

STARBOW HOLDINGS LIMITED

星虹控股有限公司*

(Incorporated in Bermuda with limited liability)

05

Interim Report

* For identification purpose only

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chi Chi Hung, Kenneth

Mr. Wong Hin Shek, Hans

Independent Non-executive Directors

Mr. Lau Man Tak

Mr. Chun Jay

Mr. Chan Chi Yuen

Company Secretary

Mr. Chi Chi Hung, Kenneth

Audit Committee

Mr. Lau Man Tak

Mr. Chun Jay

Mr. Chan Chi Yuen

Auditors

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31st Floor, Gloucester Tower,

The Landmark

11 Pedder Street, Central

Hong Kong

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head Office and Principal Place of Business

Unit 905

9/F Asia Orient Tower

Town Place

33 Lockhart Road

Wanchai, Hong Kong

Principal Bankers

Wing Hang Bank, Ltd.

DBS Bank (Hong Kong) Limited

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

MANAGEMENT COMMENTARY

The Board of Directors of Starbow Holdings Limited (“the Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2005, together with the comparative figures for the corresponding period in 2004. These unaudited interim results have not been audited by the Company’s auditors, but have been reviewed by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The unaudited net loss of the Group for the six months ended 30 September 2005 amounted to approximately HK\$5,454,000 which was HK\$11,043,000 less than that of the corresponding period of last year. During the interim period, the Group is mainly engaged in the manufacturing business which was not performing well. The Group is seeking different measures, such as to explore new markets and product lines, and to review the production efficiency, so as to improve the overall performance of the business.

Future Business Prospects and Plans

In addition to continuing its effort on the business of the manufacturing and sales of garment and securities trading, the Group has been actively seeking opportunities in potential developments in other businesses. In December, 2005 the Group entered into a conditional convertible notes subscription agreement with a reputable medical group in Hong Kong, a conditional share subscription agreement and a conditional share placing agreement to raise new sources of funds. The proceeds will be used for the establishment of a new centre for the provision of health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services (the “Health Check Centre”) in Hong Kong (Please refer to announcement of the Company dated 9 December 2005 for the details of the convertible notes subscription agreement).

The Health Check Centre will be a one-stop health check center to provide from ordinary laboratory testing to advanced diagnostic health check services. It also provides comfortable place for day care observation and deluxe rooms for health care talks. The Health Check Centre will be equipped with advanced health check and diagnostics imaging machines such as 3T MRI System, 64 CT Scanner, PET/CT Scanner, etc.

After the outbreak of the SARS epidemic in 2003, the general public has increased the health consciousness and is willing to spend more on health precaution and medical treatment. Especially for the health check services, the public medical sector could only provide limited services to the general public. Most of the health check exercises have to be performed by the private medical sector. This results in a significant demand and prosperous market for health check services in the private medical sector in Hong Kong. The successful establishment of the Health Check Centre will surely bring in new driving force and meaningful contribution to the Group's operation.

Liquidity, Financial Resources and Funding

As at 30 September 2005, shareholders' fund and net current assets of the Group amounted to approximately HK\$15,358,000 and HK\$13,471,000 respectively. On the same date, the Group had cash and bank balance of approximately HK\$846,000. The Group's gearing ratio, calculated on the basis of the Group's total liabilities over total shareholders' funds as at 30 September 2005 is 2.49.

Owing to the continuous losses incurred by the Group, the Group experienced shortage of working capital to run its operation. To alleviate the tight liquidity position faced by the Group, in December 2005, the Group entered into a few fund raising agreements, including a conditional share subscription agreement, a conditional share placing agreement, a conditional convertible notes subscription agreement and convertible notes placing agreement, further details of which are set out in the announcement of the Company dated 9 December 2005.

Significant Investments and Material Acquisitions/Disposals

There is no significant investment and material acquisition/disposal made during the reporting period.

Employees

The Group employed approximately 3 staff in Hong Kong and approximately 150 staff in the PRC at the interim reporting date.

Total staff cost (excluding directors' emoluments) amounted to approximately HK\$533,000 for the period under review. The Group's remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on annual basis based on performance appraisals and other relevant factors.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

(I) Interest and short positions in shares and underlying shares of the Company

At 30 September 2005, none of the directors or chief executives, nor their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(II) Share options

The Company adopted a share option scheme on 17 November 2003, for the primary purpose of providing incentives to directors and eligible grantees. Under the share option scheme, the Company may grant options to eligible grantees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options were granted, exercised, cancelled or lapsed under the share option scheme during the six months ended 30 September 2005.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shareholders	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Wong King Shiu, Daniel	Beneficial owner	90,306,000 Shares	10.23%
Great Sense Limited (<i>Note (1)</i>)	Beneficial owner	87,460,000 Shares	9.91%
Tsang Chiu Ming	Held by controlled corporation	87,460,000 Shares	9.91%

Note:

1. *Great Sense Limited is wholly owned by Tsang Chiu Ming and Tsang Chiu Ming is accordingly taken to have an interest in the 87,460,000 Shares in which Great Sense Limited is interested under the SFO.*

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2005.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2005, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with C.3.3 as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises three members namely Mr. Lau Man Tak, Mr. Chun Jay and Mr. Chan Chi Yuen who are independent non-executive directors of the Company.

Remuneration Committee

According to the code provision B.1.1 of the Code, the Company should establish a remuneration committee with a majority of the members thereof being independent non-executive directors. It is scheduled that the remuneration committee will be formed prior to 31 March 2006. A specific written terms of reference which deal clearly with the authority and duties of the remuneration committee will be adopted in accordance with the requirements as set out in the code provision B.1.3 of the Code.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on terms no less exacting than the required standards of the model code for securities transactions by Directors set out in Appendix 10 of the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out therein.

Compliance with the Code on Corporate Governance Practices

None of the Directors is aware of any information that would reasonably indicate that the Group is not, or was not for any part of the accounting period covered by this interim results announcement in compliance with the code provisions of the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except the following:

1. The Board is in the opinion that Mr. Chi Chi Hung, Kenneth assumes the roles of both Chairman and chief executive officer of the Company due to his strong leadership and management experience.
2. The independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-law.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgemental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 September 2005.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2005 interim report which sets out all the information required by paragraphs 46(1) to (6) inclusive in Appendix 16 of the Listing Rules will be available for publication on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	<i>Notes</i>	Six months ended 30 September	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover	4	1,698	3,064
Cost of sales		(1,458)	(3,680)
Gross profit/(loss)		240	(616)
Other operating income		20	2,572
Unrealised holding loss on other investments		(2,140)	(6,883)
Administrative and operating expenses		(1,915)	(10,206)
Loss from operations	5	(3,795)	(15,133)
Finance costs		(1,651)	(1,364)
Loss from ordinary activities before taxation		(5,446)	(16,497)
Income tax	6	(8)	–
Loss from ordinary activities after taxation		(5,454)	(16,497)
Minority interests		–	–
Net loss for the period		(5,454)	(16,497)
Loss per share			
Basic	8	(0.62) cents	(2.24) cents
Diluted	8	(0.60) cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2005

	Notes	30 September 2005 (unaudited) HK\$'000	31 March 2005 (audited) HK\$'000
Non-current asset			
Tangible fixed assets		8,962	10,991
Current assets			
Inventories		–	6
Trade and other receivables	9	28,533	41,859
Financial assets at fair value through profit or loss		15,290	17,430
Cash and cash equivalents		846	2,146
		44,669	61,441
Less: Current liabilities			
Trade and other payables	10	3,946	4,749
Amount due to a director	11	–	23
Short-term borrowings	12	27,252	46,848
		31,198	51,620
Net current assets		13,471	9,821
Total assets less current liabilities		22,433	20,812
Less: Non-current liabilities			
Long-term borrowings	12	7,075	–
Net assets		15,358	20,812
Capital and reserves			
Share capital	13	8,829	8,829
Reserves		6,529	11,983
Shareholders' funds		15,358	20,812

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
As at 1 April 2004	73,580	270,774	861	110,578	(412,636)	43,157
Adjustments arising from the capital reduction	(66,222)	-	-	66,222	-	-
Adjustments arising from share premium cancellation	-	(270,774)	-	270,774	-	-
Transfer to set off accumulated losses	-	-	-	(412,636)	412,636	-
Net loss for the period	-	-	-	-	(16,497)	(16,497)
As at 30 September 2004	7,358	-	861	34,938	(16,497)	26,660
Adjustments arising from share premium cancellation	-	(444)	-	444	-	-
Transfer to set off accumulated losses	-	-	-	(136,468)	136,468	-
New issue of shares by way of private placement in November 2004	1,471	5,150	-	-	-	6,621
Share issue expenses	-	(197)	-	-	-	(197)
Net loss for the period	-	-	-	-	(12,272)	(12,272)
As at 31 March 2005	8,829	4,509	861	(101,086)	107,699	20,812
Net loss for the period	-	-	-	-	(5,454)	(5,454)
As at 30 September 2005	8,829	4,509	861	(101,086)	102,245	15,358

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Net cash generated from/(used in) operating activities	11,301	(18,640)
Net cash from investing activities	–	140
Net cash (used in)/generated from financing activities	(12,601)	4,057
Net decrease in cash and cash equivalents	(1,300)	(14,443)
Cash and cash equivalents at 1 April	2,146	15,157
Cash and cash equivalents at 30 September representing cash and bank balances	846	714

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

(EXPRESSED IN HONG KONG DOLLARS)

1. Basis of Preparation and Accounting Policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 March 2006 including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. Changes in Accounting Policies

(a) Effect of adopting new HKFRS

For the six months ended 30 September 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The 2004 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures;
- HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36 and 37 had no material effect on the Group's policies;
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and loans and receivables.

As from 1 January 2005, in accordance with HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets” and “loans and receivables”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value with changes in fair values recognised in the income statement and equity respectively. “Loans and receivables” consist of secured margin or term loans and other trade receivables. Secured margin or term loans are recognised and carried at original contract note or drawdown amount less an allowance for any uncollectible amounts after taking into account the value of each client account’s underlying collateral. Other trade receivables are measured at amortised cost using the effective interest method.

Until 31 March 2005, investment in securities of the Group were classified as “other investments”. They were stated at fair value or estimated fair value at the balance sheet date. Any unrealised gains less losses arising from the valuation of “other investments” at the balance sheet date were dealt with in the income statement. Upon the adoption of HKAS 32 and HKAS 39, the Group’s investment in securities was redesignated as financial assets at fair value through profit or loss as effective from 1 April 2005. The adoption of HKAS 39 has had no material effect on the Group’s retained earnings.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In accordance with the transitional provision of HKFRS 2, share options granted after 7 November 2002 and were unvested on 1 April 2005 were expensed retrospectively in the income statement of the respective periods. As at 1 April 2005, the Group had no option granted after 7 November 2002 which remain unvested.

HKFRS 3 applies to accounting for business combination for which the agreement date is on or after 1 January 2005. The adoption of HKFRS 3 has had no material effect on the Group’s results.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 April 2005; and
- HKFRS 3 – prospectively after the adoption date.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and fair value interest rate risk.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from the exposure of various currency against Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure the sales of products are made to customers with an appropriate credit history.

(c) Fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. At the period end, all borrowings were at fixed rates.

4. Segment Information

Business segments	Turnover Six months ended 30 September		Segment result Six months ended 30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Manufacture and sales of garment	1,698	1,848	240	(8,248)
Securities investment	–	1,216	(2,140)	(7,387)
	1,698	3,064	(1,900)	(15,635)
Unallocated corporate expenses and income			(1,895)	502
Loss from operations			(3,795)	(15,133)
Geographical segments				
Hong Kong and Mainland China	1,698	3,064	(3,795)	(15,133)

5. Loss from Operations

	Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Loss from operations is stated after charging:		
Depreciation of owned tangible fixed assets	508	883
Depreciation of tangible fixed assets held under hire-purchase contracts	–	25
Impairment on tangible fixed assets	–	7,332
Provision for doubtful debts	118	–

6. Income Tax

No provision for Hong Kong profits tax has been made as there was no assessable profit derived from or arising in Hong Kong for the period (30 September 2004: Nil).

The PRC income tax is calculated at the applicable rate on the assessable profits arising in the PRC for the period (30 September 2004: Nil).

A deferred tax asset has not been recognised in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised.

7. Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2005 (30 September 2004: Nil).

8. Loss Per Share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$5,454,000 (30 September 2004: HK\$16,497,000) and on the weighted average of 882,936,853 (30 September 2004: 735,796,853) shares in issue during the period.

Diluted loss per share is based on 901,594,493 ordinary shares which is the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of the vested options outstanding during the period.

No diluted loss per share has been presented for the period ended 30 September 2004 as there are no dilutive potential ordinary shares in issue.

9. Trade and Other Receivables

Included in trade and other receivables are trade debtors and their ageing analysis as at 30 September 2005 is as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Trade receivables, with ageing analysis:		
0 – 60 days	175	508
61 – 90 days	5	70
Over 90 days	124	80
Total trade receivables (<i>Note (i)</i>)	304	658
Other debtors, deposits and prepayments (<i>Note (ii)</i>)	28,229	41,201
	28,533	41,859

Notes:

- (i) Credit is offered to customers following financial assessment and based on established payment record. Credit limits are set for individual customers and these are exceeded only with the approval of senior officials of the Group. Senior staff of the Group monitor trade debts and follow up collections periodically. General credit terms are payment by the end of the month following the month in which sales took place.
- (ii) Included in other debtors, deposits and prepayments as at 30 September 2005 is an amount of approximately HK\$26,412,000 (at 31 March 2005: HK\$41,005,000) due from 上海凱托集團有限公司, an independent third party. The amount is unsecured, interest-free and due for repayment before the end of the year 2005. The Directors consider that the amount to be fully recoverable, no provision has been made as at 30 September 2005.

10. Trade and Other Payables

Included in trade and other payables are trade creditors and their ageing analysis as at 30 September 2005 is as follows:

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Trade payables, with ageing analysis:		
0 – 60 days	172	72
61 – 90 days	–	34
Over 90 days	813	1,542
Total trade payables	985	1,648
Other payables and accruals	2,961	3,101
	3,946	4,749

11. Amount due to a Director

The amount due was unsecured, interest-free and had no fixed term of repayment.

12. Short-term and Long-term Borrowings

	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Bank loans (<i>Note (i)</i>)	34,097	46,698
Other loan (<i>Note (ii)</i>)	230	150
	34,327	46,848
As at 30 September 2005, the borrowings were repayable as follows:		
Not wholly repayable within five years	–	–
Wholly repayable within five years	34,327	46,848
	34,327	46,848
<i>Less:</i> Amount repayable within one year	(27,252)	(46,848)
	7,075	–

Notes:

- (i) The bank loans included (a) an amount of RMB10,000,000 (equivalent to approximately HK\$9,434,000) which is unsecured, interest bearing at 6.696% per annum and repayable in June 2006; (b) an amount of RMB10,000,000 (equivalent to approximately HK\$9,434,000) which is unsecured, interest bearing at 6.696% per annum and repayable in August 2006; (c) an amount of RMB8,643,000 (equivalent to approximately HK\$8,154,000) which is unsecured, interest bearing at 5.742% per annum and repayable in June 2006; and (d) an amount of RMB7,500,000 (equivalent to approximately HK\$7,075,000) which is unsecured, interest bearing at 5.742% per annum and repayable in December 2006.
- (ii) The other loan is unsecured, interest free and repayable on demand.

13. Share Capital

	Number of shares		Total value	
	30 September 2005 (‘000)	31 March 2005 (‘000)	30 September 2005 HK\$’000	31 March 2005 HK\$’000
Authorised: Ordinary shares of HK\$0.01 each				
At beginning of period/year	30,000,000	30,000,000	300,000	300,000
Capital reduction (<i>Note (a)</i>)	-	-	-	(270,000)
Share subdivision (<i>Note (a)</i>)	-	27,000,000	-	270,000
Share consolidation (<i>Note (a)</i>)	-	(27,000,000)	-	-
At end of period/year	30,000,000	30,000,000	300,000	300,000
Issued and fully paid: Ordinary shares of HK\$0.01 each				
At beginning of period/year	882,937	7,357,969	8,829	73,580
Capital reduction (<i>Note (a)</i>)	-	-	-	(66,222)
Share consolidation (<i>Note (a)</i>)	-	(6,622,172)	-	-
New issue of shares by way of private placement in November 2004 (<i>Note (b)</i>)	-	147,140	-	1,471
At end of period/year	882,937	882,937	8,829	8,829

Notes:

(a) Pursuant to the resolutions passed by the shareholders of the Company at a special general meeting held on 3 May 2004, it was resolved that:

- (i) the nominal value of all issued shares of the Company of HK\$0.01 each was reduced by HK\$0.009 each by canceling an equivalent amount of paid up capital per share so that the nominal value of each share was reduced from HK\$0.01 to HK\$0.001 (“Capital Reduction”) resulting in the reduction of issued share capital of the Company by approximately HK\$66,222,000 from HK\$73,580,000 to HK\$7,358,000. The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company;

- (ii) each authorised but unissued share was subdivided ("Share Subdivision") into 10 shares of HK\$0.001 each;*
 - (iii) every 10 shares of HK\$0.001 each created from the Capital Reduction and Share Subdivision were consolidated into 1 consolidated share of HK\$0.01 each ("Share Consolidation");*
 - (iv) the credit standing to the share premium account of the Company was cancelled and the credit arising was credited to the contribution surplus account of the Company; and*
 - (v) the amount which arise as a result of the Capital Reduction and credited to the contributed surplus account of the Company together with the balance already standing in the contributed surplus account of the Company was set off against the accumulated losses of the Company.*
- (b) On 30 November 2004, the Company announced that it had entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company has conditionally agreed to place, through the placing agent on a fully underwritten basis, 147,140,000 placing shares to independent investors at a price of HK\$0.045 per placing share. The placing shares were issued under the general mandate granted to the directors of the Company by resolution of the Company's shareholders passed at the annual general meeting of the Company held on 30 August 2004. The placing price of HK\$0.045 represents (i) a discount of approximately 19.64% to the closing price of HK\$0.056 per share as quoted on The Stock Exchange of Hong Kong Limited on 30 November 2004, being the last trading day of the announcement on 30 November 2004 and the date on which the terms of the placing is fixed; (ii) a discount of approximately 19.64% to the average of the closing price per share of HK\$0.056 as quoted on The Stock Exchange of Hong Kong Limited for the last five trading days immediately prior to 30 November 2004. The net proceeds of approximately HK\$6.4 million from the placing will be used for the repayment of short-term liabilities of approximately HK\$3 million and payment for operating activities including rental expenses and staff salaries of approximately HK\$3.4 million.*

14. Post Balance Sheet Events

The following events occurred subsequent to the interim report date:

- (a) On 9 December 2005, the Company entered into a convertible notes subscription agreement with a convertible notes subscriber ("CN Subscription"). Pursuant to the convertible notes subscription agreement, the convertible notes subscriber agreed to subscribe for the convertible notes ("Convertible Notes I") in an aggregate principal amount of HK\$60,000,000. The net proceeds from the CN Subscription of approximately HK\$57 million, will be used as to (i) approximately HK\$50 million for the establishment by the Group of a new centre (i.e. not by the acquisition of an existing business) for the provision of health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services in Hong Kong; and (ii) the remaining balance of approximately HK\$7 million will be used as general working capital for the Group.
- (b) On 9 December 2005, the Company entered into a share subscription agreement with a share subscriber ("Share Subscription"). Pursuant to the share subscription agreement, the share subscriber agreed to subscribe for and the Company agreed to allot and issue 100,000,000 new shares for cash consideration at a subscription price of HK\$0.038 each. The gross and net proceeds from the Share Subscription are approximately HK\$3.8 million which will be used as general working capital for the Group.
- (c) On 9 December 2005, the Company entered into a share placing agreement with a placing agent. Pursuant to the share placing agreement, the Company agreed to place, through the placing agent, 176,580,000 new shares at a price of HK\$0.038 each. The gross and net proceeds from the share placing of approximately HK\$6.7 million and HK\$5.7 million respectively, will be used for the Group's general working capital.

- (d) On 9 December 2005, the Company entered into a convertible notes placing agreement with a placing agent. Pursuant to the convertible notes placing agreement, the placing agent agreed to place, up to an aggregate principal amount of HK\$60,000,000 convertible notes ("Convertible Notes II"). The net proceeds of approximately HK\$55 million are expected to be applied towards the expansion of the Group's new centre for the provision of health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services established by application of the net proceeds from the CN Subscription, and the establishment of similar centres at other locations in Hong Kong. In the event that such expansion and establishment of the proposed new centres are not implemented, such net proceeds will be used as general working capital for the Group.

Further details of the above transactions are set out in the announcement of the Company dated 9 December 2005.

15. Approval of Interim Financial Report

The interim financial report was approved by the Board of Directors on 21 December 2005.

By Order of the Board
Chi Chi Hung, Kenneth
Chairman

Hong Kong, 21 December 2005