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

*(incorporated in Hong Kong with limited liability)*

**(HKSE: 00648)**

## 2007 FINAL RESULTS

The Directors of **China Renji Medical Group Limited** (the "Company") hereby announce that the consolidated results of the Company and its subsidiaries (the "Group"), and its jointly controlled entities for the year ended 31 December 2007 were summarized as follows:

## CONSOLIDATED INCOME STATEMENT

**For the year ended 31 December 2007**

| | *Notes* | **2007** *HK$'000* | **2006** *HK$'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | **58,453** | 9,108 |
| Cost of services | 3 | **(33,849)** | — |
| Cost of sales | | **—** | (946) |
| Gross profit | | **24,604** | 8,162 |
| Other income | | **5,046** | 5,946 |
| Administrative expenses | | **(64,131)** | (39,996) |
| Impairment loss on available-for-sale investments | | **(15,600)** | (22,148) |
| Impairment loss on loans receivable | | **—** | (1,560) |
| Change in fair value of financial assets at fair value through profit or loss | | **3,010** | (2,030) |
| Loss on disposal of subsidiaries | | **(5,884)** | — |
| Net gain on disposal of associates | | **9,813** | 11,352 |
| Loss on disposal of available-for-sale investments | | **(4,970)** | (1,910) |
| Finance costs | | **(26,566)** | (3,940) |
| Share of results of associates | | **(721)** | (54,626) |
| Loss before taxation | | **(75,399)** | (100,750) |
| Income tax expense | 4 | **(1,507)** | — |
| Loss for the year from continuing operations | | **(76,906)** | (100,750) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | | **93,714** | 17,332 |
| Profit (loss) for the year | 5 | **16,808** | (83,418) |
| Attributable to: | | | |
| Equity holders of the Company | | **12,809** | (83,006) |
| Minority interests | | **3,999** | (412) |
| | | **16,808** | (83,418) |
| Earnings (loss) per share, in HK cents | 6 | | |
| **Continuing and discontinued operations** | | | |
| Basic | | **0.16** | (1.75) |
| Diluted | | **N/A** | N/A |
| **Continuing operations** | | | |
| Basic | | **(0.96)** | (2.12) |
| Diluted | | **N/A** | N/A |

**CONSOLIDATED BALANCE SHEET**
**At 31 December 2007**

| | *Notes* | **2007** *HK$'000* | **2006** *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **242,335** | 54,873 |
| Investment properties | | **—** | 46,230 |
| Leasehold land and land use rights | | **—** | 11,198 |
| Goodwill | | **578,946** | — |
| Intangible assets | | **332,453** | — |
| Interests in associates | | **—** | 24,829 |
| Available-for-sale investments | | **—** | 48,870 |
| Other assets | | **—** | 2,708 |
| | | **1,153,734** | 188,708 |
| CURRENT ASSETS | | | |
| Inventories | | **—** | 10,643 |
| Trade receivables | 8 | **11,277** | 53,352 |
| Other receivables, prepayments and deposits | | **153,630** | 47,627 |
| Available-for-sale investments | | **2,095** | 61,904 |
| Financial assets at fair value through profit or loss | | **—** | 2,746 |
| Bank balances and cash | | **168,162** | 96,838 |
| | | **335,164** | 273,110 |
| Assets classified as held for sale | | **175,887** | — |
| | | **511,051** | 273,110 |
| CURRENT LIABILITIES | | | |
| Trade payables | 9 | **—** | 45,082 |
| Accrued expenses and deposits received | | **33,959** | 74,793 |
| Income tax liabilities | | **18,780** | 744 |
| Borrowings - due within one year | | **73,360** | 3,984 |
| Guaranteed convertible notes | | **4,891** | — |
| | | **130,990** | 124,603 |
| Liabilities directly associated with assets classified as held for sale | | **62,844** | — |
| | | **193,834** | 124,603 |
| NET CURRENT ASSETS | | **317,217** | 148,507 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,470,951** | 337,215 |

| | 2007 | 2006 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| CAPITAL AND RESERVES | | |
| Share capital | **1,140,234** | 497,629 |
| Reserves | **111,250** | (280,482) |
| Equity attributable to equity holders of the Company | **1,251,484** | 217,147 |
| Minority interests | **23,376** | 32,207 |
| | **1,274,860** | 249,354 |
| NON-CURRENT LIABILITIES | | |
| Borrowings - due after one year | **—** | 68,630 |
| Guaranteed convertible notes | **2,807** | 17,464 |
| Promissory notes | **110,171** | — |
| Deferred tax liabilities | **83,113** | 1,767 |
| | **196,091** | 87,861 |
| | **1,470,951** | 337,215 |

## Notes:

### 1. BASIS OF PREPARATION

#### SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values.

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

#### APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) - Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) - Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) - Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) - Int 10 | Interim Financial Reporting and Impairment |

Except for the changes in disclosures as set out below, the adoption of those new HKFRSs has no material impact on the Group's results and financial position for current or prior years, and does not result in any significant changes in the accounting policies of the Group.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKFRS 8 | Operating Segments[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HK(IFRIC) - Int 11 | HKFRS 2: Group and Treasury Share Transactions[3] |
| HK(IFRIC) - Int 12 | Service Concession Arranagements[4] |
| HK(IFRIC) - Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) - Int 14 | HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2009

[4] Effective for annual periods beginning on or after 1 January 2008

[5] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

## 2. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided, net of discounts and sales related taxes, by the Group to outside customers during the year.

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

| | **2007** | **2006** |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Leasing income of medical equipment | **30,440** | — |
| Services income — provision of consultancy services on medical equipment | **26,554** | — |
| Dividend income from listed investments | **1,369** | 6,348 |
| Services income — provision of media consulting, marketing and technology services | **90** | 2,760 |
| | **58,453** | 9,108 |
| **Discontinued operations** | | |
| Provision of financial services including brokerage, corporate finance, advisory and underwriting services | **113,181** | 59,172 |
| Sales of goods | **67,135** | 64,209 |
| Rental income of investment properties and country club services | **6,872** | 7,933 |
| | **187,188** | 131,314 |
| | **245,641** | 140,422 |

### SEGMENT INFORMATION

For management purposes, the Group is organised into the following three major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

| | | |
|---|---|---|
| Medical network | — | Leasing of medical equipment and provision of consultancy services on operation of medical equipment |
| Investment holding | — | Holding of investments securities |
| Media, consulting, marketing and technology services | — | Provision of media, consulting, marketing and technology services |

The Group was also engaged in the businesses of (i) provision of financial services (financial services segment); (ii) garment manufacturing (garment manufacturing segment) and (iii) leasing of investment property and country club operation (property holding and others segment) in previous years. These operations were discontinued during the year ended 31 December 2007 and the corresponding business segments were classified as discontinued operations accordingly.

**Business segments**

Year ended 31 December 2007

| | Continuing operations | | | | | Discontinued operations | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Medical network | Investment holding | Media, consulting, marketing and technology services | Elimination | Sub-total | Financial services | Garment manufacturing | Property holding and others | Elimination | Sub-total | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | | | | | | |
| External | 56,994 | 1,369 | 90 | — | 58,453 | 113,181 | 67,135 | 6,872 | — | 187,188 | 245,641 |
| Inter-segment | — | — | 46 | (46) | — | 1,714 | — | — | (1,714) | — | — |
| | 56,994 | 1,369 | 136 | (46) | 58,453 | 114,895 | 67,135 | 6,872 | (1,714) | 187,188 | 245,641 |
| SEGMENT RESULTS BEFORE AMORTISATION | 45,953 | (19,201) | (871) | — | 25,881 | 24,338 | 1,093 | (782) | — | 24,649 | 50,530 |
| LESS: AMORTISATION OF INTANGIBLE ASSETS (note i) | (26,934) | — | — | — | (26,934) | — | — | — | — | — | (26,934) |
| SEGMENT RESULTS | 19,019 | (19,201) | (871) | — | (1,053) | 24,338 | 1,093 | (782) | — | 24,649 | 23,596 |
| Unallocated corporate income | | | | | 2,967 | | | | | 109 | 3,076 |
| Unallocated corporate expenses (note ii) | | | | | (36,566) | | | | | — | (36,566) |
| Share based payment expenses | | | | | (17,389) | | | | | — | (17,389) |
| Loss on disposal of subsidiaries | | | | | (5,884) | | | | | — | (5,884) |
| Net gain on disposal of associates | | | | | 9,813 | | | | | — | 9,813 |
| Finance cost | | | | | (26,566) | | | | | (1,405) | (27,971) |
| Share of results of associates | | | | | (721) | | | | | — | (721) |
| (Loss) profit before taxation | | | | | (75,399) | | | | | 23,353 | (52,046) |
| Income tax expense | | | | | (1,507) | | | | | (3,173) | (4,680) |
| Net gain on disposal of discontinued operations (note iii) | | | | | — | | | | | 73,534 | 73,534 |
| (Loss) profit for the year | | | | | (76,906) | | | | | 93,714 | 16,808 |

*Notes:*

(i) Amortisation of intangible assets represents the amortisation of intangible assets which were acquired as a result of the acquisition of the Anping Medical Group.

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

(iii) The net gain on disposal of discontinued operations comprises gain on disposal of subsidiaries which were engaged in country club operation of HK$73,679,000, loss on disposal of subsidiaries engaged in garment manufacturing segment of HK$6,540,000 and gain on disposal of investment properties of HK$6,395,000.

Year ended 31 December 2006

| | Continuing operations | | | | Discontinued operations | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Investment holding** | **Media, consulting, marketing and technology services** | **Eliminated** | **Sub-total** | **Financial services** | **Garment manufacturing** | **Property holding and others** | **Sub-total** | **Consolidated** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| REVENUE | | | | | | | | | |
| External | 6,348 | 2,760 | — | 9,108 | 59,172 | 64,209 | 7,933 | 131,314 | 140,422 |
| Inter-segment | 4,092 | 62 | (4,154) | — | — | — | — | — | — |
| | 10,440 | 2,822 | (4,154) | 9,108 | 59,172 | 64,209 | 7,933 | 131,314 | 140,422 |
| SEGMENT RESULTS | (45,683) | 908 | — | (44,775) | 15,031 | 1,430 | 5,347 | 21,808 | (22,967) |
| Unallocated corporate income | | | | 2,591 | | | | 95 | 2,686 |
| Finance costs | | | | (3,940) | | | | (2,408) | (6,348) |
| Share of results of associates | | | | (54,626) | | | | (43) | (54,669) |
| (Loss) profit before taxation | | | | (100,750) | | | | 19,452 | (81,298) |
| Income tax expense | | | | — | | | | (2,120) | (2,120) |
| (Loss) profit for the year | | | | (100,750) | | | | 17,332 | (83,418) |

## Geographical segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services.

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PRC | **56,994** | — | **72,538** | 70,054 | **129,532** | 70,054 |
| Hong Kong | **1,459** | 9,108 | **93,252** | 50,094 | **94,711** | 59,202 |
| Singapore | **—** | — | **21,398** | 11,166 | **21,398** | 11,166 |
| | **58,453** | 9,108 | **187,188** | 131,314 | **245,641** | 140,422 |

## 3. COST OF SERVICES

Included in costs of services is an amortisation of intangible assets amounting to HK$26,934,000 (2006: Nil).

## 4. INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| The charge (credit) comprises: | | | | | | |
| Hong Kong Profits Tax | | | | | | |
| - Current year | **—** | — | **4,679** | 101 | **4,679** | 101 |
| - Overprovision in prior year | **—** | — | **(7)** | (104) | **(7)** | (104) |
| Taxation in PRC | **8,241** | — | **268** | 356 | **8,509** | 356 |
| Deferred taxation | **(6,734)** | — | **(1,767)** | 1,767 | **(8,501)** | 1,767 |
| | **1,507** | — | **3,173** | 2,120 | **4,680** | 2,120 |

## 5. PROFIT (LOSS) FOR THE YEAR

| | Continuing operations | | Discontinued operations | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Profit (loss) for the year has been arrived at after charging (crediting): | | | | | | |
| Depreciation of property, plant and equipment | **5,035** | 284 | **3,124** | 3,529 | **8,159** | 3,813 |
| Depreciation of jointly controlled assets | **740** | — | **—** | — | **740** | — |
| Amortisation of intangible asset included in cost of services | **26,934** | — | **—** | — | **26,934** | — |
| Amortisation on leasehold land and land use right | **—** | — | **353** | 347 | **353** | 347 |
| Total depreciation and amortisation | **32,709** | 284 | **3,477** | 3,876 | **36,186** | 4,160 |
| Auditor's remuneration | **2,895** | 1,639 | **1,353** | 1,530 | **4,248** | 3,169 |
| Net exchange losses (gain) | **4,727** | (1,322) | **(530)** | (490) | **4,197** | (1,812) |
| Loss on disposal of property, plant and equipment | **5** | 2 | **229** | 12 | **234** | 14 |
| Gross rental income from investment properties | **—** | — | **(1,469)** | (2,088) | **(1,469)** | (2,088) |
| Less: direct operating expenses from investment properties that generated rental income | **—** | — | **316** | 768 | **316** | 768 |
| | **—** | — | **(1,153)** | (1,320) | **(1,153)** | (1,320) |
| Employee benefits expenses, including directors' emoluments | **29,086** | 28,039 | **78,179** | 37,752 | **107,265** | 65,791 |
| Allowance for bad and doubtful debts | **905** | — | **40** | 245 | **945** | 245 |
| Written back of impairment of doubtful debts on other receivables | **(784)** | — | **(320)** | (14) | **(1,104)** | (14) |
| Interest income | **(2,967)** | (2,173) | **(109)** | (3,554) | **(3,076)** | (5,727) |
| Brokerage commission income | **—** | — | **(90,687)** | (42,578) | **(90,687)** | (42,578) |
| Advisory and corporate finance services income | **—** | — | **(22,494)** | (16,594) | **(22,494)** | (16,594) |

## 6. EARNING (LOSS) PER SHARE

For continuing and discontinued operations

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

Earning (loss)

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Profit (loss) for the purposes of basic earning (loss) per share (Profit (loss) for the year attributable to equity holders of the Company) | **12,809** | (83,006) |
| Interest on guaranteed convertible notes | **3,342** | 1,777 |
| Profit (loss) for the purposes of diluted earning (loss) per share | **16,151** | (81,229) |

Number of shares

| | 2007<br>*'000* | 2006<br>*'000* |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earning (loss) per share | **8,053,797** | 4,731,924 |
| Effect of dilutive potential ordinary shares: | | |
| - Share options | **255,639** | 451 |
| - Guaranteed convertible notes | **172,438** | 203,562 |
| Weighted average number of ordinary shares for the purposes of diluted earning (loss) per share | **8,481,874** | 4,935,937 |

From continuing operations

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

Profit (loss) figures are calculated as follows:

| | 2007<br>*HK$'000* | 2006<br>*HK$'000* |
|---|---|---|
| Profit (loss) for the year attributable to equity holders of the Company | **12,809** | (83,006) |
| Less: Profit for the year from discontinued operations attributable to equity holders of the Company | **(90,271)** | (17,391) |
| Loss for the purposes of basic loss per share from continuing operations | **(77,462)** | (100,397) |

No diluted earning (loss) per share was presented for both years ended 31 December 2007 as the exercise of share option and the conversion of guaranteed convertible notes would result in a decrease in the loss per share from continuing operations for both 2007 and 2006.

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

<u>From discontinued operations</u>

Basic earning per share for the discontinued operations are HK1.12 cents per share (2006: HK0.37 cents per share), based on the earning for the year from the discontinued operations of HK$90,271,000 (2006: HK$17,391,000).

## 7. DIVIDEND

The Directors have resolved not to pay any dividend in respect of the year ended 31 December 2007 (2006: Nil).

## 8. TRADE RECEIVABLES

| | **2007** | **2006** |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **11,277** | 53,352 |

The Group generally allows an average credit period of 30 days to 90 days during the year ended 31 December 2007 (2006: 30 days to 180 days) to its trade customers. The following is an aged analysis at trade receivable at the balance sheet date.

| | **2007** | **2006** |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 - 30 days | **11,277** | 45,008 |
| 31 - 90 days | **—** | 5,776 |
| 91 - 180 days | **—** | 1,987 |
| Over 180 days | **—** | 581 |
| | **11,277** | 53,352 |

## 9. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

| | 2007 *HK$'000* | 2006 *HK$'000* |
|---|---|---|
| 0 - 30 days | — | 38,356 |
| 31 - 90 days | — | 5,701 |
| 91 days - 180 days | — | 721 |
| Over 180 days | — | 304 |
| | — | 45,082 |

# FINANCIAL REVIEW

The Group recorded a revenue of approximately HK$245,641,000 for the year ended 31 December 2007 (2006: HK$140,422,000). This represents an increase of approximately HK$105,219,000, or 74.9%, as compared with last year. Revenue for (i) the medical network contributed approximately HK$56,994,000, or 23.2%, towards the Group; (ii) investment holding decreased by HK$4,979,000, or 78.4%, from that of last year; and (iii) media, consulting, marketing and technology services decreased by HK$2,670,000, or 96.7%, from that of last year. Revenue from the discontinued operations for (i) financial services increased by HK$54,009,000, or 91.3%, from that of last year; (ii) garment manufacturing increased by HK$2,926,000, or 4.6%, from that of last year; and (iii) property holding and others decreased by HK$1,061,000, or 13.4%, from that of last year.

The profit attributable to equity holders of the Company for the year ended 31 December 2007 was approximately HK$12,809,000, representing an improvement of HK$95,815,000 from a loss of HK$83,006,000 for last year. This was mainly attributable to revenue and profit generated through the Company's investment in the Medical Network Division, the Financial Services Division and from divestment of its non-core businesses.

Basic earnings per share was HK 0.16 cents (2006: basic loss per share of HK 1.75 cents).

## BUSINESS REVIEW

It has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, while near-completing the divestment of its non-core business interests.

The Medical Network Division is principally engaged in the provision of medical equipment leasing and consultancy services, specialising in the diagnosis and treatment of cancer in the PRC. Within a short period of six months, this division recorded a revenue of approximately HK$56,994,000, or approximately 23.2% of the Group's revenue. A segment profit before amortisation of intangible assets of approximately HK$45,953,000, and after deducting the amortisation of intangible assets of approximately HK$26,934,000 was reported due to the acquisition of the medical network, resulting in a net segment result of approximately HK$19,019,000 for the year ended 31 December 2007.

The Investment Holding Division contributed towards approximately 0.6% of the Group's revenue. It recorded a revenue of HK$1,369,000 (2006:HK$6,348,000) and segment loss of HK$19,201,000 (2006: HK$45,683,000) for the year ended 31 December 2007.

The Media, Consulting, Marketing and Technology Services Division contributed approximately 0.04% of the Group's revenue. It recorded a revenue of HK$90,000 (2006: HK$2,760,000) and segment loss of HK$871,000 (2006: profit of HK$908,000) for the year ended 31 December 2007.

1. ***Core Businesses***

   The Company has continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, whilst embarking upon the divestment of its non-core business interests. Of particular notice has been the Group's entry into the PRC medical and healthcare industry; namely, through its acquisition of 100% equity interest in China Renji Medical (BVI) Limited which holds 100% equity interest in Shanghai Anping Medical Treatment Technology Co., Ltd. ("Anping").

   On 21 September 2007, Anping entered into an acquisition agreement with Shanghai Rentung Hospital Investment Management Limited ("Shanghai Rentung"), a company principally engaged in the investment and management of medical equipment and the provider of medical services in a number of medical centres in the PRC, to acquire 51% of Shanghai Rentung's interest in medical equipment, comprising of a head and body gamma system, linear accelerator, CT scanner, tumour heat therapy system and an EP 3D localization system which are wholly-owned by Shanghai Rentung, as well as Shanghai Rentung's entire interest in one PET-CT which is equally owned by Shanghai Rentung and the Main Hospital of the Second Artillery Force of the People's Liberation Army of the PRC (the "Main Hospital of the Second Artillery Force").

The consideration for the acquisition amounted to RMB74.12 million (equivalent to approximately HK$76.93 million). Shanghai Rentung also guaranteed that the net income attributable to the Group's interest in the acquired medical equipment for the year ending 31 December 2008 would be no less than RMB10.20 million (equivalent to approximately HK$10.59 million), and in the event that the actual net income derived from the acquired medical equipment attributable to the Group is less than RMB10.20 million, Shanghai Rentung will compensate Anping by way of cash payment, with a ceiling of RMB38.00 million (equivalent to approximately HK$39.44 million).

The centres in which the said equipment are located are based in Beijing, which will expand the geographic coverage of the Group's medical centres in the PRC. Furthermore, the Main Hospital of the Second Artillery Force is one of the most prominent hospitals in the PRC, and in particular, due to its location in Beijing, the capital city of the PRC, the Directors believe that not only will the acquisition increase the number of patient visits, but will also further establish the China Renji name in the PRC.

On 11 October 2007, Anping entered into the acquisition agreement to acquire medical equipment from Shanghai Rentung, comprising of one head gamma system, one body gamma system and one magnetic resonance imaging ("MRI") equipment, which are the only fixed assets used by Hefei Gamma Knife Specialty Hospital (the "Hefei Hospital") for the diagnosis of cancer and other conditions using MRI equipment and the gamma system for treatment of tumours. The consideration of the acquisition amounted to RMB46.2 million (equivalent to approximately HK$47.95 million).

Pursuant to the acquisition agreement, Shanghai Rentung has warranted that the net income for the period from 1 July 2007 to 31 December 2007 and the year ending 31 December 2008 will be no less than RMB5 million (equivalent to approximately HK$5.19 million) and RMB12 million (equivalent to approximately HK$12.46 million), respectively. In the event that the said actual net income falls below the warranted net income for any of the period/year as mentioned above, Anping will be entitled to compensation by way of cash payment.

Hefei Hospital was established in September 2002. It is currently the only hospital in Anhui Province providing gamma system treatment to cancer and tumour patients and one of the first few privately owned hospitals in Anhui Province to provide specialty medical services. Given the fact that gamma system treatment is covered by the social insurance scheme of Hefei City, the sizeable population base of Hefei City will ensure a significant clientele for Hefei Hospital. In addition, the specialty medical services of Hefei Hospital also extends to cover peripheral areas such as Bangpu City, Chaohu City, and the northern and western regions of Anhui Province. The medical equipment are the only fixed assets used by Hefei Hospital for the diagnosis of cancer and other conditions using MRI equipment and gamma system treatment of tumours. The location of Hefei Hospital in Anhui Province will expand the geographic coverage of the Group's medical centres to the western region of the PRC. Hefei Hospital is currently the only hospital in Hefei City providing gamma system treatment for tumours.

On 9 November 2007, Anping entered into an acquisition agreement with Chengdu Daicheng Professional Electrical Appliance Market New Century Electrical Appliance ("Chengdu Daicheng") to acquire medical equipment from Chengdu Daicheng, which comprises of one head gamma system, one body gamma system and one (Cobalt-60 generated) gamma radiation therapy equipment, as well as entitlement to the net income therefrom. The acquired equipment is the only fixed assets used at the Shenyang 463 Hospital Gamma Knife Therapy and Research Centre (the "Gamma Knife Centre") and the Cobalt-60 Radiation Therapy Equipment Non-Invasive Therapy and Research Centre (the "Radiation Therapy Centre") at The People's Liberation Army of the PRC Shenyang 463 Hospital (the "PLA 463 Hospital"). The consideration of the acquisition amounted to RMB41.00 million (equivalent to approximately HK$42.56 million).

Pursuant to the said acquisition agreement, Chengdu Daicheng has warranted that the net income for each of the periods from 1 July 2007 to 30 June 2008 and from 1 July 2008 to 30 June 2009 will be no less than RMB10 million (equivalent to approximately HK$10.38 million), respectively. In the event that the actual net income falls below the warranted net income of RMB10 million for any of the two periods as mentioned above, Anping will be entitled to compensation.

As a renowned “3A Grade” hospital in the PRC, the PLA 463 Hospital has an operating history of more than 50 years and is reputable in the northeastern region of the PRC for its various advanced research projects. The Gamma Knife Centre and the Radiation Therapy Centre were established by Chengdu Daicheng and the PLA 463 Hospital in April 2004 with a view to providing gamma system treatment for tumours and radiotherapy services to the public in Shenyang City and neighboring cities. The acquired medical equipment are the only fixed assets used by the Gamma Knife Centre and the Radiation Therapy Centre for provision of precision radiotherapy services such as gamma system treatment of tumours and neurosurgical diseases.

Based in Shenyang City, the centres have developed an extensive services network of tumour treatment among neighbouring cities. The PLA 463 Hospital is responsible for the provision of medical services and technical support for the operations of the Gamma Knife Centre and the Radiation Therapy Centre. The Group believes that this acquisition will further enhance its brand recognition and expand the geographic coverage of the Group’s tumour diagnosis and treatment network into the northeastern region of the PRC.

Whereas Anping had entered into an acquisition agreement with Shanghai Rentung on 21 September 2007 to acquire 51% of Shanghai Rentung’s interest in medical equipment, which comprises of a head and body gamma system, linear accelerator, CT scanner, tumour heat therapy system and EP 3D localization system which are wholly-owned by Shanghai Rentung, as well as Shanghai Rentung’s entire interest in one PET-CT which is equally owned by Shanghai Rentung and the Main Hospital of the Second Artillery Force; subsequent to the year end, on 23 January 2008, Anping entered into a further acquisition agreement with Shanghai Rentung to acquire Shanghai Rentung’s remaining interest in the medical equipment at the Main Hospital of the Second Artillery Force. The aforesaid equipment comprised of Shanghai Rentung’s remaining 49% interest in one each of the head and body gamma systems, linear accelerator, CT scanner, tumour heat therapy system and EP 3D localization system and 24.5% interest in one PET-CT equipment, respectively.

The consideration of the further acquisition amounted to RMB71.22 million (equivalent to approximately HK$76.21 million). Pursuant to this further acquisition agreement, Shanghai Rentung guaranteed that the net income attributable to the remaining interest for the year ending 31 December 2008 will not be less than RMB9.80 million (equivalent to approximately HK$10.49

million). In the event that the actual net income attributable to the remaining interest is less than RMB9.80 million, Shanghai Rentung will compensate Anping, with a ceiling of RMB36.5 million (equivalent to approximately HK$39.06 million).

2. ***Non-core Businesses***

The Group was also engaged in the businesses of (i) the provision of financial services (financial services segment); (ii) garment manufacturing (garment manufacturing segment); and (iii) leasing of investment properties and country club operations (property holding and others segment) in previous years. The Garment Manufacturing Division, and the Property Holding and Others Division were discontinued during the year ended 31 December 2007, and the Financial Services Division was discontinued subsequent to the year ended 31 December 2007.

i. *Financial Services Division*

The Financial Services Division contributed approximately 46.1% of the Group's revenue. It recorded a revenue of HK$113,181,000 (2006: HK$59,172,000) and segment profit of HK$24,338,000 (2006: HK$15,031,000) for the year ended 31 December 2007.

ii. *Garment Manufacturing Division*

The Garment Manufacturing Division contributed approximately 27.3 % of the Group's revenue. It recorded a revenue of HK$67,135,000 (2006: HK$64,209,000) and segment profit of HK$1,093,000 (2006: HK$1,430,000) for the year ended 31 December 2007.

iii. *Property Holding and Others Division*

The Property Holding and Others Division contributed approximately 2.8 % of the Group's revenue. It recorded a revenue of HK$6,872,000 (2006: HK$7,933,000) and segment loss of HK$782,000 (2006: profit of HK$5,347,000) for the year ended 31 December 2007.

## MATERIAL DISPOSALS OF SUBSIDIARIES, ASSOCIATES, JOINTLY CONTROLLED ENTITIES AND INVESTMENTS

As part of its ongoing strategy to focus on its core business and divest in non-core businesses, the Group carried out a number of divestments over the course of the financial year ended 31 December 2007. Details of these disposals have been published (if required) in strict accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), although the major disposals are summarised below.

In July 2007, the Group disposed of 16,399,144 shares in Zhongtian International Limited as part of its ongoing strategy to focus on its core business and divest in non-core businesses. The total net proceed was approximately HK$11,860,000.

In August 2007, the Company disposed of 22,750,000 shares in E2-Capital (Holdings) Limited. The total net proceed was approximately HK$23,210,000.

Also in August 2007, the Company entered into an agreement to dispose of its entire interest in Dragon Lion Limited at a cash consideration of HK$20,005,000. Dragon Lion Limited is an investment holding company and its major asset is a 51% equity interest in Foshan Chande Knitting Enterprise Company Limited which is engaged in the garment manufacturing business, representing the Group's garment manufacturing operation. Accordingly, the business segment of garment manufacturing was discontinued upon completion of the disposal of Dragon Lion Limited during the year ended 31 December 2007.

In October 2007, the Group disposed of 20% equity interest in China Gloria Consultants (Shanghai) Limited, an associate company, at a consideration of HK$15,000,000.

In December 2007, the Company entered into an agreement to dispose of its entire interest in Gesway Investment Limited at a consideration of HK$91,576,000. Gesway Investment Limited is an investment holding company and its major asset is a 57.89% interest in Peach Garden Country Club (Foshan Nanhai) Co., Limited which carries out a country club operation in Foshan, the PRC. The country club operation was previously grouped under the business segment of "property holding and others".

The business segment of property holding and others was discontinued upon the completion of the disposal of Gesway Investment Limited and the disposal of all the Group's investment properties. During the year, the Group disposed of all its investment properties at a total consideration of HK$52,625,000.

Other than the transactions referred to above, there were no material acquisitions or disposals of subsidiaries, associates, jointly controlled entities and investments during the year.

And subsequent to the year ended 31 December 2007, the Group disposed of its entire equity interest in a 49% jointly controlled entity, SBI E2-Capital Limited (a company which carries out all of the Group's financial services business segment) at a consideration of HK$81,000,000.

The net gain on disposal of discontinued operations of HK$73,534,000 comprised of the gain on disposal of subsidiaries which were engaged in country club operations (Property Holding and Others Division) of HK$73,679,000, loss on disposal of subsidiaries engaged in the Garment Manufacturing Division of HK$6,540,000 and gain on disposal of investment properties (Property Holding and Others Division) of HK$6,395,000 for the year ended 31 December 2007.

## PROSPECTS

The Group firmly believes that the demand for cancer diagnosis and treatment will continue to increase on the Mainland, where its main operations are based. Other than inherent extrinsic factors, such as the fact that cancer has become one of the Mainland's top causes of death, exacerbated by an ageing population, as well as the increase in smoking, drinking, pollution and unhealthy eating habits, the Group believes that the sustained potential in this market is also reflected by the increasing number of companies engaging in this space. The Board has thus worked hard, and believe we have successfully established China Renji as one of the outstanding powerhouses in clinical treatment and research in the realm of cancer diagnosis and treatment in the PRC.

That said, it has been a year of great challenges for the Company; amid a resurgent, yet highly volatile local and global market, the Company together with its subsidiaries have continued with its strategic refocusing, forging ahead with its new roadmap to develop and expand its core business, while near-completing the divestment of its non-core business interests. The Group successfully posted a profit of HK$12,809,000, which reflects that the Group's vision and perseverance with its strategic refocusing has borne fruit.

We foresee that we will continue this mission and complete our relinquishment of interest in all non-core business areas, while continuing to strive to build upon our existing areas of strength and at the same time forging new frontiers both geographically by further expanding our network in the Mainland and other potential areas of strategic growth, as well as to continue promoting the China Renji name.

## LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to equity holders of the Company amounted to HK$1,251,484,000 as at 31 December 2007, representing an increase of HK$1,034,337,000 or approximately 476.3% from that of 31 December 2006.

The Group's major finance resources consisted of cash inflow from operating activities; proceeds from the issuance of new ordinary shares, issuance of convertible notes and exercise of share options which resulted in a substantial cash inflow and a significant contribution towards the Group's financial position.

Cash generated from operating activities for 2007 was approximately HK$47,917,000 (2006: HK$15,930,000); this increase was primarily due to the improvement in the profit for the year contributed by the Medical Network and Financial Services Divisions. The net profit of the Company was affected by non-cash transactions of share-based payments expenses of HK$17,389,000, amortisation of intangible assets of HK$26,934,000 and amortised costs of the promissory notes included in the finance cost of HK$17,785,000.

The Group's maintained bank balances and cash totalled HK$270,773,000 of which HK$102,611,000 comprised of bank balances and cash included in assets classified as held for sales (2006: HK$96,838,000).

As at 31 December 2007, the Group's total borrowings amounted to HK$191,229,000 (2006: HK$90,078,000) which includes borrowings of HK$73,360,000 (2006: HK$72,614,000), guaranteed convertible notes of HK$7,698,000 (2006: HK$17,464,000) and promissory notes of HK$110,171,000 (2006: NIL) with HK$78,251,000 (2006: HK$3,984,000) repayable within one year and HK$112,978,000 (2006: HK$86,094,000) repayable after one year. All borrowings are denominated in Hong Kong dollars and Japanese Yen. The Directors expect 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 operation.

The liquidity of the Group is demonstrated by the current ratio (current assets/current liabilities) strengthened to 2.64 times as at 31 December 2007 compared to 2.19 times as at 31 December 2006.

The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guaranteed convertible notes and promissory notes over the equity attributable to equity holders of the Company) also improved from 41.5% to 15.3%.

The Group has adhered to its prudent financial management policy. Whilst some funding has been used for strategic acquisitions and investments in production facilities during the year, sufficient working capital was ensured for day to day operating activities and other funding requirements.

## CAPITAL STRUCTURE

During the year, 561,048,000 ordinary shares in the Company were issued for HK$57,136,000 as a result of the exercise of share options. Convertible notes with the principal amount of HK$100,500,000 were convertible into 1,005,000,000 ordinary shares at a conversion price of HK$0.10 per share. The Company also issued 2,000,000,000 new ordinary shares at a placing price of HK$0.125 per share in July 2007 to independent investors pursuant to a placing agreement dated 24 April 2007 between the Company and the placing agent, SBI E2 Capital Securities Limited.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars, whilst the assets held are mostly denominated in Renminbi, Hong Kong dollars and the liabilities held are in Renminbi, Hong Kong dollars and 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 monitors does and will continue to monitor the foreign exchange exposure and will consider hedging if there is significant foreign currency exposure.

## CHARGES ON GROUP ASSETS

As at 31 December 2007, no assets were pledged by the Group. As at 31 December 2006, the Group's banking facilities were secured by properties of the Group with carrying value of HK$5,433,000.

## GUARANTEES

(i) In 2004, E2-Capital (Holdings) Limited ("E2-Capital", a related party of the Group) has provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2-Capital Limited, a jointly controlled entity of the Group. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of HK$49,049,000, representing the Group's 34.3% shareholding in these companies as at the date of the banking facilities granted. As at 31 December 2007 and 2006, there was no utilization of such banking facilities by SBI-E2 Capital Limited.

(ii) SBI E2-Capital Limited provided a guarantee of HK$78,000,000 to a bank in respect of banking facilities for an independent third party. As the Group holds 49% interest of SBI E2-Capital Limited, guarantee of HK$38,220,000 was shared by the Group.

(iii) In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 (equivalent to approximately HK$135,475,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favour of The Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities", a subsidiary of SBI-E2 Capital Limited) to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S$7,350,000 (equivalent to HK$39,830,000), representing the Group's 29.4% shareholding in SECA Securities as at the date of the counter-indemnity, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee. Subsequently in January 2007, such counter-indemnity has been replaced by a new counter-indemnity for a lower maximum limit of approximately S$3,716,000 (equivalent to approximately HK$20,137,000), representing the Group's 28.54% shareholding in SECA Securities as at the date of the new counter-indemnity, plus 28.54% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the new corporate guarantee provided by E2-Capital to the bank for a maximum amount of S$13,020,000 (equivalent to approximately HK$70,555,380). As at 31 December 2007 and 2006, there was no utilization of such counter-indemnity.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the total number of employees of the Group was approximately 35 (excluding employees of jointly controlled entities). The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2007, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

### Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

Not all the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2007.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and related notes thereof for the year ended 31 December 2007 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2007.

By Order of the Board
**China Renji Medical Group Limited**
**YANG YIFEI**
*Chairman*

Hong Kong, 21 April 2008

*As at the date of this announcement, the Board comprises five Executive Directors, namely Mr Yang Yifei, Dato' Wong Sin Just, Mr Sheng Yang, Mr Yu Chung Hang, Lucian and Ms Duan Xuzhen; and three Non-executive Directors, namely Mr Yu Kam Yuen, Lincoln, Ms Sun Huali and Mr Wong Kean Li; and three Independent Non-executive Directors, namely Dr Lo Wing Yan, William, Mr Ng Sau Kei, Wilfred and Dr Li Yang.*