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CHINA RENJI MEDICAL GROUP LIMITED
中國仁濟醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

2010 FINAL RESULTS

The board of directors (the "Board" or the "Directors") of **China Renji Medical Group Limited** (the "Company") hereby present the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Turnover	2	**177,549**	180,834
Cost of services		**(86,092)**	(63,974)
Gross profit		**91,457**	116,860
Other gains and losses		**(5,033)**	1,767
Administrative expenses		**(59,252)**	(49,385)
Impairment loss on goodwill	8	**(90,244)**	(550,000)
Impairment loss on property, plant and equipment		**(190,366)**	—
Impairment loss on/write-off of other intangible assets		**(151,200)**	(6,624)
Impairment loss on promissory note receivable		**—**	(81,449)
Gain on disposal of subsidiaries		**—**	5,278
Finance costs		**(3,811)**	(3,782)
Loss before taxation		**(408,449)**	(567,335)
Income tax	4	**32,879**	6,355
Loss for the year attributable to owners of the Company	5	**(375,570)**	(560,980)
Loss per share attributable to owners of the Company ***(HK cents)***	7		
— Basic		**(2.77)**	(4.54)
— Diluted		**(2.77)**	(4.54)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(375,570)**	(560,980)
Other comprehensive income:		
Exchange differences on translating foreign operations	**32,082**	—
Total comprehensive loss for the year attributable to owners of the Company	**(343,488)**	(560,980)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**354,849**	516,131
Land use right		**3,866**	3,812
Goodwill	8	**—**	87,246
Other intangible assets		**270,161**	442,578
Promissory notes receivables		**422**	395
Deposits paid for acquisition of property, plant and equipment		**26,588**	49,910
		655,886	1,100,072
Current assets			
Land use right		**82**	80
Trade receivables	9	**83,618**	47,764
Other receivables, prepayments and deposits		**44,658**	3,588
Tax recoverable		**333**	—
Cash and bank balances		**60,087**	91,766
		188,778	143,198
Current liabilities			
Other payables and accruals		**31,720**	48,244
Borrowings		**116,189**	13,636
Income tax liabilities		**—**	632
Guaranteed convertible notes		**992**	—
		148,901	62,512
Net current assets		**39,877**	80,686
Total assets less current liabilities		**695,763**	1,180,758
Non-current liabilities			
Borrowings		**—**	103,983
Guaranteed convertible notes		**—**	980
Deferred tax liabilities		**25,393**	64,545
		25,393	169,508
Net assets		**670,370**	1,011,250
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**1,354,511**	1,354,511
Reserves		**(684,141)**	(343,261)
Total equity		**670,370**	1,011,250

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance.

The financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKFRS 5 (Amendments as part of Improvements to HKFRSs issued in 2008)	Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 4 (Amendments)	Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The impact of the application of the above new HKFRSs is discussed below.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3(as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of subsidiaries, the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

HK — Int 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK — Int 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

Except for those as disclosed above, the Directors anticipate that the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[2]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 — Disclosures for First-time Adopters[3]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presentation 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled *Disclosures — Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

2. 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 2010 and 2009 represented the leasing and service income from operations of medical equipment.

3. SEGMENT INFORMATION

During the years ended 31 December 2010 and 2009, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of services on operation of medical equipment in the People's Republic of China (the "PRC") and most of the assets of the Group are located in the PRC as at 31 December 2010 and 2009.

There were 4 customers with whom transactions have exceeded 10% of the Group's revenues, representing respective turnover of HK$45,874,000, HK$37,857,000, HK$21,339,000 and HK$19,404,000 for the year ended 31 December 2010.

There were 3 customers with whom transactions have exceeded 10% of the Group's revenues, representing respective turnover of HK$44,181,000, HK$37,611,000 and HK$24,002,000 for the year ended 31 December 2009.

4. INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
PRC tax	**8,429**	4,424
Deferred taxation	**(41,308)**	(10,779)
	(32,879)	(6,355)

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2009: 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 2010 and 2009. Pursuant to the relevant laws and regulations in the PRC, one major subsidiary of the Company is in its first year of 50% reduction of PRC income tax for three years.

5. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**34,379**	30,090
Depreciation of jointly-controlled assets	**12,188**	10,038
Amortisation of other intangible assets included in cost of services	**32,044**	16,369
Amortisation of land and use right	**82**	80
Total depreciation and amortisation	**78,693**	56,577
Auditors' remuneration	**1,235**	1,434
Net exchange losses/(gains)	**9,746**	(2,172)
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**23,239**	22,400
— share-based payment expense	**1,389**	5,330
	24,628	27,730

6. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: HK$Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

Loss

	2010	2009
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(375,570)**	(560,980)
Interest on guaranteed convertible notes*	**—**	—
Loss for the purpose of diluted loss per share	**(375,570)**	(560,980)

Number of shares

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**13,545,113**	12,343,058
Effect of diluted potential ordinary shares:		
— Share options*	**—**	—
— Guaranteed convertible notes*	**—**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**13,545,113**	12,343,058

* The guaranteed convertible notes and share options have an anti-dilutive effect on the basic loss per share of the Group for the years ended 31 December 2010 and 2009. Accordingly, the effect of the guaranteed convertible notes and share options was not included in the calculation of diluted loss per share for the years ended 31 December 2010 and 2009.

8. GOODWILL

	HK$'000
Cost	
At 1 January 2009 and 31 December 2009	638,938
Exchange realignment	22,490
At 31 December 2010	661,428
Accumulated impairment	
At 1 January 2009	1,692
Impairment loss recognised	550,000
At 31 December 2009	551,692
Impairment loss recognised	90,244
Exchange realignment	19,492
At 31 December 2010	661,428
Carrying amount	
At 31 December 2010	**—**
At 31 December 2009	87,246

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

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

CGU of medical network

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 4-year period, and discount rate of 17.1% per annum. The cash flows beyond the 4-year period are extrapolated using an annual growth rate of 3%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted leasing and service income and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

The Directors reassessed the recoverable amount of goodwill as at 31 December 2010 by reference to the valuation as at 31 December 2010 performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. The recoverable amount of the CGU was determined by the professional valuers based on the present value of the expected future revenue arising from the operations of the underlying assets of the CGU. In determining the value in use amount, the Group took into account the effects of the under-utilisation of certain items of the underlying assets and the ever increasing competitive operating environment in the industry, and the recoverable amount of the relevant CGU has been determined on the basis of their value in use with reference to the probable discounted cash flows from all the underlying assets, resulting in impairment loss on goodwill of approximately HK$90,244,000 (2009: HK$550,000,000) recognised for the year.

9. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**83,618**	47,764

The Group generally allows an average credit period of 180 days (2009: 90 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**73,421**	38,745
1 to 3 months past due	**10,197**	8,615
4 to 6 months past due	—	229
7 to 12 months past due	—	175
	83,618	47,764

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

At 31 December 2010, trade receivables of HK$73,421,000 (2009: HK$38,745,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. Included in the Group's trade receivables balance of HK$10,197,000 (2009: HK$9,019,000) at 31 December 2010 were past due at 31 December 2010 against which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. RECLASSIFICATION OF COMPARATIVES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in medical network business which includes leasing of medical equipment and provision of services for the operation of medical centers specializing in the diagnosis and treatment of tumours and/or cancer related diseases, by applying advance radiotherapy technologies, in China.

Most of the centers in our network are established through long-term lease and management service arrangements entered into with hospital and other business partners. Under these arrangements, we generally receive a contracted percentage of each center's revenue net of specified operating expenses. The specified operating expenses of centers typically include variable expenses, such as salaries and benefits of the medical and other personnel at the center, the cost of medical consumables, marketing expenses, training expenses, utility expenses and routine equipment repair and maintenance expenses.

Each medical center is located on the premises of our hospital partners and is typically equipped with a primary unit of radiotherapy and/or diagnostic imaging equipment, such as a linear accelerator, head gamma knife system, body gamma knife system, positron emission tomography-computed tomography ("PET-CT") scanner or magnetic resonance imaging ("MRI") scanner. Our hospital partners are responsible for the provision of premises for the medical centers. We provide the medical equipments to the medical centers through leasing arrangement.

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

FINAL RESULTS REVIEW

Turnover

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$177,549,000 (2009: HK$180,834,000), representing a decrease of approximately 1.82% from last year. The turnover for the year was derived from the medical business operated by the Group. The decline in turnover was primarily due to the increase in specified operating expenses of the centers and the ever increasing competitive operating environment in the industry.

Gross profit

For the year ended 31 December 2010, the Group recorded a gross profit of approximately HK$ 91,457,000 (2009: HK$116,860,000) and a gross profit ratio of approximately 51.51% (2009: 64.62%) from its medical network business, which included an amortisation charge of other intangible assets of approximately HK$32,044,000 (2009:HK$16,369,000). When excluding the said amortisation charge, the gross profit and gross profit ratio of the Group's medical network business for the year was approximately HK$123,501,000 (2009: HK$133,229,000) and 69.56% (2009: 73.67%). The decrease in gross profit was primarily attributable to the decline in gross margin due to the increase in equipment depreciation and amortisation resulting from the Group's investment in new medical centers.

Impairment loss on goodwill, property, plant and equipment and other intangible assets

The Group reassessed the recoverable amount of goodwill, property, plant and equipment and other intangible assets as at 31 December 2010 by considering the effects of the under-utilisation of certain items of the underlying assets and the ever increasing competitive operating environment in the industry, and recorded impairment losses on goodwill, property, plant and equipment and other intangible assets of approximately HK$90,244,000, HK$190,366,000 and HK$151,200,000 respectively for the year ended 31 December 2010 (2009: impairment of goodwill of HK$550,000,000).

Impairment loss on promissory note receivable

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

Loss for the year

The loss attributable to owners of the Company for the year ended 31 December 2010 was approximately HK$375,570,000 (2009: HK$560,980,000). This was mainly attributable to the significant impairment losses of goodwill, property, plant and equipment and other intangible assets.

Basic loss per share for the year was approximately HK2.77 cents (2009: HK4.54 cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of medical equipment and services for the operation of medical center network specializing in the diagnosis and treatment of tumours/cancer in China. During the year and up to the date of this announcement, there were changes to the Group's medical network as described below:

In July 2010, the Group's gamma knife center in the People's Liberation Army No. 5 Hospital ("PLA 5 Hospital") located in Yinchuan City, which has been equipped with a body gamma knife and a head gamma knife, commenced trial operation. The said medical assets were acquired by the Group in 2009 at a consideration of RMB23,400,000 (equivalent to approximately HK$27,529,000). PLA 5 Hospital, located in Yinchuan City in Ningxia Hui Autonomous Region, is a "Class 3A" comprehensive hospital. Yinchuan City, the capital city of Ningxia Hui Autonomous Region and one of the principal cities in the western region of China, has a population of about 2 million and will provide significant potential sources of patients for PLA 5 Hospital. Through the gamma knife center in PLA 5 Hospital, the Group is able to expand its medical network into the western region of China.

In July 2010, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a whole body gamma knife for use in the People's Liberation Army No. 94 Hospital ("PLA 94 Hospital") located in Nanchang City in Jiangxi Province. The consideration for the acquisition amounted to RMB13,000,000 (equivalent to approximately HK$15,294,000) and was settled in cash. The Group is entitled to profit guarantees of not less than RMB2,600,000 for each of the three years since the date of completion. PLA 94 Hospital, located in Nanchang City in Jiangxi Province, is a "Class 3A" comprehensive hospital. Nanchang City is the political, economical and cultural center of Jiangxi Province. It has a population of about 4 million and will provide significant potential sources of patients for PLA 94 Hospital. Through the gamma knife center in PLA 94 Hospital, the Group is able to further strengthen its medical network in the central region of China. The acquisition was completed in August 2010.

As disclosed in the Company's interim report for 2010, as Shijiazhuang Hua Guang Tumour Hospital is reforming into a comprehensive hospital and will not be engaged in tumour/cancer diagnosis and treatment and related business, the Group's medical equipment for use in Shijiazhuang Hua Guang Tumour Hospital Holy Digital Radiation Therapy Center has ceased operations. In July 2010, the Group entered into a termination agreement with the original vendor of the said medical assets and pursuant to which the Group agreed to return such medical assets to the original vendor at a cash consideration of RMB19,890,000 (equivalent to approximately HK$23,400,000). However, as the original vendor has claimed that it is no longer able to repay the aforesaid consideration, the Group is entitled to take possession of the aforesaid medical equipment according to an arbitration made in March 2011.

In addition, under the relevant agreement entered into by the Group in January 2009, the Group was entitled to obtain 70% of the net income derived from the medical equipment used by The Gamma Knife Treatment and Research Center of Xinjiang Hospital located at Xinjiang Hospital of Cardio-Cerebral Vascular Diseases. However, due to the change in ownership of Xinjiang Hospital of Cardio-Cerebral Vascular Diseases, Xinjiang Hospital of Cardio-Cerebral Vascular Diseases will no longer be engaged in tumour/cancer diagnosis and treatment and related business and the Group's medical equipment used in The Gamma Knife Treatment and Research Center of Xinjiang Hospital has also ceased operations from December 2010. The Group has sought and will continue to seek legal advice as to appropriate actions to be taken in order to safeguard the interest of the Group.

In March 2009, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a gamma-knife machine and a stereotactic treatment planning system for use in a gamma knife treatment and research center located in Hebei General Hospital. Under the acquisition agreement, the vendor has warranted that for each of the 10 years after completion of the aforesaid transaction, the net income derived from such medical equipment would not be less than RMB4.2 million (or approximately RMB0.35 million per month). However, during the year ended 31 December 2010, the net income derived from such medical equipment fell short of approximately RMB0.7 million from the warranted net income. Based on an arbitration obtained by the Group during March 2011, original vendor is required to compensate the Group for the shortfall amount of RMB0.7 million by end of March 2011.

In December 2009, the Group entered into a business management agreement whereby the Group would become the exclusive provider of the daily management and operating services to the PET-CT Diagnosis Center and IGRT Treatment Center (the "Centers") located in a cancer treatment hospital in Beijing for a 10-year term and the Group would in turn, be entitled to receive 75% of the total net income derived from the operation of the Centers ("Attributable Net Income"). Furthermore, the Group has been warranted that the Attributable Net Income for each of the two years ended 31 December 2010 and 2011 would be no less than RMB15 million and RMB17 million, respectively. However, the Attributable Net Income fell short of approximately RMB1.8 million for the year ended 31 December 2010. Based on an arbitration obtained by the Group in March 2011, the Group is entitled to obtain the remaining 25% of the total net income derived from the Centers during the term of the business management agreement as compensation.

As at the date of this announcement, there are 15 centers in the Group's medical network, covering the central, eastern, southern, northern, northeastern, northwestern and western regions of China.

As disclosed in the Company's 2009 annual report, Clear Smart Enterprises Limited had defaulted on its HK$81,000,000 non-convertible bond (the "Bond") due 2010 to the Company. For the sake of prudence, the Group had recognised an impairment loss of the entire amount of the Bond in the consolidated income statement for the year ended 31 December 2009. The Group will continue to actively seeking legal advice as to the appropriate actions to be taken in order to safeguard the interest of the Group.

PROSPECTS

With the challenging operating environment, the Group will take proactive strategies to maintain its competitiveness, including (1) improving the internal management system, (2) enhancing the utilization rate and cost efficiency of its existing medical centers, and (3) reviewing and implementing business development strategy to strengthen the Group's position in the Chinese specialized hospital service market in a cautious manner.

Looking forward, the Group will continue to actively but yet cautiously drive the development of its existing medical network and continue to seek investment/business expansion opportunities in other business areas with an aim to enhancing the Group's income base and improving its future financial performance.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's major financial resources were derived from borrowings and cash generated from operating activities of approximately HK$38,375,000 for the year ended 31 December 2010 (2009: HK$176,989,000). The net cash generated from operating activities was derived primarily from cash received from our medical network business.

For the year ended 31 December 2010, the net cash used in investing activities amounted to approximately HK$55,619,000 (2009:HK$179,925,000) and the net cash used in financing activities amounted to approximately HK$14,131,000 (2009: net cash inflow of HK$16,545,000). The net cash outflow in investing activities mainly resulted from capital expenditure for acquisition of medical equipment in China. The net cash outflow in financing activities mainly resulted from the repayment of bank borrowings.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2010 a net cash outflow of approximately HK$31,375,000 (2009: net cash inflow of HK$13,609,000).

As at 31 December 2010, the Group maintained bank balances and cash amounting to approximately HK$60,087,000 (2009: HK$91,766,000).

As at 31 December 2010, the Group's total borrowings amounted to approximately HK$117,181,000 (2009: HK$118,599,000) which included borrowings of approximately HK$116,189,000 (2009: HK$117,619,000) and guaranteed convertible notes of approximately HK$992,000 (2009: HK$980,000). The borrowings of approximately HK$117,181,000 were repayable within one year (2009: HK$13,636,000 were repayable within one year and HK$104,963,000 were repayable over one year).

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

As at 31 December 2010, the Group's net asset value was approximately HK$670,370,000 (2009: HK$1,011,250,000) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 1.27 times (2009: 2.29 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings to the equity attributable to the owners of the Company) was 17.48% (2009: 11.73%). The increase in gearing ratio was mainly due to loss incurred during the year.

Capital structure

There was no change in the Company's capital structure during the year ended 31 December 2010.

Exposure to fluctuation in exchange rates

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

Charge on group assets

As at 31 December 2010, certain of the Group's medical assets amounted to HK$55,233,000 (2009: HK$78,196,000) were pledged to secure general banking facilities granted to the Group.

Event after the reporting period

On 28 February 2011, World International Development (BVI) Limited (the "Plaintiff"), commenced proceedings against the Company at the High Court of Hong Kong (the "High Court") for rectifying the register of members of the Company so that (i) the Plaintiff's name be removed, struck out or otherwise recorded to have ceased to be a member of the Company; and (ii) the name of HKSCC Nominees Limited be entered in place of that of the Plaintiff's.

Up to the date of approval of these financial statements, no judgment has been made by the High Court. The Board, based on legal advices, is of the view that the Company has a good defence against the Plaintiff claims.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract from the report issued by HLB Hodgson Impey Cheng on the financial statements:

Basis for disclaimer of opinion

(1) As disclosed in Note 31(a) to the consolidated financial statements, an impairment review has been performed by the directors of Company on the promissory note receivable from Clear Smart Enterprises Limited ("Clear Smart") of HK$81,449,000 (the "PN") which was due on 8 April 2010 but remained unsettled. The directors of the Company consider that, after taking into consideration the latest available information on Clear Smart, it would be prudent to recognise an impairment loss of the entire amount of the PN in the consolidated financial statements and an impairment loss amounting to HK$81,499,000 was recognised in the consolidated financial statements for the year ended 31 December 2009. However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the recognition of the impairment loss of the entire amount of the PN of HK$81,449,000 in the consolidated financial statements is appropriate.

(2) As disclosed in Note 20 to the consolidated financial statements, an impairment review of the Group's cash-generating unit of medical network has been performed by the directors of the Company. As a result of the review, an impairment loss on goodwill of approximately HK$90,244,000, an impairment loss on property, plant and equipment of approximately HK$190,366,000 and an impairment loss on other intangible assets of approximately HK$151,200,000 have been recognised in the consolidated financial statements. This impairment review has been performed on the assumption that the necessary licences can be obtained for certain medical equipment of the Group and those medical equipment which underlie the value of the related other intangible assets of the Group as disclosed in Notes 18 and 21 to the consolidated financial statements and penalty will not be imposed by the relevant local government authority because of the lack of such licences. However, we are not able to obtain sufficient appropriate audit evidence or to carry out other satisfactory procedures to satisfy ourselves the basis upon which the directors of the Company have formed their opinion. Accordingly, we have not been able to determine whether the recognition of impairment loss of goodwill of approximately HK$90,244,000, impairment loss of property, plant and equipment of approximately HK$190,366,000 and impairment loss of other intangible assets of approximately HK$151,200,000 in the consolidated financial statements is appropriate or adequate; whether the carrying amounts of the assets of the cash-generating unit, including the remaining other intangible assets of approximately HK$270,161,000, property, plant and equipment of approximately HK$354,849,000, deposits paid for acquisition of property, plant and equipment of approximately HK$26,588,000, and deferred tax liabilities of approximately HK$25,393,000 as at 31 December 2010 were fairly stated; whether any provision or contingent liability for

penalty should have been recognised or disclosed respectively as at 31 December 2010; and whether the recognition of impairment loss of approximately HK$449,982,000 for the investments in subsidiaries recognised in the financial statements of the Company for the year are appropriate or adequate, and the aggregate carrying amount of investments in subsidiaries and amounts due from subsidiaries of approximately HK$657,139,000 as at 31 December 2010 is fairly stated.

(3) The auditors' report dated 2 May 2010 issued by the previous auditors in respect of their audit of the consolidated financial statements of the Group for the year ended 31 December 2009 was disclaimed in view as a result of limitation of scope based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

We were not able to obtain sufficient appropriate audit evidence to enable us to assess the limitations of scope for the year ended 31 December 2009. Any adjustments found to be necessary to the opening balances as at 1 January 2010 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2010. The comparative figures for the year ended 31 December 2010 shown in these consolidated financial statements may not be comparable with the figures for the current period.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2010 and 2009 and the financial performance and cash flows of the Group for the years then ended, and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by previous auditors who expressed a disclaimer of opinion on those statements on 2 May 2010 as a result of the following inability to obtain sufficient appropriate audit evidence.

(a) As disclosed in Note 30(a) to the consolidated financial statements for the year ended 31 December 2009, an impairment review has been performed by the directors of the Company on the promissory note receivable from Clear Smart of HK$81,449,000, which was due on 8 April 2010 but remained unsettled, for the year ended 31 December 2009. The directors of the Company consider that, after taking into consideration the latest available information on Clear Smart, it would be prudent to recognise an impairment loss of the entire amount of the PN in the financial statements for the year ended 31 December 2009. The previous auditors have not been able to obtain sufficient appropriate audit evidence to satisfy themselves whether the recognition of the impairment loss of the entire amount of the PN of HK$81,449,000 in the financial statements is appropriate.

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

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

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence relating to matters as described in the basis for disclaimer of opinion paragraph:

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the total number of employees of the Group was 69. 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 and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the year ended 31 December 2010, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviation:

Code provisions A.1.1 and A.1.3

Throughout the year under review, the Board had held a number of Board meetings, among which 3 regular Board meetings were held with at least 14 days notice given. However, reasonable notice had been given for all the Board meetings held with participation of majority of Directors.

Although the Company does not announce quarterly results, the Board had scheduled the regular Board meetings of the Company for the year 2011 to be held at approximately quarterly intervals.

Code provision A.4.1

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

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

Immediately following the resignation of Dr. Li Wing Chiu as an Independent Non-executive Director of the Company on 17 December 2010 due to his other business commitments, the Company had only two Independent Non-executive Directors, the number of which falls below the minimum number of Independent Non-executive Directors required under Rule 3.10(1) of the Listing Rules. As announced on 15 March 2011, the Company will continue to make every effort to identify a suitable candidate to fill the vacancy of Independent Non-executive Director of the Company in order to comply with Rule 3.10(1) of the Listing Rules.

AUDIT COMMITTEE

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).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2010.

ANNUAL REPORT

The 2010 annual report of the Company will be dispatched to shareholders and published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.renjimedical.com) as soon as possible.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 10:00 a.m., 18 October 2010, pending release of an announcement of the Company giving clarification to certain news released in the newspapers.

By Order of the Board
China Renji Medical Group Limited
Sui Xueqing
Chairman

Hong Kong, 28 March 2011

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Sui Xueqing and Mr. Wang Jianjun; three non-executive directors, namely Professor Wang Yongchang, Mr. Wu Zhenfang and Ms. Ding Nan; and two independent non-executive directors, namely Mr. Pang Wai Hong and Mr. Geng Xiaobing.