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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

2014 FINAL RESULTS

The board of directors (the "Board" or the "Directors") of **China Renji Medical Group Limited** (the "Company") hereby presents the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	2	**85,385**	110,957
Cost of services and goods sold		**(18,245)**	(36,321)
Gross profit		**67,140**	74,636
Other gains and losses	4	**15,108**	20,410
Administrative expenses		**(66,244)**	(38,066)
Net gain on disposal of property, plant and equipment and intangible assets		**16,898**	—
Impairment loss on property, plant and equipment		**—**	(96,136)
Impairment loss on other intangible assets		**—**	(67,389)
Impairment loss on promissory note receivable		**—**	(480)
Share of results of associates		**(1,971)**	1,632
Share of results of joint venture		**(476)**	—
Loss on disposal of associates		**(60,960)**	—
Finance costs	5	**(8,995)**	(3,650)
Loss before taxation		**(39,500)**	(109,043)
Income tax	6	**(2,320)**	(7,452)
Loss for the year	7	**(41,820)**	(116,495)

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive (loss)/income			
Items that may be re-classified subsequently to profit or loss:			
Exchange differences in translating foreign operations		**(5,109)**	18,009
Other comprehensive (loss)/income for the year, net of tax		**(5,109)**	18,009
Total comprehensive loss for the year		**(46,929)**	(98,486)
Loss for the year attributable to:			
Owners of the Company		**(61,138)**	(122,665)
Non-controlling interests		**19,318**	6,170
		(41,820)	(116,495)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(63,291)**	(105,526)
Non-controlling interests		**16,362**	7,040
		(46,929)	(98,486)
Loss per share attributable to owners of the Company ***(HK cents)***	9		
— Basic (Restated)		**(7.00)**	(15.51)
— Diluted (Restated)		**(7.00)**	(15.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**26,409**	77,654
Land use right		**3,799**	3,904
Investment properties		**44,850**	—
Goodwill		**5,043**	—
Interest in associates		**—**	72,430
Other intangible assets		**5,422**	10,335
Available-for-sale financial assets		**264,602**	76,147
Long-term prepayments and deposits		**109,098**	52,478
		459,223	292,948
Current assets			
Land use right		**88**	89
Inventories		**6,222**	—
Trade receivables	10	**41,593**	52,308
Other receivables, prepayments and deposits		**133,498**	260,419
Available-for-sale financial assets		**34,806**	—
Financial assets at fair value through profit or loss		**38,033**	—
Amount due from a joint venture		**11,957**	—
Amount due from a non-controlling shareholder of a subsidiary		**—**	5,711
Cash and bank balances		**178,069**	83,767
		444,266	402,294
Current liabilities			
Trade and other payables	11	**45,095**	89,038
Amounts due to directors		**528**	15,594
Amounts due to non-controlling shareholders of a subsidiary		**4,500**	—
Tax payable		**12,547**	13,199
Borrowings		**109,704**	77,564
Guaranteed convertible note		**—**	1,000
Convertible bonds		**43,227**	—
		215,601	196,395
Net current assets		**228,665**	205,899
Total assets less current liabilities		**687,888**	498,847

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**68,764**	—
Convertible notes	**1,937**	—
Bonds payable	**20,018**	—
Promissory note	**9,922**	—
Deferred tax liabilities	**30**	533
	100,671	533
Net assets	**587,217**	498,314
CAPITAL AND RESERVES		
Share capital	**2,464,228**	1,354,511
Reserves	**(2,011,775)**	(945,938)
Equity attributable to owners of the Company	**452,453**	408,573
Non-controlling interests	**134,764**	89,741
Total equity	**587,217**	498,314

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Company's financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit it its investor(s) that the business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and,

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount and Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount and Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) — Int 21 Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure[1]
HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[5]
HKAS 1 (Amendments)	Disclosures Initiative[5]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[6]
HKAS 27 (Amendments)	Equity Method In Separate Financial Statements[5]
HKFRS 10, HKFRS 12 and HKAS 28 (2014) (Amendments)	Investment Entities: Applying the Consolidation Exception[5]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010 — 2012 Cycle[6]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011 — 2013 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 — 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identity the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for postemployment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

2. TURNOVER

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

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i)	Healthcare and well-being business	—	leasing and operation of medical equipment and provision of services on operation of medical equipment in The People's Republic of China (the "PRC");
		—	retail chain of optical and eye-care products and services in Hong Kong
(ii)	Investments management	—	investments in securities, capital/fixed assets and distressed assets

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2014

	Healthcare and well-being business *HK$'000*	**Investments management** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
External sales	**85,385**	**—**	**85,385**
Segment revenue	**85,385**	**—**	**85,385**
Segment results	**56,119**	**(25)**	**56,094**
Other gains and losses			**15,108**
Central administration costs			**(38,300)**
Loss on disposal of associates			**(60,960)**
Share of results of associates			**(1,971)**
Share of results of joint ventures			**(476)**
Finance costs			**(8,995)**
Loss before taxation			**(39,500)**
Income tax			**(2,320)**
Loss for the year			**(41,820)**

For the year ended 31 December 2013

	Healthcare and well-being business *HK$'000*	Consolidated *HK$'000*
Segment revenue		
External sales	110,957	110,957
Segment revenue	110,957	110,957
Segment results	(109,744)	(109,744)
Other gains and losses		20,410
Central administration costs		(17,211)
Impairment loss on promissory note receivables		(480)
Share of results of associates		1,632
Finance costs		(3,650)
Loss before taxation		(109,043)
Income tax		(7,452)
Loss for the year		(116,495)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

Segment results represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, loss on disposal of associates, share of results of joint venture, other gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

31 December 2014

	Healthcare and well-being business ***HK$'000***	**Investments management** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**605,126**	**117,689**	**722,815**
Unallocated			**180,674**
Consolidated assets			**903,489**
Segment liabilities	**20,988**	**57,926**	**78,914**
Unallocated			**237,358**
Consolidated liabilities			**316,272**

31 December 2013

	Healthcare and well-being business *HK$'000*
Segment assets	551,495
Unallocated	143,747
Consolidated assets	695,242
Segment liabilities	8,222
Unallocated	188,706
Consolidated liabilities	196,928

Other segment information

For the year ended 31 December 2014

	Healthcare and well-being business ***HK$'000***	**Investments management** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Additions to non-current assets	**1,498**	—	**1,251**	**2,749**
Amortisation of land use right	**88**	—	—	**88**
Amortisation of other intangible assets	**1,542**	—	—	**1,542**
Depreciation of property, plant and equipment and jointly-controlled assets	**8,193**	—	**277**	**8,470**
Gain on disposal of a subsidiary	**1,304**	—	—	**1,304**
Revaluation gain on investment properties	—	**3,535**	—	**3,535**
Net gain on disposal of property, plant and equipment	**16,909**	—	**(11)**	**16,898**
Write-off of property, plant and equipment	—	—	**259**	**259**
Unrealised gains arising on change in fair value of financial assets designated as at fair value through profit or loss	—	—	**30**	**30**
Loss on redemption of promissory note	—	—	**1,608**	**1,608**
Loss on redemption of convertible notes	—	—	**23**	**23**
Write-off of property, plant and equipment	—	—	**259**	**259**
Waiver of loan interest payable	—	—	**789**	**789**

For the year ended 31 December 2013

	Healthcare and well-being business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	23,451	3	23,454
Amortisation of leasehold land	87	—	87
Amortisation of other intangible assets	8,930	—	8,930
Depreciation of property, plant and equipment and jointly-controlled assets	21,640	383	22,023
Write-off of property, plant and equipment	—	2	2
Impairment loss on property, plant and equipment		—	96,136
Impairment loss on intangible assets		—	67,389
Impairment loss on goodwill		—	480

Geographical information

The Group operates in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations are detailed below:

	2014 ***HK$'000***	2013 *HK$'000*
Hong Kong	**2,390**	—
PRC	**82,995**	110,957
	85,385	110,957

The Group's information about its non-current assets* by location of assets are detailed below:

	2014 ***HK$'000***	2013 *HK$'000*
Hong Kong	**404,504**	530
PRC	**54,719**	219,988
	459,223	220,518

Information about major customers

For the year ended 31 December 2014, included in revenue arising from healthcare and well-being business of HK$85,385,000 (2013: HK$110,957,000) are revenue generated from three (2013: four) customers amounting to approximately HK$67,225,000 (2013: HK$95,256,000) and each of these three customers has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue of the years ended 31 December 2014 and 2013.

Revenue from major customers is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Customer A	**41,597**	51,788
Customer B	**14,647**	17,562
Customer C	**10,981**	13,753
Customer D	**—**	12,153

4. OTHER GAINS AND LOSSES

	2014 *HK$'000*	2013 *HK$'000*
Interest income on:		
Bank balances	**925**	1,871
Promissory note receivable	**—**	2
	925	1,873
Exchange gain, net	**10,029**	18,390
Unrealised gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**30**	—
Gain on disposal of a subsidiary	**1,304**	—
Gain arising from change in fair value of investment properties	**3,535**	—
Loss on redemption of convertible note	**(23)**	—
Loss on redemption of promissory note	**(1,608)**	—
Write-off of property, plant and equipment	**(259)**	(2)
Waiver of loan interest payable	**789**	—
Others	**386**	149
	15,108	20,410

5. FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**1,881**	—
Loans from a former intermediate holding company and a former fellow subsidiary		
— wholly repayable within five years	**—**	2,283
— not wholly repayable within five years	**2,076**	—
Imputed interest on purchase consideration payable	**594**	1,317
Guaranteed convertible notes	**195**	50
Convertible notes	**902**	—
Bonds payable	**416**	—
Promissory note	**2,931**	—
	8,995	3,650

6. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
PRC Enterprise income tax	**2,864**	12,713
Deferred taxation	**(544)**	(5,261)
Tax charge for the year	**2,320**	7,452

No Hong Kong profits tax has been provided as the Group did not have assessable profits arising in Hong Kong during the year (2013: HK$ Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC Enterprise income tax rate is 25% for the years ended 31 December 2014 and 2013.

7. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**8,315**	19,812
Depreciation of jointly-controlled assets	**155**	2,211
Amortisation of other intangible assets included in cost of services	**1,542**	8,930
Amortisation of land use right	**88**	87
Total depreciation and amortisation	**10,100**	31,040
Auditors' remuneration	**980**	1,000
Cost of inventories recognised as expenses	**1,050**	—
Impairment loss on property, plant and equipment	**—**	96,136
Impairment loss on other intangible assets	**—**	67,389
Impairment loss on promissory note receivable	**—**	480
Loss on disposal of associates	**60,960**	—
Share of results of joint venture	**476**	—
Share of results of associates	**1,971**	(1,632)
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**29,827**	19,241
— equity-settled share-based payment	**10,109**	—

8. DIVIDEND

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: HK$ Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

Loss

	2014	2013
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(61,138)**	(122,665)

Number of shares

	2014	2013
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**873,630**	791,057

The number of ordinary shares adopted in the calculation of the basic and diluted earnings/(loss) per share for the years ended 31 December 2014 and 2013 has been adjusted to reflect the impact of the share consolidation, issue of shares pursuant to rights issue and exercise of unlisted warrants effected during the respective reporting periods. The number of ordinary shares in 2013 has also been restated to reflect the impact of share consolidation and issue of shares pursuant to rights issue on a retrospective basis.

The effect of the convertible notes and share options was not included in the calculation of diluted loss per share for the years ended 31 December 2014 and 2013 as they have an anti-dilutive effect on the basic loss per share of the Company during the respective reporting periods.

10. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**41,593**	52,308

The Group generally allows an average credit period of 180 days (2013: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by due date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	2014	2013
	HK$'000	*HK$'000*
0–180 days (neither past due nor impaired)	**24,838**	52,308
181–270 days (1 to 3 months past due)	**9,212**	—
271–365 days (4 to 6 months past due)	**7,543**	—
	41,593	52,308

11. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**5,189**	—
Provision for clawback of fund performance fee	**8,915**	8,915
Purchase consideration payable	**—**	57,115
Amounts due to former directors of a subsidiary	**2,257**	—
Provision for long service payment	**537**	—
Other payables	**28,197**	23,008
	45,095	89,038

The following is an analysis of trade payables by age based on invoice date.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**3,027**	—
31–60 days	**674**	—
61–90 days	**413**	—
Over 90 days	**1,075**	—
	5,189	—

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE FINAL RESULTS

The Group is principally engaged and invests in healthcare and well-being business. During the year ended 31 December 2014, the Group extended its healthcare and well-being business from investment in and operation of a network of medical centres specialising in the diagnosis and treatment of tumours and related diseases in the PRC to a retail chain of optical products and eye-care services under the brand name "Hong Kong Optical" in Hong Kong as well as investment and asset management business (investment in securities, fixed/capital assets and distressed assets). In August 2014, the Group further extended its healthcare and well-being business and entered into a sale and purchase agreement for acquisition of 55% of the Megafit Group (as detailed below).

Turnover

For the year ended 31 December 2014, the Group's turnover amounted to HK$85.4 million (2013: HK$111.0 million) comprised of income of HK$83.0 million derived from the leasing of medical equipment and provision of consultancy services and HK$2.4 million from the sale of optical products and provision of eye-care services. When compared with the year ended 31 December 2013, the Group's turnover for the year ended 31 December 2014 declined by 23.1% due to the cessation of business operations of certain medical centres of the Group resulted from receipt of termination notices in 2013 regarding the existing cooperation arrangement as well as the disposal of the Group's interest in certain radiosurgery equipment during the year. The Group's optical and eyecare business started to contribute to the Group's revenue following completion of the acquisition of the optical business in November 2014.

Gross profit

For the year ended 31 December 2014, the Group recorded gross profit of HK$67.1 million (2013: HK$74.6 million) at a gross profit margin of 78.6% (2013: 67.3%) from its healthcare and well-being business. The increase in gross profit was mainly attributable to the decrease in depreciation and amortisation expenses of the relevant medical assets (including plant and equipment and intangible assets) resulted from the impairment provisions made during the year ended 31 December 2013.

Loss for the year

The Group's loss for the year narrowed substantially from HK$116.5 million for the year ended 31 December 2013 to HK$41.8 million. The loss was mainly due to the decrease in turnover resulting from the cessation of business operations of certain medical centres, the one-off loss on disposal of associates and the increase in administrative expenses resulting from, among other things, the commission expenses paid to the underwriter and the placing agent for the fund raising activities carried out by the Group during the year and the increase in employee related expenses due to the granting of share options under Company's share option scheme. As a result, the loss attributable to owners of the Company for the year ended 31 December 2014 amounted to HK$61.1 million (2013: HK$122.7 million).

Basic and diluted loss per share for the year was approximately HK7.00 cents (2013: HK15.51 cents).

BUSINESS REVIEW

During the year ended 31 December 2014, the Group's income was mainly derived from the leasing of medical equipment and provision of consultancy services under its network of medical centres. The medical centres of the Group are established with hospital and/or business partners of the Group through arrangements that (i) the Group's hospital partners provide premises for the underlying medical centres; (ii) the Group provides medical equipment to these medical centres through long-term leasing arrangement; and (iii) the Group and/or its business partners provide management services to these medical centres. However, as reiterated in the Company's annual reports for the years ended 31 December 2012 and 2013, such business model of the Group is subject to challenges if the relevant health departments/authorities have different interpretations on the compliance with the relevant rules and regulations in respect of the Group's above-mentioned business arrangement with the hospital partners.

The operating environment of the Group's medical network business had been and remained difficult and challenging for the year ended 31 December 2014. During 2013, the National Health and Family Commission of the PRC launched a program (the "Program") for strengthening the management of the PRC's hospitals and rectifying their non-compliance operations, including the rental/contract-out arrangement of medical departments. Given that the Group's leasing of medical equipment and provision of management services are made to the Group's medical centres located in the premises of the hospitals, it has appeared that following the promulgation of the Program, there has been an increasing trend that different local administrative departments/authorities hold different views on the substance of the above-mentioned leasing and management arrangement and interpret such arrangement as "renting/contracting out" of medical departments by hospitals. The Program had resulted in the Group's receipt of notices of termination regarding the existing cooperation arrangement in respect of certain medical centres of the Group in 2013. Under the Program, there had been internal reporting exercises by the hospitals in the PRC in 2013 and 2014 to audit and report their non-compliance operations (if any) to their supervising authorities. However, since the beginning of 2015, there have been national-wide internal audit measures for the hospitals in the PRC by the relevant government authorities under both the Program and the central government's anti-corruption efforts for purpose of auditing and recording non-compliance operations of the hospitals (if any). The increased risk of the Group's business model being interpreted as not in compliance with the relevant rules and regulations of the PRC has continued to dampen the working relationship with the Group's hospital/business partners. On one hand, this difficult legal and operating environment faced by the Group keeps casting uncertainty on the business performance of the medical centres of the Group; on the other hand, the Group is obliged to continue to maintain, upgrade and make new investments in the medical equipment as required by the hospital partners. In view of the above, the management of the Group has, during the year, looked for opportunities to reduce its business risk in association with the medical network business and its reliance on such business segment through disposal of 20% equity interest in its medical network business and disposal of the Group's interest in certain radiosurgery systems. It is anticipated that the Group will continue to take actions to reduce its business risk and reliance on the medical network business.

As an effort to rebalance its healthcare and well-being business portfolio, the management of the Group has proactively taken steps to establish a solid business foundation towards its long term business goal of becoming an integrated healthcare and well-being services provider. In August 2014, the Group, through a joint venture (the "Fitness JV") with its equity interest being owned as to 80% by the Group and 20% by a company whose shareholders have business experience in the sports and fitness industry, entered into a sale and purchase agreement for the acquisition (the "Megafit Acquisition") of a 55% equity in a group (the "Megafit Group") engaged in the management and operation of a chain of sports and fitness centres in the PRC under the brand name of "MEGAFIT".

It is anticipated that following completion of the Megafit Acquisition, the revenue of the Group will be significantly increased. The Megafit Acquisition is expected to be completed in the second quarter of 2015.

In November 2014, the Company entered into a subscription agreement with Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang", or together with its subsidiary, the "Rui Kang Group") to subscribe for 257,812,500 new shares of Rui Kang (the "Rui Kang Subscription") for a consideration of HK$33 million. Rui Kang, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, is principally engaged in the manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong. The Rui Kang Subscription set ground for strategic cooperation between the Group and the Rui Kang Group, which was completed in January 2015 and the Company has become the single largest shareholder of Rui Kang.

In February 2015, the Rui Kang Group entered into a subscription agreement with the Group to subscribe (the "Rui Kang JV Subscription") for new shares of a special purpose vehicle (the "Rui Kang JV") for a consideration of HK$4.83 million. Following completion of the Rui Kang JV Subscription, the Group and the Rui Kang Group will be interested in 77% and 23% equity interest in the Rui Kang JV, respectively, and the Rui Kang JV in turn will eventually hold 60% equity interest of the Fitness JV. It is anticipated that the Rui Kang JV Subscription will allow the Megafit Group to leverage on the Rui Kang Group's expertise to complement its services and product offering.

In November 2014, the Group extended its business further to eyecare products and services and entered into a share subscription agreement with Hong Kong Optical Company Limited ("Hong Kong Optical"), a company engaged in the operation and management of a well-known retail chain of optical products and eye-care services under the brand name of "Hong Kong Optical" in Hong Kong, to subscribe for new shares (representing 52% equity interest) of the Company for a consideration of HK$2.54 million. The transaction was completed in November 2014.

In December 2014, the Group further extended its healthcare and well-being business and entered into a sale and purchase agreement in respect of the acquisition of an effective interest of 12.5% in a development project comprising serviced apartments, tourist facilities, elderly care and rehabilitation facilities in Fujian Province, the PRC for a consideration of RMB75 million.

As part of its effort to realign its financial resources and management focus, the Group entered into a sale and purchase agreement during the year to dispose of its entire equity interest in an associate engaged in the design, manufacture and sale of household products.

EVENTS AFTER THE REPORTING PERIOD

Completion of tranche two convertible bonds

The Company and a placing agent entered into a placing agreement in October 2014 for the placing of two tranches of convertible bonds in the aggregate principal amount of HK$86.6 million bearing an interest rate of 8% and maturing in one year. The first tranche of convertible bonds in the principal amount of HK$43.3 million was completed in October 2014 and the second tranche of the convertible bonds in the principal amount of HK$43.3 million was completed in January 2015.

Completion of the Rui Kang Subscription

The Rui Kang Subscription was completed in January 2015.

The Rui Kang JV Subscription

As mentioned above, in February 2015, the Rui Kang Group entered into a subscription agreement with the Group in respect of the Rui Kang JV Subscription.

PROSPECTS

Looking forward, the Group will continue to formulate strategies to strengthen its overall competitiveness and financial condition including investments in potential opportunities in the healthcare and well-being and other sectors.

FINANCIAL REVIEW

Liquidity and financial resources

During the year ended 31 December 2014, the Group's major financial resources were derived from borrowings, proceeds from the issue of new shares and convertible bonds of the Company and cash generated from operating activities of HK$15.9 million (2013: HK$64.0 million). The net cash generated from operating activities was derived primarily from cash proceeds received from the Group's healthcare and well-being business.

For the year ended 31 December 2014, the net cash used in investing activities amounted to HK$116.4 million (2013: HK$97.7 million) and the net cash generated from financing activities amounted to HK$199.1 million (2013: HK$ Nil). The net cash outflow used in investing activities mainly comprised the amount paid for the investment in medical projects which was classified into available-for-sale financial assets in the Group's statement of financial position.

As a result of the cumulative effect described above, the Group recorded for the year ended 31 December 2014 a net cash inflow of HK$98.7 million (2013: outflow of HK$34.0 million).

As at 31 December 2014, the Group maintained bank balances and cash amounting to HK$178.1 million (2013: HK$83.8 million).

As at 31 December 2014, the Group's total borrowings amounted to HK$253.6 million (2013: HK$78.6 million) which included borrowings of HK$178.5 million (2013: HK$77.6 million), convertible bonds/notes of HK$45.2 million (2013: Nil), bond/note payable of HK$29.9 million (2013: HK$1 million). Borrowings of HK$152.9 million were repayable within one year (2013: HK$78.6 million).

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

As at 31 December 2014, the Group's net asset value was HK$587.2 million (2013: HK$498.3 million) with a liquidity ratio (calculated on the basis of the Group's current assets to current liabilities) of 2.06 times (2013: 2.05 times). The Group's gearing ratio (calculated on the basis of the Group's total borrowings to the total equity attributable to the owners of the Company) was 56.1% (2013: 19.2%).

Capital structure

For the year ended 31 December 2014, the Group generally finances its operations with internally generated resources, proceeds raised from the issue of new shares and convertible bonds of the Company and borrowings. As at 31 December 2014, the total number of issued shares of the Company had been increased to 1,117,133,439 shares.

Issue of convertible notes

In April 2014, the Company entered into the subscription agreements with subscribers in respect of the issue of convertible notes with an aggregate principal amount of HK$10 million bearing an interest rate of 5% and maturing in 2017. Holders of the convertible notes are entitled to convert the outstanding convertible notes into new shares of the Company at the conversion price of HK$0.66 (as adjusted by the share consolidation of the Company which became effective in April 2014 and the Rights Issue (as defined below)).

Issue of new shares pursuant to the exercise of warrants

As disclosed in the Company's circular dated 24 December 2013, the Company entered into the warrant subscription agreements with Mr. Chan Ka Chung ("Mr. Chan"), an executive director of the Company, for the subscription of two tranches of unlisted warrants of 67,500,000 each. During 2014, Mr. Chan fully exercised the subscription rights attached to the first tranche of the warrants to subscribe for 67,500,000 new shares of the Company at the subscription price of HK$0.44 each.

Rights issue

In August 2014, the Company announced to conduct a rights issue on the basis of one rights share for every two existing shares in issue held on the record date at the subscription price of HK$0.27 per rights share (the "Rights Issue"). The Rights Issue was completed in October 2014 and a total of 372,377,813 rights shares were allotted and issued and the net proceed after deduction of expenses from the Rights Issue was HK$96 million.

Issue of the convertible bonds

Please refer to the paragraph headed "Completion of tranche two convertible bonds" above.

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 and Hong Kong dollar. 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, the Group does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

Charge on assets

As at 31 December 2014, an investment property with carrying value of HK$44.9 million (2013: HK$Nil) of the Group was pledged to a financial institution to secure borrowings of HK$32.0 million (2013: HK$Nil) of the Group.

CONTINGENCIES

No provision in respect of contingencies would need to be made in the consolidated financial statements of the Group for the year ended 31 December 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the total number of employees of the Group was approximately 120. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. During the year ended 31 December 2014, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for none of the existing non-executive Directors being appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

AUDIT COMMITTEE

The principal responsibilities of the Audit Committee of the Company include: to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors; to review and monitor the external auditors' independence and objectivity; to develop and implement policy on the engagement of the external auditors to supply non-audit services; to monitor integrity of the interim and annual financial statements, interim and annual reports and accounts; to review significant financial reporting judgments particularly on any changes in accounting policies and practices; to ensure that management has discharged its duty to have an effective internal control system and to consider any findings of major investigations of internal control matters; to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial statements or systems of control and management's response. The final results of the Group for the year ended 31 December 2014 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 enquiry of all Directors, each of them has confirmed that he/she had complied with the required standards as set out in the Model Code during the year ended 31 December 2014.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2014 will be despatched to shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinarenji.com) as soon as practicable.

By Order of the Board of
China Renji Medical Group Limited
CHAN KA CHUNG
Chairman

Hong Kong, 24 March 2015

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chan Ka Chung, Dr. Hui Ka Chun, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and four independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezhen, Mr. Lam Chun Ho and Ms. Wu Yan.