrowings				
Loan from former intermediate holding Company (Note (a))	**11,144**	13,461	**11,144**	13,461
Loan from a former fellow subsidiary (Note (b))	**66,420**	80,230	**66,420**	80,230
	77,564	93,691	**77,564**	93,691

As at 31 December 2013 and 2012, borrowings were repayable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
On demand or within one year shown under current liabilities	**77,564**	93,691	**77,564**	93,691

31. 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 32).

(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 32).

The effective interest rate on the Group's borrowings denominated in Japanese Yen was 2.200% (2012: 2.475%) per annum.

32. GUARANTEED CONVERTIBLE NOTE

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount of liability component of guaranteed convertible notes issued/extended on:		
— 28 August 2008 ("2011 5% Notes") (Note)	**1,000**	1,000
Less: Amounts due within one year shown under current liabilities	**(1,000)**	(1,000)
Amounts due after one year shown under non-current liabilities	**—**	—

The guaranteed convertible note was 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 note.

The fair values of the liability component and the equity component were determined at issuance/extension of the guaranteed convertible note. The effective interest rate is 6.32% per annum for the 2011 5% Notes.

The guaranteed convertible note contains two components, liability and equity.

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount at the beginning and at the end of the year	**1,000**	1,000

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32. GUARANTEED CONVERTIBLE NOTE — continued

Notes:

On 28 August 2002, SIIS Treasury Limited issued HK$156,400,000 5% guaranteed convertible note originally due in August 2005, the maturity date of which was subsequently extended to 28 August 2008 which was subsequently extended to 29 August 2011. The notes bear a fixed interest of 5% per annum and is unconditionally and irrevocably guaranteed by the Company.

The guaranteed convertible note matured on 29 August 2011. According to the guaranteed convertible note agreement, the holder could not exercise conversion to shares of the Company after maturity date.

As at 31 December 2013, the outstanding principal amount of the 2011 5% Notes was HK$1,000,000 (2012: HK$1,000,000).

33. DEFERRED TAX LIABILITIES

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

	Fair value adjustment of other intangible assets *HK$'000*
At 1 January 2012	6,041
Credited to consolidated statement of profit or loss for the year (Note 11):	
— release upon amortisation of other intangible assets	(394)
At 31 December 2012 and 1 January 2013	5,647
Exchange realignment	147
Credited to consolidated statement of profit or loss for the year (Note 11):	
— release upon amortisation of other intangible assets	(394)
— release upon impairment of underlying other intangible assets	(4,867)
At 31 December 2013	**533**

33. DEFERRED TAX LIABILITIES — continued

At the end of reporting period, the Group had unused tax losses of approximately HK$314,063,000 (2012: HK$314,776,000) 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 2013 and 2012.

34. SHARE CAPITAL

	The Company			
	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and 31 December	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Issued and fully paid:				
At 1 January and 31 December	**13,545,113**	**1,354,511**	13,545,113	1,354,511

35. RESERVES OF THE COMPANY

	Share premium	**Capital redemption reserve**	**Share option reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))	(Note (i))	(Note (ii))		
At 1 January 2012	981,858	1,899	35,415	(2,205,520)	(1,186,348)
Loss and total comprehensive loss for the year	—	—	—	(5,995)	(5,995)
Transaction cost attributable to issue of ordinary shares	(7)	—	—	—	(7)
At 31 December 2012 and 1 January 2013	981,851	1,899	35,415	(2,211,515)	(1,192,350)
Profit and total comprehensive income for the year	—	—	—	35,114	35,114
At 31 December 2013	**981,851**	**1,899**	**35,415**	**(2,154,528)**	**(1,157,236)**

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35. 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(q).

(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(k).

(iv) Other reserve of the Group

This reserve represents the changes in the Group's ownership interests in its subsidiaries that do not result in loss of control.

36. 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 2013, the number of shares in respect of which options was granted and remained outstanding under the Scheme was 559,084,000 (2012: 611,716,000), representing 4.1% (2012: 4.5%) 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.

36. SHARE-BASED PAYMENTS — continued

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.

The options outstanding at 31 December 2013 had the weighted average exercise price of HK$0.142 (2012: HK$0.138) and weighted average remaining contractual life of 3.3 years (2012: 4.1 years).

The following table discloses movements of the Company's share options during the year ended 31 December 2013:

					Number of share options				
Grantee	**Date of grant**	**Vesting period**	**Exercisable period**	**Exercise price per share**	**At 1 January 2013**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31 December 2013**
				HK$					
Employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	1,000,000	—	—	—	**1,000,000**
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	139,332,000	—	—	—	**139,332,000**
					140,332,000	—	—	—	**140,332,000**
Consultants/Advisors	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	98,914,000	—	—	—	**98,914,000**
	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**
					471,384,000	—	—	(52,632,000)	**418,752,000**
Total					611,716,000	—	—	(52,632,000)	**559,084,000**
Weighted average exercise price					0.138	—	—	0.100	**0.142**
Exercisable at the end of the year									**559,084,000**

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36. SHARE-BASED PAYMENTS — continued

The following table discloses movements of the Company's share options during the year ended 31 December 2012:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2012
				HK$					
Employees	21-02-2002	21-02-2002 to 21-01-2005	21-02-2002 to 20-02-2012	0.280	1,500,000	—	—	(1,500,000)	—
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	0.200	1,000,000	—	—	—	1,000,000
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	0.130	139,332,000	—	—	—	139,332,000
					141,832,000	—	—	(1,500,000)	140,332,000
Consultants/Advisors	21-02-2002	21-02-2002 to 21-02-2005	21-02-2002 to 20-02-2012	0.280	13,600,000	—	—	(13,600,000)	—
	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	98,914,000	—	—	—	98,914,000
	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
					484,984,000	—	—	(13,600,000)	471,384,000
Total					626,816,000	—	—	(15,100,000)	611,716,000
Weighted average exercise price					0.142	—	—	0.280	0.138
Exercisable at the end of the year									611,716,000

* The share option granted were immediately vested at the date of granted 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)

37. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2013	2012
	HK$'000	*HK$'000*
Premises	**2,653**	2,956
Servicing contracts for medical equipment	**6,049**	6,049
	8,702	9,005

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

	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,760**	3,320
In the second to fifth years inclusive	**661**	3,048
	3,421	6,368

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 five 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 equipment (included in property, plant and equipment) with the majority of the lease period up to 31 December 2022 (2012: 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.

38. COMMITMENTS

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted for but not provided in respect of acquisition of property, plant and equipment	**1,396**	4,959

39. GUARANTEES

As further disclosed in Note 32(b), 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.

40. 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 before June 2012 and HK$1,250 per month end and after June 2012. 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 approximately HK$253,000 (2012: HK$307,000) 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.

41. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group has the following transactions with related parties during the year:

(a) 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.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2013	2012	**2013**	2012	
China Renji Medical (BVI) Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	**—**	—	Investment holding
Anping Medical Treatment Treatment Technology (Wuhu) Co., Ltd.	PRC	Registered capital of RMB246,200,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Anping Medical Management Co., Ltd.	PRC	Registered capital of RMB15,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Tianjin Anping Medical Management Co., Ltd.	PRC	Registered capital of RMB4,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Puwei Medical Investment Management Co., Ltd.*	PRC	Registered capital of RMB126,000,000, paid-up capital of RMB55,440,000	**—**	—	**54.55%**	54.55%	Leasing of medical equipment and provision of services on operations of medical equipment

* As at 31 December 2013, the Group had capital commitments in respect of capital not yet injected into a PRC subsidiary amounted to HK$89,549,000 (equivalent to RMB70,560,000). In accordance with the articles of association of the PRC subsidiary, the amount of HK$89,549,000 should be injected before 29 May 2014.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting power held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wintin International Limited	British Virgin Islands	**35%**	—	**(2)**	—	**(66,465)**	—
Anping Medical Treatment Technology (Wuhu) Co., Limited*	PRC	**—**	—	**6,381**	—	**45,925**	—
Wuhu Anping Medical Management Co., Limited*	PRC	**—**	—	**(214)**	—	**20,112**	—
Tianjin Anping Medical Treatment Technology Co., Limited*	PRC	**—**	—	**—**	—	**44,657**	—
Wuhu Puwei Medical Investment Management Co., Limited**	PRC	**45.45%**	45.45%	**7**	—	**45,410**	31,111
Individually immaterial subsidiaries with non-controlling interests				**(2)**	—	**102**	—
				6,170	—	**89,741**	31,111

* The effective interests held by the non-controlling interests in these companies is 35%.

** The effective interests held by the non-controlling interests in this company is 64.54%.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Wintin International Limited

	2013	2012
	HK$'000	*HK$'000*
Non-current assets	**257,219**	—
Current liabilities	**(201,262)**	—
Net assets	**55,957**	—
Revenue	**—**	—
Expenses	**(5)**	—
Loss and total comprehensive loss for the year	**(5)**	—
Loss and total comprehensive loss attributable to:		
Owners of the Company	**(3)**	—
Non-controlling interests	**(2)**	—
Loss and total comprehensive loss for the year	**(5)**	—
Net cash inflow	**—**	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Anping Medical Treatment Technology (Wuhu) Co. Limited

	2013 HK$'000	2012 HK$'000
Current assets	306,960	—
Non-current assets	252,506	—
Current liabilities	(249,284)	—
Non-current liabilities	(533)	—
Net assets	309,649	—
Revenue	111,663	—
Expenses	(229,624)	—
Loss for the year	(117,961)	—
(Loss)/profit attributable to:		
Owners of the Company	(124,342)	—
Non-controlling interests	6,381	—
Loss for the year	(117,961)	—
Other comprehensive income/(loss) attributable to:		
Owners of the Company	14,407	—
Non-controlling interests	(270)	—
Other comprehensive income for the year	14,137	—
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(109,935)	—
Non-controlling interests	6,111	—
Total comprehensive loss for the year	(103,824)	—
Net cash outflow from operating activities	(9,275)	—
Net cash outflow from investing activities	(32,389)	—
Net cash outflow	(41,664)	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Wuhu Anping Medical Management Co., Limited

	2013 HK$'000	2012 HK$'000
Current assets	2,023	—
Non-current assets	55,444	—
Current liabilities	(37,996)	—
Net assets	19,471	—
Revenue	4	—
Expenses	(2,490)	—
Loss for the year	(2,486)	—
Loss attributable to:		
Owners of the Company	(2,272)	—
Non-controlling interests	(214)	—
Loss for the year	(2,486)	—
Other comprehensive income attributable to:		
Owners of the Company	368	—
Non-controlling interests	184	—
Other comprehensive income for the year	552	—
Total comprehensive loss attributable to:		
Owners of the Company	(1,904)	—
Non-controlling interests	(30)	—
Total comprehensive loss for the year	(1,934)	—
Net cash inflow from operating activities	1,802	—
Net cash outflow from investing activities	(1,734)	—
Net cash inflow	68	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Tianjin Anping Medical Treatment Technology Co., Limited

	2013 HK$'000	2012 HK$'000
Current assets	127,591	—
Current liabilities	(122,470)	—
Net assets	5,121	—
Revenue	4	—
Expenses	(16)	—
Loss for the year	(12)	—
Loss attributable to:		
Owners of the Company	(12)	—
Non-controlling interests	—	—
Loss for the year	(12)	—
Other comprehensive income attributable to:		
Owners of the Company	90	—
Non-controlling interests	48	—
Other comprehensive income for the year	138	—
Total comprehensive income attributable to:		
Owners of the Company	78	—
Non-controlling interests	48	—
Total comprehensive income for the year	126	—
Net cash inflow from operating activities	21,563	—
Net cash inflow	21,563	—

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Wuhu Puwei Medical Investment Management Co., Limited

	2013	2012
	HK$'000	*HK$'000*
Current assets	**70,350**	68,425
Net assets	**70,350**	68,425
Revenue	**27**	23
Expenses	**(17)**	(43)
Profit/(loss) for the year	**10**	(20)
Profit/(loss) attributable to:		
Owners of the Company	**3**	(20)
Non-controlling interests	**7**	—
Profit/(loss) for the year	**10**	(20)
Other comprehensive income attributable to:		
Owners of the Company	**1,007**	—
Non-controlling interests	**908**	—
Other comprehensive income for the year	**1,915**	—
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**1,010**	(20)
Non-controlling interests	**915**	—
Total comprehensive income/(loss) for the year	**1,925**	(20)
Net cash outflow from operating activities	**(13,320)**	(55,012)
Net cash inflow from financing activities	**—**	68,044
Net cash (outflow)/inflow	**(13,320)**	13,432

43. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSSING CONTROL

On 11 November 2013, China Renji Medical (BVI) Limited, a subsidiary of the Company, disposed of 35% of the entire issued share capital of Wintin International Limited and its subsidiaries ("Wintin Group") for a total consideration of HK$70,000,000 (the "Disposal of Partial Interest"). Upon completion of the Disposal of Partial Interest, and based on the consideration of HK$70,000,000 the Group recognised non-controlling interest of approximately HK$51,590,000. The difference between the consideration and the non-controlling interest recognised of approximately HK$18,410,000 and the exchange translation reserve attributable to non-controlling interest of approximately HK$49,834,000 in a sum of approximately HK$68,244,000 was charged to equity directly.

44. NON-CASH TRANSACTIONS

The Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) In the current year, the Group acquired property, plant and equipment of approximately HK$17,370,000 (2012: HK$ 31,810,000) which were settled by deposits paid for acquisition of property, plant and equipment paid during the year ended 31 December 2011.

(b) There is interest payable of approximately HK$3,650,000 (2012: HK$3,306,000) which were included in other payables and accruals of the Group as at 31 December 2013.

(c) On 21 August 2013, the Company acquired 38% of the issued share capital of Redsun Developments Limited and at a total consideration of HK$75,240,000. The consideration was satisfied by issue of a promissory note with principal amount of HK$60,240,000.

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 February 2014, Anping Technology, an indirect non-wholly owned subsidiary of the Company, entered into the co-operation agreement (the "Co-operation Agreement") in relation to the capital contribution to be made by each of Anping Technology and two other parties to Wuhu Puwei Medical Investment Management Co., Limited ("Wuhu Puwei"), pursuant to which (i) Anping Technology will transfer its 62% equity interest in Wuhu Puwei to a party resulting in the equity interest of Wuhu Puwei being owned as to 18% by Anping Technology and 82% in aggregate by the other two parties; and (ii) Anping Technology and the other two parties will in aggregate invest up to an aggregate of RMB500 million in Wuhu Puwei for purpose of carrying out a project comprising the acquisition of a land parcel from Anping Technology and any additional land parcel(s) required for purpose of constructing, establishing and the subsequent business operation of a tumour-specialised hospital located in Anhui Province, the PRC. The Group will be responsible for the management of the hospital upon its operation. Following completion of the Co-operation Agreement, Wuhu Puwei will no longer be a non-wholly owned subsidiary of the Group and will be accounted for as investment. For details, please refer to the announcement dated 24 February 2014.

45. EVENTS AFTER THE REPORTING PERIOD — continued

(b) On 5 July 2013, the Company entered into a warrant subscription agreement, pursuant to which the Company agreed to issue a total of 2,700,000,000 unlisted warrants to the subscriber under two tranches (i.e. 1,350,000,000 warrants each) at the exercise price of HK$0.022 and HK$0.05 respectively. On 10 March 2014, all of the conditions precedent under the warrant subscription agreement have been fulfilled and the completion was taken place on 10 March 2014. For details, please refer to the announcement dated 5 July 2013 and 11 March 2014 respectively.

(c) As described in the announcement and circular of the Company dated 25 June 2013 and 7 October 2013 respectively, the Group proposed to reorganise the capital of the Company in 2013. Given the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) which contains new requirement(s) on the share capital of companies incorporated in Hong Kong having become effective in March 2014, the Company will propose for shareholders' approval to cancel their previous resolution for proposed capital reorganisation.

46. CONTINGENCIES

In November 2011, the Company (as plaintiff) instituted legal proceedings against Fair Winner Limited ("Fair Winner"), holder of the guaranteed convertible notes of the Group, for an injunction restraining Fair Winner from commencing any petition for winding up against the Company. The guaranteed convertible notes had been matured in August 2011 and had not been settled by the Group as at 31 December 2011. The amount claimed by Fair Winner against the Company is approximately HK$1,007,000. The Court has ordered that the proceedings be adjourned sine die upon the undertaking of Fair Winner to serve prior notice of intention before presenting any petition for winding up of the Company.

Since the amount claimed by Fair Winner was already provided for as guaranteed convertible note, no further provision in respect of such claims would need to be made in the consolidated financial statements of the Group for the year ended 31 December 2013.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2013

RESULTS

	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Turnover	180,834	177,549	152,302	134,438	**110,957**
(Loss)/profit before taxation	(567,335)	(408,449)	(265,504)	56,970	**(109,043)**
Income tax	6,355	32,879	(1,385)	4,291	**(7,452)**
(Loss)/profit for the year	(560,980)	(375,570)	(266,889)	61,261	**(116,495)**
(Loss)/profit attributable to:					
— Owners of the Company	(560,980)	(375,570)	(266,889)	61,261	**(122,665)**
— Non-controlling interests	—	—	—	—	**6,170**
	(560,980)	(375,570)	(266,889)	61,261	**(116,495)**

ASSETS AND LIABILITIES

	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Total assets	1,243,270	844,664	598,081	668,116	**695,242**
Total liabilities	(232,020)	(174,294)	(163,646)	(141,316)	**(196,928)**
Net assets	1,011,250	670,370	434,435	526,800	**498,314**
Equity attributable to owners of the Company	1,011,250	670,370	434,435	495,689	**408,573**
Non-controlling interests	—	—	—	31,111	**89,741**
	1,011,250	670,370	434,435	526,800	**498,314**