



香港體檢及醫學診斷控股有限公司*

Hong Kong Health Check and Laboratory
Holdings Company Limited

(Formerly known as Town Health Medical Technology
Holdings Company Limited 康健醫療科技控股有限公司*)

(Incorporated in Bermuda with limited liability)

Stock Code: 397

Interim Report 2006

* For identification purposes only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chi Chi Hung, Kenneth
Dr. Fung Yiu Tong, Bennet
Miss Choi Ka Yee, Crystal
Mr. Cho Kwai Yee, Kevin
Mr. Siu Kam Chau

Independent Non-executive Directors

Mr. Chan Chi Yuen
Mr. Lo Chun Nga
Mr. Chik Chi Man

COMPANY SECRETARY

Mr. Chi Chi Hung, Kenneth

AUDIT COMMITTEE

Mr. Chan Chi Yuen
Mr. Lo Chun Nga
Mr. Chik Chi Man

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong SAR

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Shop 2B & 2C, Level 1
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
Wing Hang Bank 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
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong



The board of directors (the “Board”) of Hong Kong Health Check and Laboratory Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 together with comparative figures for the previous year in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September 2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
	Note		
Turnover		566	1,698
Cost of sales		(308)	(1,458)
Gross profit		258	240
Other operating income	3	654	20
Fair value gain on financial assets at fair value through profit or loss		2,203	—
Net unrealized holding losses on other investments		—	(2,140)
Administrative expenses		(11,514)	(1,915)
Finance costs	5	(2,412)	(1,651)
Loss before taxation	4	(10,811)	(5,446)
Taxation	6	—	(8)
Loss for the period attributable to the equity holders of the Company		(10,811)	(5,454)
Dividends		—	—
Loss per share			
– Basic	7	(0.93) cents	(0.62) cents
– Diluted	7	(0.93) cents	(0.60) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,126	12
Current assets			
Trade and other receivables	8	66,621	22,765
Investments in securities		18,213	16,170
Pledged deposits		25,000	–
Bank balances and cash		9,796	47,202
		119,630	86,137
Less: Current liabilities			
Trade and other payables	9	4,630	5,009
Short-term borrowings – due within one year	10	70,014	34,993
		74,644	40,002
Net current assets		44,986	46,135
Total assets less current liabilities		46,112	46,147
Less: Non-current liabilities			
Convertible Notes I		46,050	44,274
Net assets		62	1,873
Capital and reserves			
Share capital	11	11,595	11,595
Reserves		(20,533)	(9,722)
Equity attributable to the equity holders of the Company		(8,938)	1,873
Minority interests		9,000	–
		62	1,873



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Convertible Notes reserve HK\$'000	Accumulated deficit HK\$'000	Minority Interests HK\$'000	
As at 1 April 2005	8,829	4,509	861	-	-	6,613	-	20,812
Loss for the period	-	-	-	-	-	(5,454)	-	(5,454)
As at 30 September 2005	8,829	4,509	861	-	-	1,159	-	15,358
Issue of new shares under the Share Subscription Agreement	1,000	2,800	-	-	-	-	-	3,800
Issue of new shares under the Share Placing Agreement	1,766	4,944	-	-	-	-	-	6,710
Share issue expenses	-	(167)	-	-	-	-	-	(167)
Exchange difference on translation of foreign operations	-	-	-	2	-	-	-	2
Equity component of Convertible Notes I	-	-	-	-	16,062	-	-	16,062
Loss for the period	-	-	-	-	-	(39,892)	-	(39,892)
As at 31 March 2006 and 1 April 2006	11,595	12,086	861	2	16,062	(38,733)	-	1,873
Formation of a new JV	-	-	-	-	-	-	9,000	9,000
Loss for the period	-	-	-	-	-	(10,811)	-	(10,811)
As at 30 September 2006	11,595	12,086	861	2	16,062	(49,544)	9,000	62

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(14,933)	11,301
Net cash used in investing activities	(66,494)	–
Net cash generated from/(used in) financing activities	40,591	(12,601)
Decrease in cash and cash equivalents	(40,836)	(1,300)
Cash and cash equivalents at beginning of the year	47,202	2,146
Cash and cash equivalents at end of the year	6,366	846
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	9,796	846
Bank overdraft	(3,430)	–
	6,366	846



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The principal accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those followed in the Group’s annual consolidated financial statements for the year ended 31 March 2006.

2. Turnover and segment information

(a) Business segments

Business segments	Provision of healthcare and medical checks services		Manufacturing and sales of garment		Trading of securities		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	566	-	-	1,698	-	-	566	1,698
RESULTS								
Segment results	(9,012)	-	-	240	2,203	(2,140)	(6,809)	(1,900)
Unallocated corporate income and expenses							(1,590)	(1,895)
Finance costs							(2,412)	(1,651)
Loss before taxation							(10,811)	(5,446)
Taxation							-	(8)
Loss for the period							(10,811)	(5,454)

(b) Geographical segments

The Group’s operations are located in the PRC including Hong Kong and Macau and its turnover is substantially derived in the PRC including Hong Kong and Macau. Accordingly, no analysis by geographical segment is presented.

3. Other operating income

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Interest income from bank deposits	654	–
Sundry income	–	20
	654	20

4. Loss before taxation

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	14	508
Provision for doubtful debts	–	518

5. Finance costs

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Interest on short-term bank loans wholly repayable within five years	336	1,651
Interest on Convertible Notes I wholly repayable within five years	2,076	–
	2,412	1,651



6. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profits arising in Hong Kong for both the current and prior periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

No deferred tax liabilities have been recognized in the financial statements as the Group and the Company did not have material temporary differences as at 30 September 2006 and 2005.

7. Loss per share

The calculation of basic loss per share attributable to the equity holders of the Company is based on the loss for the period attributable to the equity holders of the Company of approximately HK\$10,811,000 (2005: HK\$5,454,000) and on the weighted average number of ordinary shares of approximately 1,159,516,853 (2005:882,936,853).

For the period ended 30 September 2005, 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, as adjusted for the effects of the vested options outstanding during the period.

For the period ended 30 September 2006, the computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme and the conversion rights attached to the Convertible Notes I since their exercises would result in a reduction in loss per share.

8. Trade and other receivables

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Trade receivables, 0 – 60 days	124	–
Other receivables	66,497	22,765
	66,621	22,765

9. Trade and other payables

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Trade payables, with aged analysis:		
0 – 60 days	59	–
61 – 90 days	–	60
Over 90 days	1,105	1,045
	1,164	1,105
Other payables	3,466	3,904
	4,630	5,009

10. Short-term borrowings

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Bank overdraft	3,430	–
Bank loans	66,344	34,753
Other loan	240	240
	70,014	34,993
Analyzed as:		
Secured	35,021	–
Unsecured	34,993	34,993
	70,014	34,993



11. Share capital

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000
Authorized:		
30,000,000,000 ordinary shares of HK\$0.01 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
1,159,516,853 ordinary shares of HK\$0.01 each	<u>11,595</u>	<u>11,595</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 September 2006, the Group's turnover was HK\$566,000 (2005: HK\$1,698,000), representing a decrease of 66.7% as compared to the corresponding period of last year. The decrease in turnover was mainly attributable to the realignment of business from garment business to health care business.

Loss attributable to the equity holders of the Company for the six months ended 30 September 2006 was HK\$10,811,000. (2005: HK\$5,454,000). The decrease was mainly attributable for the expenses incurred in the establishing of a new health check centre at Nathan Road, Kowloon.

Prospects

Garment business

Intense competition is expected to continue in the garment business in China. Hence, management had decided to refine the Group's business from garment industry to health care and medical industry so as to generate higher profit margins in future.

Securities trading business

With the steady improvement of Hong Kong's economic environment, the securities market continued to remain healthy. Gain on financial assets at fair value amounted to approximately HK\$2,203,000 was recorded.

Health care and medical services

The group started its business in June 2006 by providing health check referral services to patients. In addition, a well-planned one-stop health check centre will start serving the public by early 2007. It is located at Nathan Road, Kowloon with approximately 20,000 sq. ft. decorated as unrivalled comfort and luxurious style, which is largely different from other general centres, laboratories or hospitals providing similar services. The centre is the most advanced and comprehensive health check and laboratory service provider outside major hospitals in Hong Kong. The health check centre is installed with some of the most advanced diagnostic equipments such as MRI system, PET/CT Scanner and Mammography System etc. for providing diagnostic imaging health check services. We trust it could lead the community to a healthy life by providing professional and dedicated services through advanced diagnostic technology and equipment. We are also confident to be the market leader in the Asia Pacific region in the near future. The high-end health check business has a



relatively higher entry barrier as the business requires high capital investment and professional human resources. In light of the increasing public awareness towards preventive health care and the high entry barrier of the business, our health check and diagnostic service is anticipated to contribute substantial income to the Group.

The Group will continue to strengthen the network in Hong Kong through setting up of satellite diagnostic centres or by acquisitions.

The proposed acquisition of Polyray and Polylight in October 2006 is a significant development for the Group as such acquisition can diversify the Group's business. Polyray and Polylight have four branches operated under the name of "Opus". Opus is believed to be one of the top three medical diagnostic companies in Hong Kong with well-established reputation in the industry. The acquisition greatly increased the Groups's network in Hong Kong. In addition, the synergy and our experienced management can make the Group to have a rapid growth in future.

Substantial growth in Macau and economic integration with Hong Kong's economy will provide opportunities for investor. Our Group will search for possible acquisitions or co-operate with other local parties for the business in Macau.

In order to better reflect our intention of emphasizing on health check industry, the Company is renamed as "Hong Kong Health Check and Laboratory Holdings Company Limited" in October 2006.

Liquidity and financial resources

As at 30 September 2006, shareholders' fund and net current assets of the Group amounted to HK\$62,000 (31 March 2006: HK\$1,873,000) and HK\$44,986,000 (31 March 2006: HK\$46,135,000) respectively.

As at 30 September 2006, the Group's pledged deposits and bank balances and cash amounted to HK\$34,796,000 (31 March 2006: HK\$47,202,000). In view of the Group's bank balances and cash and net current assets, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transaction of the Group are mainly carried and conducted in Hong Kong dollars and Renminbi. The Group maintain a prudent strategy in its foreign exchange risk management, where foreign exchange risk are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures.

Post balance sheet event

The following events occurred subsequent to the interim report date:

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"). On 4 September 2006, the Company received notice from the Placing Agent exercising its right to place (the "Tranche One Placing") Convertible Notes II of an aggregate principal amount of HK\$40,000,000. Completion of the Tranche One Placing took place on 3 October 2006.

On 17 October 2006, the Company entered into the Polyray Sale Agreement and Polylight Sale Agreement. Pursuant to the Polyray Sale Agreement, the Company conditionally agreed to acquire the entire issued share capital of Polyray at a total cash consideration of HK\$27,000,000. Pursuant to the Polylight Sale Agreement, the Company conditionally agreed to acquire the remaining issued share capital of Polylight at a cash consideration of HK\$7,250,000. The acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules. The acquisition requires the approval by the shareholders of the Company at the special general meeting.



OTHER INFORMATION

Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

Directors' interests and short positions in shares and underlying shares and debentures

(I) *Interests and short positions in shares and underlying shares and debentures of the Company*

At 30 September 2006, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest	
	Corporate interest	Percentage of the Company's issued share capital
Miss Choi Ka Yee, Crystal	100,000,000 (Note 1)	8.62%

Note:

1. Miss Choi Ka Yee, Crystal is taken to be interested in those Shares in which Central View International Limited, a company which is wholly and beneficially owned by her, is interested.

Save as disclosed above, as at 30 September 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(II) *Share options*

The Company adopted a share option scheme on 17 November 2003 (the “Scheme”), for the primary purpose of providing incentives to directors and employees. Under the Scheme, the Company may grant options to eligible persons, 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 2006.

Directors’ rights to acquire shares or debt securities

Save as disclosed under the section headed “Directors’ interests and short positions in shares and underlying shares and debentures”, at no time during the period was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of 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 2006, 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
Lee Wai Man (<i>Note 1</i>)	Beneficial owner, held by controlled corporation	300,182,926	25.89%
Ma Siu Fong (<i>Note 1</i>)	Beneficial owner, held by controlled corporation	300,182,926	25.89%
Chu Yuet Wah (<i>Note 1</i>)	Held by controlled corporation	292,682,926	25.24%
Kingston Securities Limited (<i>Note 1</i>)	Beneficial owner	292,682,926	25.24%
Choi Ka Yee, Crystal (<i>Note 2</i>)	Held by controlled corporation	100,000,000	8.62%
Central View International Limited (<i>Note 2</i>)	Beneficial owner	100,000,000	8.62%

Notes:

- These Shares represent the portion of the Shares to be placed by placing agent pursuant to the placing agreement dated 9 December 2005, to which the Kingston Securities Limited is deemed to be interested pursuant to the SFO. The placing agent is owned as to 49% by Ma Siu Fong and as to 51% by Chu Yuet Wah. The number specified represents (i) Kingston Securities Limited's interest in the 292,682,926 Shares to be placed by Kingston Securities Limited; and (ii) the 7,500,000 Shares beneficially owned by Mr. Lee Wai Man, Mr. Lee Wai Man is the husband of Ms. Ma Siu Fong. He is therefore deemed to be interested in the underlying Shares in which Ms. Ma Siu Fong is deemed to hold interest. Ms. Ma Siu Fong is deemed to be interested in the Shares in which Mr. Lee Wai Man holds an interest.

2. Central View International Limited is a company wholly-owned by Miss Choi Ka Yee, Crystal, who is also a director of the Company.

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 2006.

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2006.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms. However, all the non-executive directors of the Company have not been appointed for specific terms but are subject to rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

Audit committee

The audit committee currently comprises three independent non-executive directors, Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 September 2006.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Purchase, sales or redemption of the company’s listed securities

There was no purchase, sale or redemption of the Company’s securities by the Company or any of its subsidiaries during the six months ended 30 September 2006.

On behalf of the Board

Chi Chi Hung, Kenneth
Chairman

Hong Kong, 13 November 2006