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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)

2008 FINAL RESULTS

CONSOLIDATED FINANCIAL INFORMATION

The board of directors (the "Board" or the "Directors") of **China Renji Medical Group Limited** (the "Company") is pleased to present the consolidated financial information of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	**2008** **HK$'000**	2007 *HK$'000*
Continuing operations			
Turnover	3	**207,600**	58,453
Cost of services		**(44,573)**	(33,849)
Gross profit		**163,027**	24,604
Other income and net gains		**14,261**	7,015
Administrative expenses		**(61,866)**	(64,131)
Impairment loss on other intangible assets		**(40,384)**	—
Impairment loss on available-for-sale investments		**—**	(15,600)
Finance costs		**(17,001)**	(26,566)
Share of results of associates		**—**	(721)
Profit/(loss) before taxation		**58,037**	(75,399)
Income tax	5	**(5,915)**	(1,507)
Profit/(loss) for the year from continuing operations		**52,122**	(76,906)
Discontinued operations			
Profit for the year from discontinued operations		**1,789**	93,714
Profit for the year	6	**53,911**	16,808
Attributable to:			
Equity holders of the Company		**53,911**	12,809
Minority interests		**—**	3,999
		53,911	16,808
Dividend	8	**—**	—
Earnings/(loss) per share attributable to equity holders of the Company, in HK cents	7		
Continuing and discontinued operations			
Basic		**0.47**	0.16
Diluted		**0.47**	0.15
			(Restated)
Continuing operations			
Basic		**0.45**	(0.96)
Diluted		**0.45**	N/A

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	NOTES	**2008**	**2007**
		HK$'000	*HK$'000*
			(Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**475,878**	242,335
Land use right		**3,892**	—
Goodwill		**637,246**	601,047
Other intangible assets		**273,736**	345,144
Promissory notes receivables		**77,075**	—
		1,467,827	1,188,526
Current assets			
Land use right		**80**	—
Trade receivables	9	**71,698**	11,277
Other receivables, prepayments and deposits		**54,074**	153,630
Available-for-sale investments		**—**	2,095
Bank balances and cash		**78,157**	168,162
		204,009	335,164
Assets classified as held for sale		**—**	175,887
		204,009	511,051
Current liabilities			
Other payables, accruals and deposits received		**20,412**	33,959
Income tax liabilities		**36,845**	18,780
Borrowings — due within one year		**—**	73,360
Guaranteed convertible notes		**2,963**	4,891
		60,220	130,990
Liabilities directly associated with assets classified as held for sale		**—**	62,844
		60,220	193,834
Net current assets		**143,789**	317,217
Total assets less current liabilities		**1,611,616**	1,505,743

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

Notes:

1. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

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

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

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

		Effective date
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Financial instruments: recognition and measurement — eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	- HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	- HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

2. CHANGES IN ACCOUNTING ESTIMATES OF USEFUL LIVES OF CERTAIN ITEMS OF PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

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

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

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

3. TURNOVER

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

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

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

4. SEGMENT INFORMATION

Business segments

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

Principal operating divisions are as follows:

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

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

During the year ended 31 December 2008, the Group is only engaged in medical network business which included leasing and operation of medical equipment and provision of consultancy services on operation of medical equipment in the People's Republic of China (the "PRC" or "China") and has not generated revenue from other continuing operations and most of the assets of the Group are located in the PRC as at 31 December 2008. Accordingly no segment analysis by businesses or geographical markets is presented for the current year.

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

Year ended 31 December 2007

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

Notes:

(i) Amortisation of other intangible assets represented the amortisation of other intangible assets which were acquired as a result of the acquisition of Shanghai Anping Medical Treatment Technology Co., Ltd. and its subsidiaries (the "Anping Medical Group").

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

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

As at 31 December 2007

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

Year ended 31 December 2007

	Continuing operations				Discontinued operations				
	Medical network *HK$'000*	Investment holding *HK$'000*	Media, consulting, marketing and technology services *HK$'000*	Sub-total *HK$'000*	Financial services *HK$'000*	Garment manufacturing *HK$'000*	Property holding and others *HK$'000*	Sub-total *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION:									
Capital expenditure in respect of property, plant and equipment and other intangible assets	600,350	83	—	600,433	3,323	3,019	187	6,529	606,962
Goodwill arising on acquisition of subsidiaries	578,946	—	—	578,946	—	—	—	—	578,946
Depreciation of property, plant and equipment	4,824	211	—	5,035	742	2,355	27	3,124	8,159
Depreciation of jointly-controlled assets	740	—	—	740	—	—	—	—	740
Amortisation of land use right	—	—	—	—	—	72	281	353	353
Amortisation of other intangible assets	26,934	—	—	26,934	—	—	—	—	26,934
Loss/(gain) on disposal of available-for-sale investments	—	4,970	—	4,970	(224)	—	—	(224)	4,746
Impairment loss on available-for-sale investments	—	15,600	—	15,600	37	—	—	37	15,637
Impairment loss on goodwill	—	—	—	—	1,692	—	—	1,692	1,692
Loss on disposal of property, plant and equipment	—	5	—	5	229	—	—	229	234

Geographical segments

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

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

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

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

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

5. INCOME TAX

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

6. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
This has been arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	**21,082**	5,035	**—**	3,124	**21,082**	8,159
Depreciation of jointly-controlled assets	**3,446**	740	**—**	—	**3,446**	740
Amortisation of other intangible assets included in cost of services	**16,526**	26,934	**—**	—	**16,526**	26,934
Amortisation on land use right	**—**	—	**—**	353	**—**	353

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total depreciation and amortisation	**41,054**	32,709	**—**	3,477	**41,054**	36,186
Auditors' remuneration	**1,621**	2,895	**—**	1,353	**1,621**	4,248
Net exchange losses/(gains)	**11,823**	4,727	**—**	(530)	**11,823**	4,197
Loss on disposal of property, plant and equipment	**—**	5	**—**	229	**—**	234
Gain on swap of assets	**(5,222)**	—	**—**	—	**(5,222)**	—
Gross rental income from investment properties	**—**	—	**—**	(1,469)	**—**	(1,469)
Less: direct operating expenses from investment properties that generated rental income	**—**	—	**—**	316	**—**	316
	—	—	**—**	(1,153)	**—**	(1,153)
Employee benefit expenses, including directors' remuneration						
— salaries and other benefits	**18,232**	20,804	**—**	78,179	**18,232**	98,983
— share-based payment expenses	**11,922**	8,282	**—**	—	**11,922**	8,282
	30,154	29,086	**—**	78,179	**30,154**	107,265
Additional allowance for bad and doubtful debts on other receivables	**—**	905	**—**	40	**—**	945

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

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

The calculation of diluted earnings/(loss) per share is based on the profit for the year attributable to equity holders of the Company, adjusted to reflect the interest on the guaranteed convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings 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.

From continuing and discontinued operations

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

Earnings

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

Number of shares

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

From continuing operations

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

Profit/(loss) figures are calculated as follows:

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

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

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

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

From discontinued operations

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

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

8. DIVIDEND

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

9. TRADE RECEIVABLES

	2008 *HK$'000*	2007 *HK$'000*
Trade receivables	**71,698**	11,277

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

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

10. RESTATEMENT/RECLASSIFICATION OF COMPARATIVES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

FINAL RESULTS REVIEW

Turnover

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

Gross profit

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

Profit from continuing operations

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

Profit from discontinued operations

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

Profit attributable to equity holders of the Company

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

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

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

For the year ended 31 December 2008, the Group reports EBITDA of approximately HK$158,265,000 (2007: HK$81,067,000).

BUSINESS REVIEW

Core business

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

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

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

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

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

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

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

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

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

Subsequent to the year end, in January 2009, the Group entered into a medical assets swap agreement pursuant to which it agreed to acquire the entire interest in a body gamma knife and a head gamma knife, being the key radiotherapy medical equipment used in Xinjiang Hospital of Cardio-Cerebral Vascular Diseases (the "Xinjiang Hospital"). The consideration for the acquisition amounted to RMB21 million (equivalent to approximately HK$23.86 million) and was satisfied by 32% and 30%

of the Group's interests, respectively, in the gamma knife and the related medical equipment used in the People's Liberation Army No. 411 Hospital and the People's Liberation Army No. 455 Hospital. Xinjiang Hospital, located in Urumqi, Xinjiang Autonomous Region, is a "Class 3" hospital specialising in the treatment of cardio and/or cerebral vascular diseases. Xinjiang Hospital is currently equipped with approximately 400 hospital beds and has over 500 staff (including over 300 professional medical staff). In addition, Xinjiang Hospital has established co-operation arrangements with a number of renowned domestic and foreign hospitals, including German Heart Institute (Berlin) China Northwestern Co-operation Centre, Beijing Hospital of China's Ministry of Health and Peking Union Medical College Fuwai Cardiovascular Hospital. Xinjiang Hospital is also an approved medical institute under the insurance schemes for the commercial, military and municipal sectors. Urumqi, the capital city of Xinjiang Autonomous Region, has a population of over 2.3 million and is a major industrial hub of Xinjiang Autonomous Region, which will provide significant potential sources of patients for Xinjiang Hospital. The acquisition has allowed the Group to expand its medical network into the northwestern region of China. The acquisition was completed in January 2009.

In March 2009, the Group entered into an acquisition agreement pursuant to which it agreed to acquire the entire interest in a gamma-knife machine and a stereotactic treatment planning system for use in Hebei General Hospital. The consideration for the acquisition amounted to RMB19.60 million (equivalent to approximately HK$22.27 million) and would be satisfied in cash. The Group is entitled to profit guarantees of not less than RMB4.2 million for each of the ten years after completion. Hebei General Hospital is a "3A Grade" integrated hospital in Shijiazhuang City, offering leading specialty medical services, academic, scientific research, prevention and health care services and first-aid services through a number of therapy clinics and specialty units. Shijiazhuang City, being the capital city of Hebei Province with a population of over 9 million, has a significant source of existing and potential patients for Hebei General Hospital. The acquisition is also expected to enhance the synergy and operating scale of the Group's tumour and/or diagnosis and treatment business network in Hebei Province, particularly Shijiazhuang City. The acquisition was completed in March 2009.

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

Discontinued business

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

PROSPECTS

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

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

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

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

FINANCIAL REVIEW

Liquidity and financial resources

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

During the year ended 31 December 2008, the net cash used in investing activities amounted to approximately HK$299,582,000 (2007: HK$75,365,000) and the net cash used in financing activities amounted to approximately HK$69,242,000 (2007: net cash inflow of HK$197,892,000). As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2008 a net cash outflow of approximately HK$195,304,000 (2007: net cash inflow of HK$170,444,000). The cash outflow in investing and financing activities mainly resulted from capital expenditure for acquisition of medical equipment in China as mention above and the partial redemption of promissory notes.

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

As at 31 December 2008, the Group's total borrowings amounted to approximately HK$103,747,000 (2007: HK$191,229,000) which included borrowings of HK$90,281,000 (2007: HK$73,360,000), guaranteed convertible notes of approximately HK$3,931,000 (2007: HK$7,698,000) and promissory notes of approximately HK$9,535,000 (2007: HK$110,171,000) with approximately HK$2,963,000 (2007: HK$78,251,000) repayable within one year and approximately HK$100,784,000 (2007: HK$112,978,000) repayable after one year. The borrowings are denominated in Hong Kong dollars and Japanese Yen. The Board expects that all such borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continued to provide funding to the Group's operations.

As at 31 December 2008, the Group's net asset value was approximately HK$1,435,508,000 (2007: HK$1,306,480,000), with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) strengthen to 3.39 times as at 31 December 2008 compared to 2.64 times as at 31 December 2007. The Group's gearing ratio (calculated on the basis of the Group's total borrowings, guaranteed convertible notes and promissory notes to the equity attributable to the equity holders of the Company) was 7.23% (31 December 2007: 14.90%). The decrease in gearing ratio was mainly attributable to the partial redemption of the promissory notes payable amounting to HK$110,000,000, conversion of guarantee convertible notes of HK$4,000,000 and profits generated from the Group's medical network business.

The Group has continued to maintain low gearing levels. As a consequence, the high level of liquidity and available funds will enable the Group to meet its expected future working capital requirements and to take advantage of growth opportunities for the business.

Capital structure

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

Exposure to fluctuation in exchange rates

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

Charge on group assets

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

Guarantees and counter-indemnities

As at 31 December 2008, no guarantees and counter-indemnities were issued by the Group.

In 2004, E2-Capital (Holdings) Limited ("E2-Capital", renamed as CIAM Group Limited with effect from 27 June 2008), a related party of the Group, provided a guarantee to a bank for a maximum amount of HK$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2-Capital Limited, a former jointly-controlled entity of the Group. The Company provided a counter-indemnity to E2-Capital for a maximum limit of HK$49,049,000, representing the Group's 34.3% shareholding in these companies as at the date of the banking facilities granted. As at 31 December 2007, there was no utilisation of such banking facilities by SBI E2-Capital Limited. In April 2008, the above guarantee and counter-indemnity were released.

SBI E2-Capital Limited provided a guarantee of HK$78,000,000 to a bank in respect of banking facilities for an independent third party. As at 31 December 2007, the Group held 49% interest in SBI E2-Capital Limited and shared the guarantee of HK$38,220,000. In 2008, the Group's entire interest in SBI E2-Capital Limited has been disposed of and therefore such guarantee has no longer been shared by the Group as at 31 December 2008.

In August 2005, E2-Capital provided a corporate guarantee to a bank for a maximum amount of S$25,000,000 plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favour of The Monetary Authority of Singapore ("MAS") for SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities", a subsidiary of SBI E2-Capital Limited) to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S$7,350,000, representing the Group's 29.4% shareholding in SECA Securities as at the date of the counter-indemnity, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee. Subsequently in January 2007, such counter-indemnity has been replaced by a new counter-indemnity for a lower maximum limit of S$3,716,000, representing the Group's 28.54% shareholding in SECA Securities as at the date of the new counter-indemnity, plus 28.54% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the new corporate guarantee provided by E2-Capital to the bank for a maximum amount of S$13,020,000. As at 31 December 2007, there was no utilisation of such new counter-indemnity. In April 2008, the above guarantee and new counter-indemnity were released.

The due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the total number of employees of the Group was 39. The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008, 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 provision A.4.1

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

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

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2008.

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 2008.

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

Hong Kong, 9 April 2009

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr Yang Yifei, Mr Sheng Yang, Mr Yu Chung Hang, Lucian, Ms Duan Xuzhen and Mr Guo Bao Ping; and two Non-executive Directors, namely Dato' Dr Wong Sin Just and Professor Wang Yongchang; and three Independent Non-executive Directors, namely Dr Li Yang, Mr Pang Wai Hong and Dr Li Wing Chiu.