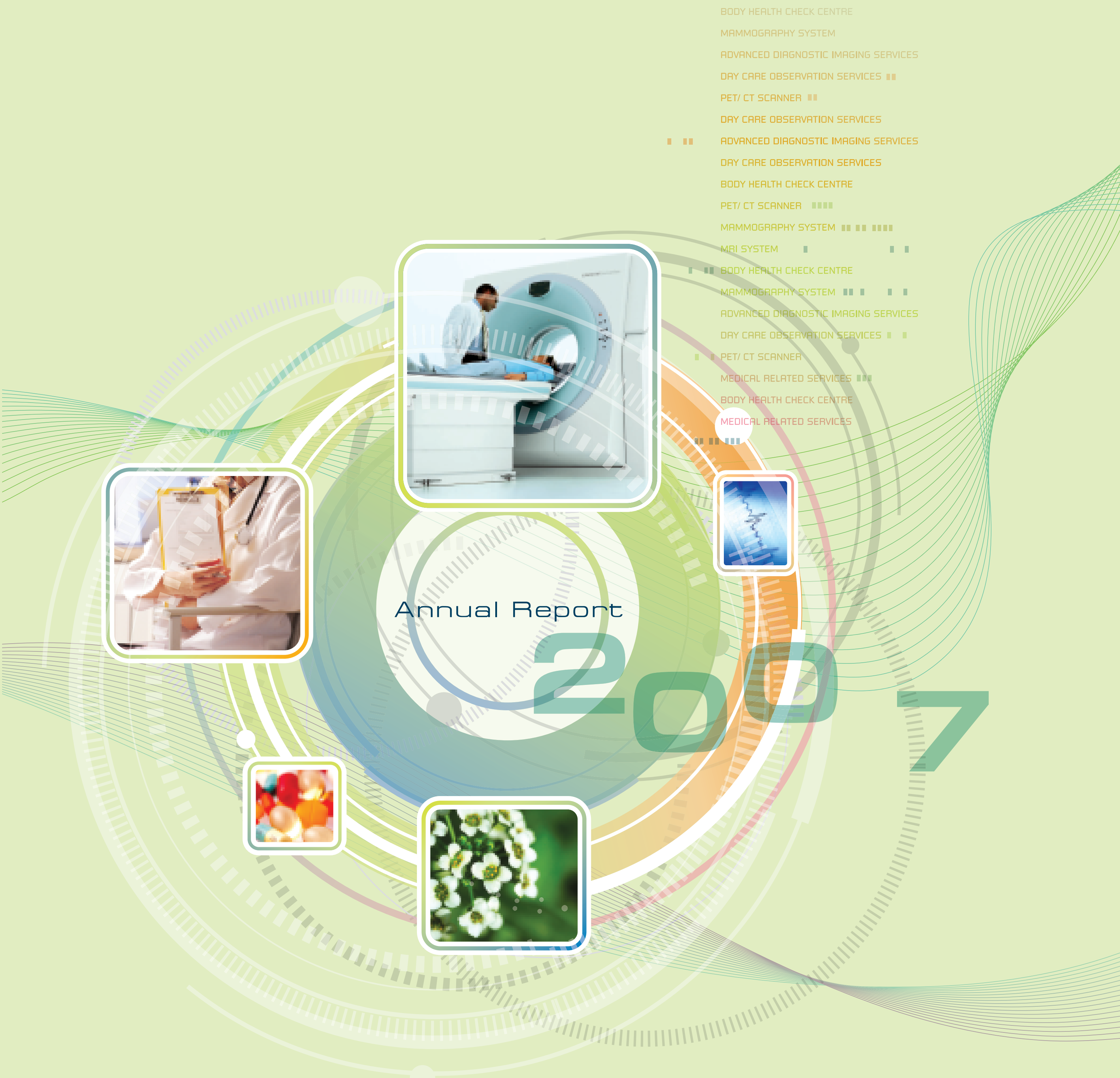

Annual Report 2007

香港體檢及醫學診斷控股有限公司

HONG KONG HEALTH CHECK AND LABORATORY HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 397)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Fung Yiu Tong, Bennet *(Chairman)*
Mr. Lee Chik Yuet *(Deputy Chairman)*
Dr. Cho Kwai Chee
Miss Choi Ka Yee, Crystal
Dr. Hui Ka Wah, Ronnie, *JP*
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

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Siu Kam Chau

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
Hang Seng 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

WEBSITE

www.hkhclh.com

Chairman's Statement

On behalf of the Board of Directors, I have pleasure in presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007.

BUSINESS REVIEW

On behalf of Hong Kong Health Check and Laboratory Holdings Company Limited ("Hong Kong Health Check" or "the Group"), I have pleasure in presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007 (the Period) to all shareholders.

During the last year, our Group's result has undergone tremendous breakthrough. Although our new businesses has not brought us surprises in its operation and profit during the Period, our Group has already built a wide and comprehensive operation structural network through continuous reform and reorganization of our company's business. This has laid a foundation for our business to grow and prosper in future years. In the financial aspect, we have equipped the Group with sufficient cash flow through various effective financing channels. Our abundant reserve is beneficial for future long-term development.

In November last year, we increased our shareholding in Parklane Health Check And Medical Diagnostic Centre ("Parklane") to nearly 82% and in December in the same year, our Group invested approximately HK$34 million to purchase all equity interest in OPUS Medical Diagnostic Centre ("OPUS"). As OPUS and Parklane has already established a stable health check centre network and a pool of regular customers, the acquisition can help us to complement each other in our businesses and create synergy effect. Except for the acquisition, our Group has been enthusiastically seeking suitable sites to establish satellite health check centres, so as to increase our pace in developing comprehensive health check centre network throughout Hong Kong.

Our flagship health check centre in 348 Nathan Road in Kowloon has all the necessary equipments and medical facilities. Except for laboratories and various electronic medical diagnostic rooms, there are also antenatal examination room, surgical room, endoscopic examination room and diagnostic examination region for women, etc. The flagship centre is equipped with the most advanced electronic medical equipments like 3.0T MRI system, 64 Slice Computed Tomography, Positron Emission Tomography – 16 Slice Computed Tomography, digital mammography, whole body bone densitometer, endoscopy, ultrasonograph scanners,etc. Until October 2006, the first phase coordination work (2nd floor of the basement of the centre) generally completed, and new site was put to trial operation in December last year. The market response was satisfactory. Therefore, we increased our pace for the second phase coordination work (1st floor of the basement of the centre). During the Period, we invested approximately HK$150 million into the flagship health check centre.

Chairman's Statement (Continued)

PROSPECTS

After the hard work of the last year, our Group has successfully occupied an eminent position in Hong Kong's health check and medical diagnostic industry. In the coming year, we aim at tapping health check markets outside Hong Kong with Mainland China as the first target. It is reported that China will be strengthening regulation on health check industry, outlining a management system to raise the threshold for health check institution and implementing a system to grade and manage health check institutions and to raise the quality of specialists and equipments of health check institutions. We are confident in entering China's market since we have a management team with abundant experience and we have reached international professional medical diagnostic level. In the new financial year, our Group and National Center for Traditional Chinese Medicine has entered a cooperation agreement to establish high-end medical diagnostic centre in all major cities in China. National Center for Traditional Chinese Medicine will also provide our Group with information about the 160 national major specialized traditional Chinese medicine hospitals, and help us to launch our project. We believe this cooperation can help us to quicken our pace in development in Mainland China. Besides, we will also collaborate with Mainland traveling agencies to launch Mainland China's health check traveling services.

Although the brand name "Hong Kong Health Check" is already widely known, we will continue to invest in large-scale publicity and promotion program to maintain our publicity. In March this year, our Group invited Charmaine Sheh, Hong Kong's celebrity in film and television industry, as our spokeperson, in the aim that her young and healthy image can arouse people's awareness to make regular body health check. In addition, our Group will be launching a series of largescale publicity campaign to spread the news of health check to the public. We will also be using various promotion program such as health check membership card system and health talk to arouse people's awareness to make regular health check a habit.

Mergers and acquisitions are still one of the most important tasks in the new financial year. It is also the major reason for our Group's business to boom in a short period of time. After several offer of sales of shares to strategic shareholders, our Group is equipped with abundance of cash for acquisition. In the future, our major target for acquisition shall be middle-sized health check centres and laboratories. We believe that their good business network and immediate profit contribution can complement our Group's backdrop for future development.

Chairman's Statement (Continued)

APPRECIATION

Last but not lease, on behalf of the Board of Directors, I would like to extend my sincere appreciation to all our staff for their effort last year. Besides, I would like to express my gratitude to all shareholders and strategic investors for their trust and support. The Board of our Group shall keep up our effort and work towards the good of becoming the largest health check and medical diagnostic centre in Asia.

Fung Yiu Tong, Bennet
Chairman

Hong Kong, 27 July 2007

Management discussion and analysis

FINANCIAL RESULTS

The Group is principally engaged in the provision of healthcare services and garment business. The Group's turnover and loss attributable to equity holders of the Company for the year amounted to HK$15,813,000 (2006: HK$1,450,000) and HK$52,818,000 (2006: HK$45,346,000) respectively.

FINANCIAL REVIEW

The diversification of the Group's business into the health check services has proved to be a successful move. Since the completion of the acquisition of OPUS in December 2006, turnover contribution of HK$10,296,500 were made to the results of the year under review. Together with the group's newly opened flagship health check center located in Jordan, these not only compensated the drop in the garment manufacturing business, but also increased the Group's turnover by 991% as compared with previous year.

Other income for the current year amounted to approximately HK$1,723,000 (2006: approximately HK$1,469,000), out of which, approximately HK$1,227,000 (2006: HK$233,000) represents interest income on bank deposit by the Group during the year with idle funds of the Group.

Employee benefits expense and other operating expenses increased by 831% from HK$5,289,000 in the previous financial year to HK$49,228,000 in the financial year 2007. The increase were mainly due to higher spending on advertising and promotional activities and an increase in employee related costs as business has expanded.

Looking forward, the Group will continue identifying other business opportunities that may create synergies with its core business and further reinforce its market position in healthcare services.

LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 March 2007, the Group total borrowings amounted to HK$114,890,000 (2006: HK$79,267,000) which include bank and other borrowings of HK$67,093,000 (2006: HK$34,993,000) and convertible loan notes of HK$47,797,000 (2006: HK$44,274,000). All bank borrowings are denominated in Hong Kong dollars and Renminbi.

The gearing ratio of the Group, defined as total liabilities to total assets was approximately 88% (2006: 98%).

Management discussion and analysis (Continued)

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.

During the year, convertibles loan notes in the aggregate amount of HK$60 million were issued and converted into ordinary shares of the Company, which has resulted in a substantial improvement in the Group's financial position.

The Group's capital commitments as at 31 March 2007 amounted to approximately HK$7,310,000 (2006: HK$38,360,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2007, the Group employed a total of approximately 148 employees (2006: approximately 8 employees). The Group fully recognises the importance of its employees who contribute significantly to its success and continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training.

The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. The Group maintains good relationship with its staff. There has not been any interruption to its operations as a result of labour disputes. In addition, the Group provides provident fund to its employees in accordance with the statutory requirements of the respective jurisdictions in where the employees reside.

CHARGES ON GROUP ASSETS

As at 31 March 2007, certain property, plant and equipment of the Group with the carrying value of HK$52,973,000 (2006: HK$12,000) and bank deposits of HK$10,000,000 (2006: Nil) were pledged to secure general bank facilities granted to the Group.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Fung Yiu Tong, Bennet, aged 40, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), MRCGP, DCH (London), DFM (CUHK) and Dip Med (CUHK). He is responsible for the strategic development of the Group's health check business. He is in-charge of the overall supervision of the medical health check division of the Group. Dr. Fung is also an executive director of Town Health International Holdings Company Limited, a company whose shares are listed on the GEM Board of the Stock Exchange. He joined the Group in May 2006.

Mr. Lee Chik Yuet, aged 53, graduated from The Chinese University of Hong Kong with a bachelor degree in Social Science. He also holds a bachelor degree and a master degree in Laws from The University of Hong Kong. Before joining the Company in March 2007, Mr. Lee had been a practicing solicitor for more than 13 years in Hong Kong specialized in commercial, corporate finance and investment laws in Hong Kong and the mainland China. He joined the Group in March 2007.

Dr. Cho Kwai Chee, aged 43, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI) and DCH (Glasgow). He is also the Permanent President of Hong Kong Shatin Industries and Commerce Association Limited and the District President of Yau Tsim District of Scout Association of Hong Kong. Dr. Cho is responsible for directing the Group's overall business and development strategies. He is the brother of Mr. Cho Kwai Yee, Kevin who is an executive Director of the Company. Dr. Cho is also an executive director and Chief Executive Officer of Town Health International Holdings Company Limited, a company whose shares are listed on the GEM Board of the Stock Exchange. He joined the Group in July 2007.

Miss Choi Ka Yee, Crystal, aged 26, graduated from Boston College, the United States of America with a bachelor degree of science in accountancy. She also holds a master degree in corporate finance form The Hong Kong Polytechnic University. Miss Choi joined Early Light Group in September 2003, which is principally engaged in the manufacturing and trading of toys and property investment. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is also an executive director and Chairman of Town Health International Holdings Company Limited, a company whose shares are listed on the GEM Board of the Stock Exchange. She joined the Group in March 2006.

Dr. Hui Ka Wah, Ronnie, *JP*, aged 43, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), MRCP (UK), DCH (Ireland), DCH (Glasgow), FHKAM (Paed), and FHKC Paed, and is a CFA Charterholder. Dr. Hui is a specialist in Paediatrics and is the Principal of a private medical clinic in Hong Kong since 1991. Dr. Hui is also an independent non-executive director of CASH Financial Services Group Limited, E2-Capital (Holdings) Limited and Winbox International (Holdings) Limited, the issued shares of which are listed on the GEM board and Main Board of the Stock Exchange respectively. Dr Hui had once been the independent non-executive director of CASH Retail Management Group Ltd which is listed in Main Board of the Stock Exchange from March 2004 till February 2006. He joined the Group in July 2007.

Profiles of Directors and Senior Management (Continued)

Mr. Cho Kwai Yee, Kevin, aged 45, graduated from Newscastle Upon Tyne University in United Kingdom with a bachelor degree in 1990. He also holds a Diploma in Management Studies from The Hong Kong Polytechnic University. He has been holding various senior executive positions in a number of corporations. He is the brother of Dr. Cho Kwai Chee who is an executive director of the Company. Mr. Cho is also an executive director of Town Health International Holdings Company Limited, a company whose shares are listed on the GEM Board of the Stock Exchange. He joined the Group in March 2006.

Mr. Siu Kam Chau, aged 42, holds a bachelor degree in accountancy from The City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant (practicing). Mr. Siu had worked in an international accounting firm and a number of listed groups. He has over 18 years of working experience in accounting, company secretary and corporate finance and has extensive knowledge in fund raising and merger and acquisition activities. He had held senior position in a number of corporations and worked as an executive director in three companies whose shares are listed on the main board of the Stock Exchange or GEM. He is also an independent non-executive director of Wang On Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange. He joined the Group in March 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 40, holds a bachelor degree with honours in Business Administration and is a master of science degree in Corporate Governance and Directorship. He a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive in financial management, corporate finance and corporate governance.

Mr. Chan is currently and executive director of A-Max Holdings Limited, Kong Sun Holdings Limited and Prosticks International Holdings Limited, a non-executive director of New Times Group Holdings Limited and an independent non-executive director of China Sciences Conservational Power Limited Premium Land Limited and Tak Shun Technology Group Limited, companies whose shares are listed on the Stock Exchange. He joined the Group in January 2005.

Mr. Lo Chun Nga, aged 56, has over 27 years experience in business management in Hong Kong and People's Republic of China. Mr. Lo is currently a director of The Hong Kong Commerce and Industry Associations Limited and also a director of Hong Kong Shatin Industries and Commerce Association Limited. He joined the Group in May 2006.

Mr. Chik Chi Man, aged 53, has over 39 years experience in the building and construction industry in Hong Kong. Mr. Chik is currently the Vice Chairman of Sha Tin East District Scout Council and also the treasury of the committee in Sha Tin District of the Friends of the Community Chest. In July 2006, Mr. Chik has been awarded the Chief Executive's Commendation for Community Service by The Government of the Hong Kong Special Administrative Region. He joined the Group in October 2006.

Profiles of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Dr. Ching Sik Chung, aged 42, Head, Radiology Department, Hong Kong Health Check and Medical Diagnostic Centre, the leading Radiologist and an expert in Nuclear Radiology and Head and Neck Imaging is presently working in Diagnostic Imaging and Health Screening using advanced imaging techniques in Hong Kong. He works in university-based teaching institutions for a decade as an apprentice for clinical services, administration, management and research. Dr. Ching is the author of over 30 peer reviewed articles and one book chapter. He had participated in more than 50 overseas or local conferences. Dr. Ching had obtained many visitor fellowships in worldwide basis including USA, United Kingdom, Germany, Singapore, Korea, China, and Taiwan. His roles as a SARS fighter and a major author of the online databank during the SARS outbreaks merits special mention.

Dr. Chan Po Nin, David, aged 36, graduated from the Chinese University of Hong Kong and holds the qualifications of MBChB (CUHK), FRCR (UK), FHKCR and FHKAM (Radiology). He joined the Group in August 2006. He is consultant radiologist in the Hong Kong Health Check and Medical Diagnostic Centre.

Mr. Wong Seung Ming, aged 35, currently as Financial Controller of the Group. Mr. Wong holds a bachelor degree in Accountancy from the City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 13 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and a number of listed and unlisted groups. He joined the Group in March 2006.

Ms. Carrie Woo, aged 41, currently as General Manager for OPUS Medical Diagnostic centre, a wholly subsidiary of the Group. Ms. Woo has 18 years of professional experience in the healthcare and medical field and has taken up senior management roles since 2000. She holds a Bachelor's degree in Psychology from the Azua Pacific University in California. She is also a member of the Hong Kong Association of Critical Care Nursing as well as the Infection Control Nurses Association. In addition, Ms. Woo has obtained a certificate in Advanced Cardiac Live Support from the American Heart Association and has undergone advanced training in Catheterization Laboratory techniques and training in performing Carotid Ultrasound at the University of Alabama, Birmingham. Prior to joining the Group, she has worked for a number of major hospitals and healthcare organizations. She joined the Group in February 2007.

Mr. Leung Wai Shing, aged 43, currently as Chief Operating Officer for Hong Kong Health Check and Medical Diagnostic Centre. Mr. Leung has 20 years of professional experience in the healthcare and medical field. He holds a Bachelor's degree in Nursing from the La Trobe University and Master of Public Policy and Management in City University of Hong Kong.

Report of the Directors

The directors submit herewith their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in Note 18 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 March 2007 is set out in Note 7 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 28, to 86, of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2007 (2006: Nil).

PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 March 2007 are set out in Note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

BORROWINGS AND INTERESTS CAPITALISED

Particulars of the Group's borrowings as at 31 March 2007 are set out in Note 24 to the financial statements. No interest was capitalised by the Group during the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 27 to the financial statements.

Report of the Directors (Continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE OPTION SCHEME

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in Note 29 to the financial statements.

Details of staff retirement benefits of the Group are set out in Note 36 to the financial statements.

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

There was no purchase, sale or redemption of the Company's share by the Company or any of its subsidiaries during the year ended 31 March 2007.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of approximately HK$29,390,000 is not available for distribution as at 31 March 2007.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2007, the percentage of turnover attributable to the Group's five largest customers is less than 30% of the Group's total turnovers. The five largest suppliers of the Group and the largest supplier accounted for approximately 50% and 16% of the Group's total purchases respectively.

As far as the directors are aware, none of the directors, their associates or shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested at any time during the year in any of the above customers and suppliers.

Report of the Directors (Continued)

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive directors

Dr. Fung Yiu Tong, Bennet *(Chairman)*	(Appointed on 22 May 2006, appointed as Vice-Chairman on 23 October 2006 and re-designated as Chairman on 13 March 2007)
Mr. Lee Chik Yuet *(Deputy Chairman)*	(Appointed on 13 March 2007)
Miss Choi Ka Yee, Crystal	
Mr. Cho Kwai Yee, Kevin	
Mr. Siu Kam Chau	
Dr. Cho Kwai Chee	(Appointed on 9 July 2007)
Dr. Hui Ka Wah, Ronnie, *JP*	(Appointed on 9 July 2007)
Mr. Chi Chi Hung, Kenneth	(Resigned on 13 March 2007)

Independent non-executive directors

Mr. Chan Chi Yuen	
Mr. Lo Chun Nga	(Appointed on 22 May 2006)
Mr. Chik Chi Man	(Appointed on 23 October 2006)
Mr. Lau Man Tak	(Resigned on 22 May 2006)
Mr. Chun Jay	(Resigned on 23 October 2006)

In accordance with the Company's Bye-law 99, Mr. Cho Kwai Yee, Kevin, Miss Choi Ka Yee, Crystal, Mr. Chan Chi Yuen and Mr. Lo Chun Nga will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of directors and the five highest paid individuals of the Group are set out in Notes 12 and 13 to the financial statements.

Report of the Directors (Continued)

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected transactions" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

(A) The Group entered into the following connected transaction not exempt under Chapter 14A of the Listing Rules during the year ended 31 March 2007:

On 19 April 2006, Classictime Investments Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Dr. Choi Chee Ming, an associate of a connected person of the Company, for the formation of Town Health Medical Technology (China) Company Limited (the "JV Company") on 18 April 2006. Pursuant to the Agreement, the JV Company will be owned by Dr. Choi Chee Ming and the Group as to 30% and 70% respectively. Total investment of the Group in the JV Company. amounted to HK$21,000,000, representing 70% of the issued share capital of the JV Company.

(B) The following continuing connected transactions not exempt under Chapter 14A of the Listing Rules were entered into during the year ended 31 March 2007:

(i) On 26 April 2006, Hong Kong Health Check and Medical Diagnostic Centre Limited ("HK Health Check Centre"), a wholly-owned subsidiary of the Company, and Majestic Centre Limited entered into the tenancy agreement dated 29 March 2006 (as supplemented by a supplemental tenancy agreement dated 26 April 2006), pursuant to which Majestic Centre Limited agreed to lease the whole floor of basement 2 of Majestic Centre, 348 Nathan Road, Kowloon, Hong Kong to HK Health Check Centre for an initial term of two years and ten months from the 1 June 2006 to 31 March 2009 (both days inclusive). Miss Choi Ka Yee, Crystal and her associates are interested in 50% of the shareholdings of Majestic Centre Limited.

Report of the Directors (Continued)

Principal terms of the tenancy agreement are shown as below:

1 June 2006 – 31 August 2006	HK$142,529.50 per month. No rent will be charged for a period of three months from the 1 June 2006 (Rent-free period) to the 31 August 2006. During such rent free period, HK Health Check Centre shall pay the rates, government rent, air-conditioning charges, management fee and promotion levy and all other outgoings in respect of the premises at a total amount of HK$142,529.50 per month.
1 September 2006 – 31 March 2009	HK$300,000.00 per month (inclusive of rates, government rent, air-conditioning charges and management fee)

(ii) On 7 August 2006, the Company entered into the Service Agreement with Town Health International Holdings Company Limited ("Town Health"), pursuant to which the Company agreed to appoint Town Health to provide consultation and management services, to the Company for a term of 30 months. The Company shall pay to Town Health a service fee up to HK$7,000,000 for any period of twelve calendar months during the term of the Service Agreement. Such fee is based on numbers of hours spent by the general doctors or, as the case may be, the senior doctor of Town Health for providing the services times their respective rates. Miss Choi Ka Yee, Crystal is the daughter of Dr. Choi Chee Ming, who is a non-executive director of Town Health and has a controlling equity interest in Town Health.

(iii) On 12 February 2007, HK Health Check Centre and Majestic Centre Limited entered into two tenancy agreements, pursuant to which Majestic Centre Limited agreed to lease the lower ground floor and upper ground floor of Majestic Centre, 348 Nathan Road, Kowloon, Hong Kong to HK Health Check Centre for a term of not more than thirty-six months from 1 April 2007 to 31 March 2010 (both days inclusive). Miss Choi Ka Yee, Crystal and her associates are interested in 50% of the shareholdings of Majestic Centre Limited.

Principal terms of the two tenancy agreements are shown as below:

Lower ground floor:
Portion I – HK$176,676.77 per month (inclusive of management fee, air-conditioning charges, promotion levy and rates but exclusive of additional air-conditioning charges and other outgoings) for the period of thirty-six months from 1 April 2007 to 31 March 2010 (both days inclusive).

Report of the Directors (Continued)

Portion II – HK$176,676.77 per month (inclusive of management fee, air-conditioning charges, promotion levy and rates but exclusive of additional air-conditioning charges and other outgoings) for the period of thirty-three months from 1 July 2007 to 31 March 2010 (both days inclusive).

Portion III – HK$176,646.46 per month (inclusive of management fee, air-conditioning charges, promotion levy and rates but exclusive of additional air-conditioning charges and other outgoings) for the period of thirty months from 1 October 2007 to 31 March 2010 (both days inclusive).

No rent will be charged for a period of three months for each of Portion I, Portion II and Portion III. During such rent free period, HK Health Check Centre shall pay the rates, government rent, air-conditioning charges, management fee and promotion levy and all other outgoings in the premises at a total amount of HK$53,062.44 per month in respect of each Portion I and Portion II, and HK$53,053.33 per month in respect of Portion III.

Upper ground floor:
HK$230,000 per month (inclusive of management fee, air-conditioning charges, promotion levy and rates but exclusive of additional air-conditioning charges and other outgoings) for the period of thirty-six months from 1 April 2007 to 31 March 2010 (both days inclusive).

No rent will be charged for the period of two months for upper ground floor. During such rent free period, HK Health Check Centre shall pay the rates, government rent, air-conditioning charges, management fee and promotion levy and all other outgoings in respect of the premises at a total amounts of HK$60,000 per month.

The Independent Non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors (Continued)

The above continuing connected transactions have also been reviewed by the independent auditor of the Company who have confirmed that during the year the above continuing connected transactions:–

(i) have received the approval of the Company's Board of Directors;
(ii) are in accordance with the pricing policies of the Company;
(iii) have been entered into in accordance with the relevant agreements governing them; and
(iv) have not exceeded the caps.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

At 31 March 2007, the interests and short positions of the directors in the shares, 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:

	Number of shares held, capacity and nature of interest	
Name of director	**Corporate interest**	**Percentage of the Company's issued share capital**
Miss Choi Ka Yee, Crystal	100,000,000 *(Note)*	3.8%

Note:

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 31 March 2007, 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.

Report of the Directors (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(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.

Particulars of the Scheme and details of movements of share options during the year ended 31 March 2007 are set out in Note 29 to the financial statements.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", at no time during the year 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 year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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:

Long positions in ordinary shares of the Company:

Shareholders	**Capacity**	**Number of ordinary shares held**	**Percentage of the issued share capital of the Company**
Broad Idea International Limited *(Note 1)*	Held by controlled corporation	3,463,414,634	131.70%
Cho Kwai Chee *(Note 1)*	Held by controlled corporation	3,463,414,634	131.70%
Choi Chee Ming, Francis *(Note 1)*	Held by controlled corporation	3,463,414,634	131.70%

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

Shareholders	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Top Act Group Limited *(Note 2)*	Beneficial owner	3,463,414,634	131.70%
Town Health (BVI) Limited *(Note 2)*	Held by controlled corporation	3,463,414,634	131.70%
Town Health International Holdings Company Limited *(Note 2)*	Held by controlled corporation	3,463,414,634	131.70%
Chu Yuet Wah *(Note 3)*	Held by controlled corporation	910,000,000	34.60%
Kingston Securities Limited *(Note 3)*	Beneficial owner	780,000,000	29.66%
Ma Siu Fong *(Note 3)*	Held by controlled corporation	780,000,000	29.66%
ABN AMRO Holdings N.V. *(Note 4)*	Held by controlled corporation	180,000,000	5.28%

Notes:

1. Choi Chee Ming, Francis and Cho Kwai Chee own 49.9% and 50.1% beneficial interest in Board Idea International Limited respectively. Broad Idea International Limited holds 51.56% of issued share capital of Town Health International Holdings Company Limited. Choi Chee Ming, Francis and Cho Kwai Chee are therefore taken to be interested in the Company in which Top Act Group Limited has an interest under the SFO.

2. Town Health International Holdings Company Limited through its wholly-owned subsidiary, Town Health (BVI) Limited, is taken to be interested in the Company in relation to the Convertible Bond in which Top Act Group Limited, a wholly-owned subsidiary of Town Health (BVI) Limited holds an interest.

3. 780,000,000 shares represent the Shares to be placed by placing agent pursuant to the placing agreement date 29 March 2007 to which 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. Chu Yuet Wah is also taken to be interested in 130,000,000 shares in which Best China Limited, a Company which is wholly and beneficially owned by her, is interested.

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

4. ABN AMRO Holdings N.V. is taken to be interested in those Shares in which ABN AMRO Bank N.V., a company which is wholly and beneficially owned by her, is interested.

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 31 March 2007.

SUBSEQUENT EVENT

Details of significant events occurring after the balance sheet date are set out in Note 39 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date of the issue of the annual report for 2006/2007 of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 21 to 25.

AUDITORS

The financial statements were audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Fung Yiu Tong, Bennet
Chairman

Hong Kong, 27 July 2007

Corporate Governance Report

The Board of Directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2007, except that the Independent Non-Executive Directors are appointed with no specific terms which is a deviation from code provision A.4.1 of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises ten members, seven of which are Executive Directors, namely Dr. Fung Yiu Tong, Bennet who is the Chairman of the Board, Mr. Lee Chik Yuet who is the Deputy Chairman of the Board, Dr. Cho Kwai Chee, Miss Choi Ka Yee, Crystal, Dr. Hui Ka Wah, Ronnie JP, Mr. Cho Kwai Yee, Kevin and Mr. Siu Kam Chau. The other three members are Independent Non-Executive Directors, namely Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man.

The Board held four meetings during the year ended 31 March 2007. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice at the expense of the Company.

Corporate Governance Report (Continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Fung Yiu Tong, Bennet, the Chairman of the Company and Mr. Cho Kwai Yee, Kevin, Chief Executive Officer since 2006, have segregated and clearly defined roles.

NON-EXECUTIVE DIRECTORS

The Company has received written confirmation from each of the Independent Non-Executive Directors as regards to their independence to the Company as required under the Listing Rules.

The Company considers that each of the Independent Non-Executive Directors is independent to the Company.

None of the Independent Non-Executive Directors is appointed for a specific term but are subject to rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages for all the Directors and senior management to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

Up to the date of this annual report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lo Chun Nga, who is the Chairman, Mr. Chan Chi Yuen and Mr. Chik Chi Man.

The Remuneration Committee held one meeting during the year ended 31 March 2007. The Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages of all the Directors and senior management to the Board.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

Corporate Governance Report (Continued)

The notice of the annual general meeting contains detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to enable shareholders to make an informed decision on their election.

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditors, HLB Hodgson Impey Cheng, for its audit services and non-audit services for the year ended 31 March 2007 are analyzed as follows:

	HK$
Audit services	
Audit fee for the year ended 31 March 2007	480,000
Non-audit services	
Tax compliance	13,500
Acting as reporting accountants to report on certain financial information included in the Company's circulars issued during the year ended 31 March 2007	520,000
	533,500
Total	1,013,500

AUDIT COMMITTEE

The Audit Committee has adopted specific written terms of reference in accordance with the provisions set out in the Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditor, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other legal requirements, and to review the Group's financial reporting system and internal control procedures.

The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Chan Chi Yuen as the Chairman of the Committee, Mr. Lo Chun Nga and Mr. Chik Chi Man.

Corporate Governance Report (Continued)

The Audit Committee held three meetings during the year ended 31 March 2007. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2006, for the three months ended 30 June 2006 and for the six months ended 30 September 2006 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditors for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2007 with the Directors.

ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 March 2007 is set out below:

	Number of meetings attended/held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Director			
Fung Yiu Tong, Bennet (Appointed on 22 May 2006)	4/4	3/3	–
Lee Chik Yuet (Appointed on 13 March 2007)	0/0	–	–
Choi Ka Yee, Crystal	4/4	–	–
Cho Kwai Yee, Kevin	4/4	–	–
Siu Kam Chau	4/4	–	–
Cho Kwai Chee (Appointed on 9 July 2007)	0/0	–	–
Hui Ka Wah, Ronnie *JP* (Appointed on 9 July 2007)	0/0	–	–
Chi Chi Hung, Kenneth (Resigned on 13 March 2007)	3/3	–	–
Independent Non-Executive Director			
Chan Chi Yuen	4/4	3/3	1/1
Lo Chun Nga (Appointed on 22 May 2006)	4/4	3/3	1/1
Chik Chi Man (Appointed on 23 October 2006)	2/2	1/1	–
Chun Jay (Resigned on 23 October 2006)	2/2	2/2	1/1

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the loss and cash flows for the year ended 31 March 2007 in accordance with the Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditors' Report on pages 26 to 27.

INTERNAL CONTROLS

The Directors have the overall responsibility for internal control, including risk management, and sets appropriate policies having regard to the objectives of the Group. The Directors, through the Audit Committee, have continued to review the effectiveness of the Group's system of financial and non-financial controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits.

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Chartered Accountants
Certified Public Accountants

TO THE SHAREHOLDERS OF
HONG KONG HEALTH CHECK AND LABORATORY HOLDINGS COMPANY LIMITED
(Formerly known as Town Health Medical Technology Holdings Company Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hong Kong Health Check and Laboratory Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 86 which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Report (Continued)

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 27 July 2007

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	*6*	**15,813**	1,450
Other income	*8*	**1,723**	1,469
Changes in inventories and clinical supplies consumed		**(3,914)**	(375)
Employee benefits expense		**(22,930)**	(1,328)
Depreciation expense		**(3,490)**	(1,355)
Fair value gain/(loss) on held-for-trading investments		**1,242**	(1,260)
Impairment losses		**–**	(36,579)
Finance costs	*9*	**(6,357)**	(3,407)
Other operating expenses		**(26,298)**	(3,961)
Loss before tax		**(44,211)**	(45,346)
Income tax expense	*10*	**(8,967)**	–
Loss for the year	*11*	**(53,178)**	(45,346)
Attributable to:			
Equity holders of the Company	*14*	**(52,818)**	(45,346)
Minority interests		**(360)**	–
		(53,178)	(45,346)
Dividends		**–**	–
Loss per share			
Basic (HK cents per share)	*15*	**(3.9)**	(4.9)
Diluted (HK cents per share)	*15*	**(3.9)**	(4.9)

Consolidated Balance Sheet

As at 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**92,831**	12
Goodwill	*17*	**22,121**	–
		114,952	12
Current assets			
Inventories of clinical supplies, at cost		**362**	–
Trade and other receivables	*19*	**19,757**	22,765
Held-for-trading investments	*20*	**71**	16,170
Tax recoverable		**48**	–
Pledged bank deposits	*21*	**10,000**	–
Bank balances and cash	*22*	**18,288**	47,202
		48,526	86,137
Current liabilities			
Trade and other payables	*23*	**19,954**	5,009
Bank and other borrowings	*24*	**48,385**	34,993
Tax payable		**289**	–
		68,628	40,002
Net current (liabilities)/assets		**(20,102)**	46,135
Total assets less current liabilities		**94,850**	46,147
Non-current liabilities			
Bank and other borrowings	*24*	**18,708**	–
Convertible loan notes	*25*	**47,797**	44,274
Deferred tax liabilities	*26*	**9,124**	–
		75,629	44,274
Net assets		**19,221**	1,873

Consolidated Balance Sheet (Continued)

As at 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	27	**26,298**	11,595
Reserves		**(17,585)**	(9,722)
Equity attributable to the equity holders of the Company		**8,713**	1,873
Minority interests		**10,508**	–
Total equity		**19,221**	1,873

The financial statements on pages 28 to 86 were approved and authorized for issue by the board of directors on 27 July 2007 and signed on its behalf by:

Fung Yiu Tong, Bennet
Director

Cho Kwai Yee, Kevin
Director

Balance Sheet

As at 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interests in subsidiaries	18	**–**	–
Current assets			
Amounts due from subsidiaries	18	**124,353**	64,156
Trade and other receivables	19	**389**	9
Held-for-trading investments	20	**71**	–
Bank balances and cash	22	**11,518**	9,628
		136,331	73,793
Current liabilities			
Amounts due to subsidiaries	18	**12,387**	–
Trade and other payables	23	**5,088**	1,752
		17,475	1,752
Net current assets		**118,856**	72,041
Total assets less current liabilities		**118,856**	72,041
Non-current liabilities			
Convertible loan notes	25	**47,797**	44,274
Net assets		**71,059**	27,767
Capital and reserves			
Share capital	27	**26,298**	11,595
Reserves	30	**44,761**	16,172
Equity attributable to the equity holders of the Company		**71,059**	27,767

Fung Yiu Tong, Bennet
Director

Cho Kwai Yee, Kevin
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000	**Translation reserve** HK$'000	**Convertible loan notes equity reserve** HK$'000	**Share-based payments reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 April 2005	8,829	4,509	861	29,390	–	–	–	(22,777)	20,812	–	20,812
Exchange difference arising on translation of foreign operations and net income directly recognized in equity	–	–	–	–	2	–	–	–	2	–	2
Loss for the year	–	–	–	–	–	–	–	(45,346)	(45,346)	–	(45,346)
Total recognized expense for the year	–	–	–	–	2	–	–	(45,346)	(45,344)	–	(45,344)
Issue of new shares under the Share Subscription Agreement	1,000	2,800	–	–	–	–	–	–	3,800	–	3,800
Issue of new shares under the Share Placing Agreement	1,766	4,944	–	–	–	–	–	–	6,710	–	6,710
Share issue expenses	–	(167)	–	–	–	–	–	–	(167)	–	(167)
Equity component of convertible loan notes	–	–	–	–	–	16,062	–	–	16,062	–	16,062
At 31 March 2006	**11,595**	**12,086**	**861**	**29,390**	**2**	**16,062**	**–**	**(68,123)**	**1,873**	**–**	**1,873**
Exchange difference arising on translation of foreign operations and net expense directly recognized in equity	–	–	–	–	(1,501)	–	–	–	(1,501)	–	(1,501)
Loss for the year	–	–	–	–	–	–	–	(52,818)	(52,818)	(360)	(53,178)
Total recognized expenses for the year	–	–	–	–	(1,501)	–	–	(52,818)	(54,319)	(360)	(54,679)
Capital contributed by minority shareholders	–	–	–	–	–	–	–	–	–	9,000	9,000
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	1,868	1,868
Recognition of equity settled share-based payments	–	–	–	–	–	–	90	–	90	–	90
Equity component of convertible loan notes	–	–	–	–	–	15,889	–	–	15,889	–	15,889
Issue of shares upon exercise of share options	69	169	–	–	–	–	–	–	238	–	238
Issue of shares upon conversion of convertible loan notes	14,634	46,197	–	–	–	(15,889)	–	–	44,942	–	44,942
At 31 March 2007	**26,298**	**58,452**	**861**	**29,390**	**(1,499)**	**16,062**	**90**	**(120,941)**	**8,713**	**10,508**	**19,221**

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Loss for the year	**(53,178)**	(45,346)
Adjustments for:		
Income tax expense	**8,967**	–
Excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost	**(486)**	–
Finance costs	**6,357**	3,407
Interest income on bank deposits	**(1,227)**	(233)
Depreciation	**3,490**	1,355
Fair value (gain)/loss on held-for-trading investments	**(1,242)**	1,260
Equity-settle share-based payments	**90**	–
Impairment losses recognized in respect of property, plant and equipment	**–**	8,492
Impairment losses recognized in respect of trade and other receivables	**–**	28,087
Write-back of liabilities	**–**	(1,128)
Gain on disposal of property, plant and equipment	**–**	(108)
Operating cash flows before movements in working capital	**(37,229)**	(4,214)
Inventories	**48**	6
Held-for-trading investments	**17,341**	–
Trade and other receivables	**(3,623)**	(3,935)
Trade and other payables	**11,900**	304
Cash used in operations activities	**(11,563)**	(7,839)
Hong Kong profits tax paid	**(193)**	–
Net cash used in operating activities	**(11,756)**	(7,839)

Consolidated Cash Flow Statement (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 HK$'000	2006 HK$'000
Investing activities			
Interest received		**1,227**	233
Purchase of property, plant and equipment		**(73,276)**	(12)
Deposits paid for acquisition of medical equipments		**(2,490)**	(16,440)
Acquisition of subsidiaries	*31*	**(31,241)**	–
Increase in pledged bank deposits		**(10,000)**	–
Net cash used in investing activities		**(115,780)**	(16,219)
Financing activities			
Interest paid		**(1,329)**	(2,009)
Proceeds from issue of shares		**238**	10,343
Proceeds from issue of convertible loan notes		**60,000**	60,000
Proceeds from borrowings		**35,000**	19,321
Repayment of borrowings		**(4,290)**	(19,231)
Capital contributed by minority shareholders of subsidiaries		**9,000**	–
Net cash generated by financing activities		**98,619**	68,424
Net (decrease)/increase in cash and cash equivalents		**(28,917)**	44,366
Cash and cash equivalents at the beginning of the financial year		**47,202**	2,146
Effect of foreign exchange rate changes		**3**	690
Cash and cash equivalents at the end of the financial year			
Representing bank balances and cash		**18,288**	47,202

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2007

1. GENERAL

Hong Kong Health Check and Laboratory Holdings Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 October 1993. The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and its principal place of business is situated at Shop 2B & 2C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong.

Pursuant to the special resolution passed by the Company's shareholders at the special general meeting of the Company held on 21 September 2006, the name of the Company was changed from "Town Health Medical Technology Holdings Company Limited" to "Hong Kong Health Check and Laboratory Holdings Company Limited" with effect from 27 October 2006.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and sales of garments and provision of healthcare and medical checks services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[7]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2009.
3. Effective for annual periods beginning on or after 1 May 2006.
4. Effective for annual periods beginning on or after 1 June 2006.
5. Effective for annual periods beginning on or after 1 November 2006.
6. Effective for annual periods beginning on or after 1 March 2007.
7. Effective for annual periods beginning on or after 1 January 2008.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(a) Service fee income in relation to provision of healthcare and medical check services is recognized when services are rendered.

(b) Sales of products are recognized when goods are delivered and title has passed.

(c) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Leasing (the Group as lessee)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities (including bank and other borrowings, and trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortized cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible loan notes (Continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions (Continued)

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments are made to equity.

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognized in the consolidated financial statements are disclosed below:

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 March 2007 and the details of the recoverable amount calculation are disclosed in note 17.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment loss on receivables

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectibility of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognized on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, held-for-trading investments, bank balances, trade and other payables, borrowings and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Cash flow interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank balances and bank and other borrowings. Bank balances and bank loans at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's bank balances, pledged bank deposits and bank and other borrowings have been disclosed in notes 21, 22 and 24 respectively. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Currency risk

Certain borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by implementing a policy to maintain a portfolio of investments with different risk profiles.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

As at 31 March 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2007	2006
	HK$'000	HK$'000
Provision of healthcare and medical checks services	**15,813**	–
Sales of garment	**–**	1,450
	15,813	1,450

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Business segments

	Provision of healthcare and medical checks services		Manufacturing and sales of garment		Trading of securities		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
REVENUE	**15,813**	–	**–**	1,450	**–**	–	**15,813**	1,450
RESULT								
Segment result	**(25,872)**	–	**–**	(37,497)	**1,055**	(1,345)	**(24,817)**	(38,842)
Unallocated income							**1,227**	233
Unallocated corporate expenses							**(14,264)**	(3,330)
Finance costs							**(6,357)**	(3,407)
Loss before tax							**(44,211)**	(45,346)
Income tax expense							**(8,967)**	–
Loss for the year							**(53,178)**	(45,346)
BALANCE SHEET								
ASSETS								
Segment assets	**134,292**	22,401	**390**	375	**71**	16,171	**134,753**	38,947
Unallocated corporate assets							**28,725**	47,202
Consolidated total assets							**163,478**	86,149
LIABILITIES								
Segment liabilities	**11,279**	39	**3,347**	3,218	**–**	–	**14,626**	3,257
Unallocated corporate liabilities							**129,631**	81,019
Consolidated total liabilities							**144,257**	84,276
OTHER INFORMATION								
Capital additions	**96,309**	12	**–**	–	**–**	–	**96,309**	12
Addition of goodwill	**22,121**	–	**–**	–	**–**	–	**22,121**	–
Excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost recognized immediately in profit or loss	**(486)**	–	**–**	–	**–**	–	**(486)**	–
Depreciation of property, plant and equipment	**3,490**	–	**–**	1,355	**–**	–	**3,490**	1,355
Gain on disposal of property, plant and equipment	**–**	–	**–**	(108)	**–**	–	**–**	(108)
Impairment losses on property, plant and equipment	**–**	–	**–**	8,492	**–**	–	**–**	8,492
Impairment losses on trade and other receivables	**–**	–	**–**	28,087	**–**	–	**–**	28,087
Equity-settled share-based payments expenses	**90**	–	**–**	–	**–**	–	**90**	–
Fair value (gain)/loss on held-for-trading investments	**–**	–	**–**	–	**(1,242)**	1,260	**(1,242)**	1,260
Write-back of liabilities	**–**	–	**–**	(1,128)	**–**	–	**–**	(1,128)

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

7. SEGMENT INFORMATION (Continued)

Geographical segments

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers in Hong Kong and over 90% of the Group' assets are located in Hong Kong.

8. OTHER INCOME

	2007	2006
	HK$'000	HK$'000
Interest income on bank deposits	**1,227**	233
Gain on disposal of property, plant and equipment	**–**	108
Excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost recognized immediately in profit or loss	**486**	–
Write-back of liabilities	**–**	1,128
Sundry income	**10**	–
	1,723	1,469

9. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on:		
– Bank overdrafts	**67**	–
– Bank borrowings wholly repayable within five years	**1,194**	3,011
Effective interest expense on convertible loan notes *(Note 25)*	**5,096**	396
	6,357	3,407

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

10. INCOME TAX EXPENSE

	2007	2006
	HK$'000	HK$'000
Current tax:		
– Hong Kong profits tax	**134**	–
Deferred tax *(Note 26)*	**8,833**	–
	8,967	–

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

No PRC income tax has been provided in respect of the Group's PRC subsidiary since it incurred tax losses for the year.

The tax charge for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2007	2006
	HK$'000	HK$'000
Loss before tax	**(44,211)**	(45,346)
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**(7,737)**	(7,936)
Tax effect of expenses not deductible for tax purpose	**583**	–
Tax effect of income not taxable for tax purpose	**(569)**	–
Tax effect of tax losses not recognized	**16,690**	7,936
Tax charge for the year	**8,967**	–

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

11. LOSS FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging:		
Employee benefits expense:		
– Directors' emoluments *(Note 12)*	**4,075**	273
– Other staff costs	**18,432**	1,001
– Other staff retirement benefits schemes contributions	**423**	54
	22,930	1,328
Depreciation of property, plant and equipment	**3,490**	1,355
Impairment losses in respect of property, plant and equipment *(Note 16)*	**–**	8,492
Impairment losses in respect of trade and other receivables *(Note 19)*	**–**	28,087
Operating lease rentals in respect of rented premises	**2,435**	107
Auditors' remuneration	**480**	313
Cost of inventories recognized as an expense	**3,914**	375
Equity-settled share-based payments *(Note 28)*	**90**	–

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to every director of the Company were as follows:

For the year ended 31 March 2007	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Contributions to retirement benefits schemes HK$'000	Total emoluments HK$'000
Executive directors					
Dr. Fung Yiu Tong, Bennet (Appointed on 22 May 2006)	–	2,581	–	11	2,592
Mr. Lee Chik Yuet (Appointed on 13 March 2007)	–	125	–	–	125
Mr. Cho Kwai Yee, Kevin	–	360	200	–	560
Miss Choi Ka Yee, Crystal	–	360	–	–	360
Mr. Siu Kam Chau	–	240	–	12	252
Mr. Chi Chi Hung, Kenneth (Resigned on 13 March 2007)	–	100	–	–	100
Independent non-executive directors					
Mr. Chan Chi Yuen	55	–	–	–	55
Mr. Lo Chun Nga (Appointed on 22 May 2006)	21	–	–	–	21
Mr. Chik Chi Man (Appointed on 23 October 2006)	10	–	–	–	10
Mr. Lau Man Tak (Resigned on 22 May 2006)	–	–	–	–	–
Mr. Chun Jay (Resigned on 23 October 2006)	–	–	–	–	–
Total	**86**	**3,766**	**200**	**23**	**4,075**

For the year ended 31 March 2006					
Executive directors					
Mr. Chi Chi Hung, Kenneth	–	215	–	11	226
Mr. Cho Kwai Yee, Kevin (Appointed on 14 March 2006)	–	17	–	–	17
Miss Choi Ka Yee, Crystal (Appointed on 14 March 2006)	–	18	–	–	18
Mr. Siu Kam Chau (Appointed on 14 March 2006)	–	12	–	–	12
Mr. Wong Hin Shek, Hans (Resigned on 14 March 2006)	–	–	–	–	–
Independent non-executive directors					
Mr. Lau Man Tak	–	–	–	–	–
Mr. Chun Jay	–	–	–	–	–
Mr. Chan Chi Yuen	–	–	–	–	–
Total	–	262	–	11	273

During both years, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2006: one) was a director of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining four (2006: four) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	5,291	213
Performance related incentive payments	300	–
Contributions to retirement benefits schemes	48	9
	5,639	222

Their emoluments fell within the following bands:

	2007	2006
	Number of individuals	
Nil – HK$1,000,000	1	4
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	2	–

14. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company includes a loss of approximately HK$17,867,000 (2006: HK$3,342,000) which has been dealt with in the financial statements of the Company.

15. 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 year attributable to the equity holders of the Company of approximately HK$52,818,000 (2006: HK$45,346,000) and on the weighted average number of ordinary shares of approximately 1,358,315,000 (2006: 924,520,000).

For the years ended 31 March 2006 and 2007, 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 loan notes since their exercises would result in a reduction in loss per share.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant, machinery and equipment	Office equipment	Furniture and fixtures	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 April 2005	–	13,520	–	43	13,563
Exchange adjustments	–	260	–	–	260
Additions	–	12	–	–	12
Disposals	–	(1,623)	–	(9)	(1,632)
At 31 March 2006	–	12,169	–	34	12,203
Additions	12,123	74,592	2,819	182	89,716
Acquired on acquisition of subsidiaries	1,842	4,720	–	31	6,593
At 31 March 2007	**13,965**	**91,481**	**2,819**	**247**	**108,512**
DEPRECIATION AND IMPAIRMENT					
At 1 April 2005	–	2,564	–	8	2,572
Exchange adjustments	–	50	–	–	50
Provided for the year	–	1,351	–	4	1,355
Eliminated on disposals	–	(275)	–	(3)	(278)
Impairment loss recognized	–	8,467	–	25	8,492
At 31 March 2006	–	12,157	–	34	12,191
Provided for the year	493	2,875	110	12	3,490
At 31 March 2007	**493**	**15,032**	**110**	**46**	**15,681**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements	**Plant, machinery and equipment**	**Office equipment**	**Furniture and fixtures**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CARRYING AMOUNTS					
At 31 March 2007	**13,472**	**76,449**	**2,709**	**201**	**92,831**
At 31 March 2006	–	12	–	–	12

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	:	10%
Plant, machinery and equipment	:	10% to 20%
Office equipment	:	10%
Furniture and fixtures	:	10%

During the year ended 31 March 2006, the directors conducted a review of the Group's plant, machinery and equipment and determined that a number of those assets were impaired. Accordingly, an impairment loss of approximately HK$8,492,000 had been recognized in respect of the plant, machinery and equipment, which were used in the garment segment. The recoverable amounts of the relevant assets were determined on the basis of their value in use at a discount rate of 9.24%.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

17. GOODWILL

	HK$'000
COST AND CARRYING AMOUNT	
At 1 April 2006	–
Acquired on acquisition of subsidiaries	22,121
At 31 March 2007	22,121

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill at 31 March 2007 has been allocated to Polyray Technology Limited and Polylight Technology Limited as a single cash-generating unit (CGU). The recoverable amount of this CGU has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 8% per annum. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management's expectations for the market development.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares at cost, net of provision for impairment losses	**–**	–

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/ paid-up capital	Principal activities	Proportion ownership interest held by the Company	
				Directly	Indirectly
Hong Kong Health Check and Medical Diagnostic Centre Limited	Hong Kong	Ordinary share HK$1	Provision of healthcare and medical checks services	–	100%
Prosperity Management Limited	Hong Kong	Ordinary share HK$1	Provision of administrative services	–	100%
Polyray Technology Limited	Hong Kong	Ordinary shares HK$17,000	Provision of healthcare and medical checks services	–	100%
Polylight Technology Limited	Hong Kong	Ordinary shares HK$3,200,000	Provision of healthcare and medical checks services	–	100%
Classictime Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	–	100%
Nicefit Limited	British Virgin Islands	Ordinary share US$1	Securities trading	100%	–
International Health Decoding Group Limited	Hong Kong	Ordinary shares HK$915	Provision of healthcare and medical checks services	–	81.96%

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/ paid-up capital	Principal activities	Proportion ownership interest held by the Company Directly	Indirectly
Charm Advance Limited	British Virgin Islands	Ordinary share US$1	Investment holding	100%	–
Hong Kong Health Check Centre Limited	Hong Kong	Ordinary share HK$1	Investment holding	–	100%
Well Goal Management Limited	Hong Kong	Ordinary share HK$1	Holding of trademark	–	100%
A Winner Limited	British Virgin Islands	Ordinary share US$1	Provision of administrative services	100%	–
Great Excellent Limited	Hong Kong	Ordinary shares HK$2	Provision of nominee services	100%	–
Win Smarter Limited	Hong Kong	Ordinary shares HK$2	Not yet commenced business	100%	–
Town Health Medical Technology (China) Company Limited	British Virgin Islands	Ordinary shares US$1,000	Not yet commenced business	–	70%
Wealth Treasure Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	–	100%
Hong Kong Gastrointestinal Endoscopy Investigations Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

18. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/ paid-up capital	Principal activities	Proportion ownership interest held by the Company	
				Directly	Indirectly
Hong Kong Health Check Centre Membership Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
Rollstone Limited	British Virgin Islands	Ordinary share US$1	Investment holding	100%	–
上海凱祥服飾有限公司	PRC	Registered capital RMB40,000,000	Manufacturing and sales of garment in the PRC	–	100%

上海凱祥服飾有限公司 is a wholly foreign owned enterprise established in the PRC.

The amounts due from and due to subsidiaries as shown on the Company's balance sheet are unsecured, interest free and have no fixed terms of repayment. The directors consider that the carrying amounts approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, with aged analysis *(Note (i))*				
0-60 days	**3,194**	–	**–**	–
61-90 days	**598**	–	**–**	–
Over 90 days	**1,974**	645	**–**	–
	5,766	645	**–**	–
Less: Accumulated impairment	**(671)**	(645)	**–**	–
Trade receivables, net	**5,095**	–	**–**	–
Loan receivable *(Note (ii))*	**–**	26,869	**–**	–
Less: Accumulated impairment	**–**	(26,494)	**–**	–
Loan receivable, net	**–**	375	**–**	–
Other receivables:				
Deposits paid for acquisition of medical equipments	**2,490**	16,440	**–**	–
Rental and decoration deposits paid to a related company *(Note (iii))*	**5,680**	1,900	**–**	–
Prepayments, deposits and other receivables	**6,492**	4,050	**389**	9
Other receivables, net	**14,662**	22,390	**389**	9
Total trade and other receivables	**19,757**	22,765	**389**	9

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

19. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Most of the patients of the medical check centers settle in cash. The Group allows an average credit period of 30 days to its trade customers.

(ii) As disclosed in the Company's announcements dated 6 August 2004 and 12 January 2006, the loan receivable represented the uncollected outstanding balance of an aggregated amount of various advances made by the Company's PRC subsidiary to 上海凱托（集團）有限公司 ("Shanghai Kaituo") and its subsidiaries and affiliated companies, on 31 March 2004 in accordance with a loan assignment agreement signed on 12 July 2004. As confirmed by the directors of the Company, Shanghai Kaituo was an independent third party. The loan receivable was unsecured, interest-free and was originally due for repayment before the end of year 2004 but was further extended to the end of year 2005. Subsequent to 31 March 2006, the loan was subsequently settled to the extent of approximately HK$375,000. The Company's directors considered it appropriate to recognize a provision for impairment losses of approximately HK$26,494,000 against the remaining overdue balance of the loan which had been charged to the consolidated income statement for the year ended 31 March 2006.

(iii) The balance represents the rental and decoration deposits paid pursuant to the tenancy agreements entered into between the Group (as tenant) and Majestic Centre Limited (as landlord) for leasing of properties situated in Hong Kong. A director of the Company, namely, Miss Choi Ka Yee, Crystal and her associates (as defined under the Listing Rules) are interested in 50% of the shareholdings of Majestic Centre Limited.

(iv) The impairment losses of trade and other receivables of approximately HK$28,087,000 charged to the consolidated income statement for the year ended 31 March 2006 comprised impairment losses against trade receivables of approximately HK$527,000, impairment losses against loan receivable of approximately HK$26,494,000 (Note (ii) above) and impairment losses against other receivables of approximately HK$1,066,000.

(v) The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

20. HELD-FOR-TRADING INVESTMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
FAIR VALUE				
Listed equity securities in Hong Kong	**71**	16,170	**71**	–

The fair values of the equity securities held-for-trading are determined based on the quoted market bid prices available on the Stock Exchange.

At 31 March 2006, the carrying amount of the Group's investment in the following company exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Kanstar Environmental Paper Products Holdings Limited	Cayman Islands	Research and development of paper filling material and the manufacture and sale of pulp and paper	Ordinary shares listed on the Growth Enterprise Market of the Stock Exchange	1.25%

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

21. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

The deposits carry interest rate at 3.75% per annum. The pledged bank deposits will be released upon the settlement of relevant borrowings.

22. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 1.5% to 3% (2006: 0.5% to 3%) per annum and have original maturity of three months or less.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables, with aged analysis:				
0-60 days	**798**	–	**–**	–
61-90 days	**17**	60	**–**	–
Over 90 days	**1,154**	1,045	**–**	–
Total trade payables	**1,969**	1,105	**–**	–
Other payables and accruals	**17,985**	3,904	**5,088**	1,752
Trade and other payables	**19,954**	5,009	**5,088**	1,752

Note:

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

24. BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank installment loans *(Note (i))*	**20,710**	–	**–**	–
Bank revolving loans *(Note (i))*	**10,000**	–	**–**	–
PRC bank loans *(Note (ii))*	**36,143**	34,753	**–**	–
Other loan *(Note (iii))*	**240**	240	**–**	–
	67,093	34,993	**–**	–

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount repayable:				
On demand or within 1 year	**48,385**	34,993	**–**	–
More than 1 year but not exceeding 2 years	**10,323**	–	**–**	–
More than 2 years but not exceeding 5 years	**8,385**	–	**–**	–
	67,093	34,993	**–**	–
Less: Amount due within 1 year shown within current liabilities	**(48,385)**	(34,993)	**–**	–
	18,708	–	**–**	–

Notes:

(i) The bank installment loans and revolving loans at 31 March 2007 are denominated in Hong Kong dollars and are secured by a fixed charge on the Group's medical equipments with a carrying amount of approximately HK$52,973,000, a charge over bank fixed deposits of approximately HK$10,000,000 and a corporate guarantee executed by the Company to the extent of HK$40,000,000. The effective interest rates (which are also equal to contracted interest rates) range from 5.01% to 5.68% per annum.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

24. BORROWINGS (Continued)

Notes: (Continued)

(ii) The PRC bank loans in an aggregate amount of RMB36,143,000 comprised (a) a loan of RMB10,000,000 which was unsecured, interest bearing at 6.696% per annum and repayable in June 2006; (b) a loan of RMB10,000,000 which was unsecured, interest bearing at 6.696% per annum and repayable in August 2006; and (c) a loan of RMB16,143,000 which was unsecured, interest bearing at 5.742% per annum and originally repayable in June 2006 and December 2006. The relevant bank has instigated legal proceedings against the Company's PRC subsidiary to demand repayment of the unpaid bank loans and the overdue balance of the said bank loans was chargeable at a penalty daily interest rate of 0.0239%.

(iii) The other loan was unsecured, interest free and repayable on demand.

(iv) The directors consider that the carrying amounts of borrowings approximate their fair values.

25. CONVERTIBLE LOAN NOTES

Group and Company

In February 2006, the Company issued a convertible bond due February 2010 with an aggregate principal amount of HK$60,000,000 to Top Act Group Limited (the "TA Convertible Bond"), which bears interest at 1% per annum payable half yearly in arrears. The TA Convertible Bond is convertible into fully paid ordinary shares of HK$0.01 each of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) convertible in the period commencing from the date of issue to the maturity date (being the date falling on the 4th anniversary of the date of issue of the TA Convertible Bond). Any unredeemed and unconverted convertible notes will be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash.

In September 2006, the Company issued convertible loan notes due September 2010 with an aggregate principal amount of HK$40,000,000 (the "Tranche One CN II"), which bear interest at 1% per annum payable half yearly in arrears. The Tranche One CN II are convertible into fully paid ordinary shares of HK$0.01 each of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) convertible in the period commencing from the date of issue to the maturity date (being the date falling on the 4th anniversary of the date of issue of the Tranche One CN II). Any unredeemed and unconverted convertible notes will be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

25. CONVERTIBLE LOAN NOTES (Continued)

In December 2006, the Company issued convertible loan notes due December 2010 with an aggregate principal amount of HK$20,000,000 (the "Tranche Two CN II"), which bear interest at 1% per annum payable half yearly in arrears. The Tranche Two CN II are convertible into fully paid ordinary shares of HK$0.01 each of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) convertible in the period commencing from the date of issue to the maturity date (being the date falling on the 4th anniversary of the date of issue of the Tranche Two CN II). Any unredeemed and unconverted convertible notes will be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash.

The entire Tranche One CN II and Tranche Two CN II with an aggregate principal amount of HK$60,000,000 were fully converted into ordinary shares of the Company at the conversion price of HK$0.041 per share during the year ended 31 March 2007. A total of 1,463,414,615 shares were allocated and issued during the year ended 31 March 2007.

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". The effective interest rate of the liability component is 9.24%.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2007	2006
	HK$'000	HK$'000
Liability component at the beginning of the year	**44,274**	–
Issue of convertible loan notes	**44,111**	43,937
Conversion into the Company's shares	**(44,942)**	–
Interest charged *(Note 9)*	**5,096**	396
Interest paid/payable	**(742)**	(59)
Liability component at the end of the year, shown as non-current liabilities	**47,797**	44,274

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

26. DEFERRED TAX LIABILITIES

The movement of the deferred tax liabilities for the year is set out below:

	2007 **HK$'000**	2006 HK$'000
Attributable to accelerated tax depreciation		
At the beginning of the year	**–**	–
Acquisition of subsidiaries	**291**	–
Charged to the income statement *(Note 10)*	**8,833**	–
At the end of the year	**9,124**	–

At 31 March 2007, the Group has unused tax losses of approximately HK$140,746,000 (2006: HK$45,371,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

Authorized: **Ordinary shares of HK$0.01 each**	**Number of shares**	**Total value** (HK$'000)
At 31 March 2006 and 2007	30,000,000,000	300,000

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

27. SHARE CAPITAL (Continued)

Issued and fully paid: **Ordinary shares of HK$0.01 each**	**Number of shares**	**Total value** (HK$'000)
At 1 April 2005	882,936,853	8,829
Issue of 100,000,000 new shares at HK$0.038 each under the Share Subscription Agreement *(Note (a))*	100,000,000	1,000
Issue of 176,580,000 new shares at HK$0.038 each under the Share Placing Agreement *(Note (b))*	176,580,000	1,766
At 31 March 2006	1,159,516,853	11,595
Issue of shares upon conversion of convertible loan notes	1,463,414,615	14,634
Issue of shares upon exercise of share options	6,840,000	69
At 31 March 2007	**2,629,771,468**	**26,298**

All the shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

Notes:

(a) On 9 December 2005, the Company entered into a share subscription agreement (the "Share Subscription Agreement") with Central View International Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by Miss Choi Ka Yee, Crystal. Pursuant to the Share Subscription Agreement, Central View International Limited 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 "Share Subscription"). The aggregate gross and net proceeds from the Share Subscription of approximately HK$3.8 million would be used as general working capital for the Group. Completion of the Share Subscription Agreement took place on 23 February 2006 and the 100,000,000 new shares were issued on 23 February 2006. The new shares issued rank pari passu in all respects with all other shares then in issue.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

27. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) On 9 December 2005, the Company entered into a share placing agreement (the "Share Placing Agreement") with a placing agent. Pursuant to the Share Placing Agreement, the Company agreed to place, through the placing agent on a best effort basis, 176,580,000 new shares (the "Placing Shares") at a price of HK$0.038 each to not fewer than six independent investors. The proceeds from the Placing Shares of approximately HK$6.7 million would be used as general working capital for the Group. The Placing Shares were issued on 26 January 2006 pursuant to the general mandate granted to the Company's directors at the annual general meeting of the Company held on 23 August 2005. The new shares issued rank pari passu in all respects with all other shares then in issue.

28. SHARE-BASED PAYMENT TRANSACTIONS

On 16 January 2007, Hong Kong Health Check and Medical Diagnostic Centre Limited, a wholly-owned subsidiary of the Company, entered into a service agreement (the "Service Agreement") with China Health Care Travel Service Limited (the "Agent"), pursuant to which the Agent is appointed for the promotion of, and referral of customers for the health check business of the Group. In return, the Agent will be entitled to an administration fee based on the turnover derived by the Group from the Agent's referred customers. As part of the incentive for the Agent to render the services contemplated under the Service Agreement and for a nominal consideration of HK$1.00, the Company granted the Agent an option (the "Agent Option") to subscribe for 40,000,000 shares of HK$0.01 each in the capital of the Company at an exercise price of HK$0.13 per share (subject to adjustments), which is exercisable at any time during the period of one year commencing from the date of issue of the certificate of the Agent Option. The grant of the Agent Option is conditional upon the fulfillment of certain conditions within two years from the date of the Service Agreement, including, inter alia, the accumulated turnover derived by the Group from the referred customers for the two years from the date of the Service Agreement reaching HK$15,000,000 or above.

The total fair value of the Agent Option was determined by the directors to be approximately HK$862,000 with reference to a valuation performed by an independent firm of professional valuers using a black-scholes option pricing model. The inputs to the model include grant date share price of HK$0.11, exercise price of HK$0.13 per share, expected volatility of 39.61%, expected option life of 2 years, no expected dividend and estimated risk-free interest rate of 3.71%. The expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

For the year ended 31 March 2007, the Group recognized total equity-settled share-based payment expense of approximately HK$90,000.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

29. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting of the Company held on 17 November 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 17 November 2003 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The Share Option Scheme will remain in force for a period of 10 years commencing from 17 November 2003. Options complying the provisions of the Listing Rules which are granted during the duration of the Share Option Scheme and remain unexercised immediately prior to the end of the 10 year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the board of directors of the Company (the "Board"), but shall not be lower than the highest of (i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the Board approve the making of the offer for the grant of options (the "Date of Grant"), which must be a trading day; (ii) the average closing price of shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of a share.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

29. SHARE OPTION SCHEME (Continued)

The following table discloses the details of the Company's share options held by consultants of the Company and the movements in such holdings:

	Number of share options						
Grant date	Outstanding as at 1 April 2005	Granted during the year ended 31 March 2006	Exercised or lapsed during the year ended 31 March 2006	Outstanding as at 31 March 2006	**Exercised during the year ended 31 March 2007**	**Lapsed during the year ended 31 March 2007**	**Outstanding as at 31 March 2007**
11 November 2004	44,760,000	–	–	44,760,000	**(6,840,000)**	**(37,920,000)**	**–**
Exercisable at the end of the year				44,760,000			**–**
Exercise price	HK$0.0348	–	–	HK$0.0348	**HK$0.0348**	**–**	**–**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

30. RESERVES

Company	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 *(Note)*	Convertible loan notes equity reserve HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
At 1 April 2005	4,509	861	29,390	–	–	(38,885)	(4,125)
Issue of new shares under the Share Subscription Agreement	2,800	–	–	–	–	–	2,800
Issue of new shares under the Share Placing Agreement	4,944	–	–	–	–	–	4,944
Share issue expenses	(167)	–	–	–	–	–	(167)
Equity component of convertible loan notes	–	–	–	16,062	–	–	16,062
Loss for the year and total recognized expense for the year	–	–	–	–	–	(3,342)	(3,342)
At 31 March 2006	12,086	861	29,390	16,062	–	(42,227)	16,172
Recognition of equity settled share-based payments	–	–	–	–	90	–	90
Equity component of convertible loan notes	–	–	–	15,889	–	–	15,889
Issue of shares upon exercise of share options	169	–	–	–	–	–	169
Issue of shares upon conversion of convertible loan notes	46,197	–	–	(15,889)	–	–	30,308
Loss for the year and total recognized expense for the year	–	–	–	–	–	(17,867)	(17,867)
At 31 March 2007	**58,452**	**861**	**29,390**	**16,062**	**90**	**(60,094)**	**44,761**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

30. RESERVES (Continued)

Note:

The contributed surplus represents reserves arising from (i) the difference between the then consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the corporate reorganization prior to the listing of the Company's shares on the Stock Exchange in 1993; and (ii) the Company's capital reorganization exercises in prior years. Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain circumstances.

31. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Polyray Technology Limited and Polylight Technology Limited

On 30 November 2006, the Company acquired the entire issued share capital of Polyray Technology Limited and Polylight Technology Limited at an aggregate cash consideration of HK$34,250,000. The amount of goodwill arising from the acquisition was approximately HK$22,121,000. The net assets acquired in the transaction and the goodwill arising are as follows:

	Polylight Technology Limited HK$'000	**Polyray Technology Limited** HK$'000	**Acquirees' carrying amount before combination and fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	271	4,960	5,231
Inventories	39	371	410
Trade receivables	943	2,910	3,853
Other receivables	339	1,229	1,568
Bank balances and cash	1,555	2,191	3,746
Other payables	(518)	(1,570)	(2,088)
Tax payable	(243)	(57)	(300)
Deferred tax liabilities	(18)	(273)	(291)
			12,129
Goodwill			22,121
			34,250
Total consideration satisfied by cash			34,250

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

31. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Polyray Technology Limited and Polylight Technology Limited (Continued)

	HK$'000
Net cash outflow arising on acquisition of Polyray Technology Limited and Polylight Technology Limited:	
Cash consideration paid	(34,250)
Bank balances and cash acquired	3,746
	(30,504)

The goodwill arising on acquisition of Polyray Technology Limited and Polylight Technology Limited is attributable to the anticipated profitability of their businesses.

Polyray Technology Limited and Polylight Technology Limited contributed approximately HK$167,000 to the Group's profit for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been approximately HK$50,408,000, and loss for the year would have been approximately HK$48,404,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

31. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of International Health Decoding Group Limited

The Group was interested in 50 shares of HK$1.00 each in International Health Decoding Group Limited, representing approximately 26.31% of the then total issued share capital of International Health Decoding Group Limited, since 3 November 2006 for an initial investment of HK$1,000,000. On 8 November 2006, the Group subscribed for a further 700 shares of HK$1.00 each in International Health Decoding Group Limited in cash at a total sum of HK$7,000,000 (the "Subscription"). Immediately after the Subscription, the Group was interested in 750 shares of HK$1.00 each, representing approximately 81.97% of the total issued share capital of International Health Decoding Group Limited. The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	1,362
Other receivables	1,884
Bank balances and cash	7,263
Other payables	(155)
	10,354
Minority interests	(1,868)
Excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost recognized immediately in profit or loss	(486)
	8,000

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

31. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of International Health Decoding Group Limited (Continued)

	HK$'000
Satisfied by:	
Cash paid for initial investment	1,000
Cash paid for the Subscription	7,000
	8,000

Net cash outflow arising on acquisition of International Health Decoding Group Limited:	
Cash consideration paid	(8,000)
Bank balances and cash acquired	7,263
	(737)

32. CAPITAL COMMITMENTS

	2007 HK$'000	2006 HK$'000
Capital expenditure contracted for but not provided for in the financial statements in respect of acquisition of medical equipments	**7,310**	38,360

At the balance sheet date, the Company had no significant capital commitments.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

33. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**13,484**	63
In the second to fifth years inclusive	**15,690**	–
	29,174	63

The Company had no significant operating lease commitments at the balance sheet date.

Operating lease payments represent rentals payable by the Group for certain of its medical check centers and office premises. Leases are negotiated and rentals are fixed for terms ranging from 2 to 3 years.

34. LITIGATION

The Company was a defendant in a lawsuit brought by a supplier in December 1998 claiming for a principal sum of approximately HK$1,962,000 together with interest and costs thereon relating to a guarantee in respect of a credit facility granted to RCR Electronics Manufacturing Limited, a former subsidiary of the Company. The Company filed a defense in March 1999 in response to the claim and since then, the supplier has taken no further action against the Company. Since the outcome of the litigation could not be determined with reasonable certainty at this stage, no provision has been made in the financial statements.

35. PLEDGE OF ASSETS

As at 31 March 2007, certain property, plant and equipment of the Group with carrying value of approximately HK$52,973,000 and bank fixed deposits of HK$10,000,000 were pledged to secure general bank facilities granted to the Group.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

36. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK$1,000 per month, which contribution is matched by employees.

During the year ended 31 March 2007, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$446,000 (2006: HK$54,000). At 31 March 2007, there were no forfeited contributions available for the Group to offset contributions payable in future years (2006: Nil).

37. CORPORATE GUARANTEE

	Company	
	2007	2006
	HK$'000	HK$'000
Corporate guarantees provided by the Company in respect of banking facilities of subsidiaries	**40,000**	–

As at 31 March 2007, the amount of such facilities utilized by the subsidiaries and covered by the Company's guarantees amounted to approximately HK$30,170,000. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arise in the ordinary course of business and the fair values of the corporate guarantees granted by the Company are immaterial.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions during the year:

	2007	2006
	HK$'000	HK$'000
Laboratory fee paid to Town Health International Holdings Company Limited	**967**	–
Service fees paid to Town Health International Holdings Company Limited for provision of consultation and management services *(Note (i))*	**3,182**	–
Rentals paid to Majestic Centre Limited for leasing of properties *(Note (ii))*	**2,218**	–

Notes:

(i) The service fees paid to Town Health International Holdings Company Limited were based on a service agreement dated 7 August 2006 entered into between the Company and Town Health International Holdings Company Limited. This related party transaction also constitutes a non-exempt continuing connected transaction on the part of the Company under the Listing Rules.

(ii) The rentals (inclusive of rates, government rent, air-conditioning charges and building management fee) paid to Majestic Centre Limited were based on the tenancy agreements entered into between the Group (as tenant) and Majestic Centre Limited (as landlord) for leasing of properties situated in Hong Kong. A director of the Company, namely, Miss Choi Ka Yee, Crystal and her associates (as defined under the Listing Rules) are interested in 50% of the shareholdings of Majestic Centre Limited. This related party transaction also constitutes a non-exempt continuing connected transaction on the part of the Company under the Listing Rules.

The directors of the Company consider that they are the only key management personnel of the Group and details of their compensation have been set out in Note 12.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

39. SUBSEQUENT EVENTS

(a) On 11 April 2007, the Company announced that (i) the Company had entered into the Tranche I Placing Agreement, the Tranche II Placing Agreement, the CB Placing Agreement with the placing agent and the Option Agreement with Top Act Group Limited, respectively; and (ii) Classictime Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement dated 2 April 2007 (the "SP Agreement") with Dr. Francis Choi Chee Ming ("Dr. Choi"). Further details of the above transactions were set out in the Company's circular dated 28 May 2007 and the resolutions in respect of the above transactions were duly passed by the Company's shareholders at the special general meeting of the Company held on 13 June 2007.

Pursuant to the Tranche I Placing Agreement dated 29 March 2007, the Company has conditionally agreed to place, through the placing agent on a fully underwritten basis, 220,000,000 shares of HK$0.01 each in the capital of the Company (the "Tranche I Placing Shares") to independent investors at a price of HK$0.19 per share. The Tranche I Placing Agreement was completed in April 2007 and 220,000,000 Tranche I Placing Shares were issued in April 2007.

Pursuant to the Tranche II Placing Agreement dated 29 March 2007, the Company has conditionally agreed to place, through the placing agent on a fully underwritten basis, 560,000,000 shares of HK$0.01 each in the capital of the Company (the "Tranche II Placing Shares") to independent investors at a price of HK$0.19 per share. The Tranche II Placing Agreement was completed in June 2007 and 560,000,000 Tranche II Placing Shares were issued in June 2007.

Pursuant to the CB Placing Agreement dated 29 March 2007, the placing agent has conditionally agreed to place, on a best effort basis, convertible bonds with up to an aggregate principal amount of HK$250,000,000 (the "Convertible Bonds I") convertible into 1,000,000,000 shares of HK$0.01 each in the capital of the Company at an initial conversion price of HK$0.25 per share (subject to adjustments). The Convertible Bonds I bear interest at 2% per annum payable half yearly in arrears. The Convertible Bonds I are convertible in the period commencing from the date of issue to the maturity date (being the date falling on the 4th anniversary of the date of issue of the Convertible Bonds I). On 13 July 2007, the Company announced that all the conditions of the CB Placing Agreement have been fulfilled and the Convertible Bonds I have been placed to 15 independent placees. Completion of the placing is expected to take place on or before 13 August 2007.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

39. SUBSEQUENT EVENTS (Continued)

(a) (Continued)

Pursuant to the Option Agreement dated 29 March 2007, the Company has conditionally agreed to grant an option (the "Option") to Top Act Group Limited, entitling Top Act Group Limited a right to require the Company to issue a convertible bond in an aggregate principal amount of HK$500,000,000 (the "Convertible Bond II") during the period of the Option. The Convertible Bond II is convertible into 2,000,000,000 shares of HK$0.01 each in the capital of the Company at an initial conversion price of HK$0.25 per share (subject to adjustments). The Convertible Bond II bears interest at 2% per annum payable half yearly in arrears. The Convertible Bond II is convertible in the period commencing from the date of issue to the maturity date (being the date falling on the 4th anniversary of the date of issue of the Convertible Bond II).

Pursuant to the SP Agreement, Classictime Investments Limited, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from Dr. Choi the remaining 30% equity interest in Town Health Medical Technology (China) Company Limited at a cash consideration of HK$9,000,000. Town Health Medical Technology (China) Company Limited is a 70% owned subsidiary of the Group at 31 March 2007. The aforesaid acquisition was completed on 31 May 2007 on which Town Health Medical Technology (China) Company Limited became a wholly-owned subsidiary of the Group. As Town Health Medical Technology (China) Company Limited has not commenced business from its date of incorporation to the date of acquisition, and the consideration paid for the acquisition is equal to 30% of the net assets of Town Health Medical Technology (China) Company Limited, there were no goodwill and profit or loss arising from the acquisition.

(b) On 13 June 2007, the Company announced that on 8 June 2007, Charm Advance Limited (an indirect, wholly-owned subsidiary of the Company) entered into a sale and purchase agreement, pursuant to which Charm Advance Limited conditionally agreed to acquire the entire issued share capital of Speedco Pacific Limited which beneficially owned approximately 47.99% of the total issued share capital of Group Benefit Development Limited at a total cash consideration of HK$23,356,661.90. The transaction constitutes a very substantial acquisition on the part of the Company under the Listing Rules which requires the approval by the Company's shareholders at a special general meeting. As of the date of approval of these financial statements, the transaction has not yet been completed.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 MARCH 2007

39. SUBSEQUENT EVENTS (Continued)

(c) On 13 July 2007, the Company announced that the Company has received a notice for the partial conversion of the TA Convertible Bond issued and as a result of which the Company has issued a total of 487,804,878 shares to Top Act Group Limited at a price of HK$0.041 per conversion share in July 2007. After the above conversion, the outstanding principal amount of the TA Convertible Bond was HK$40,000,000 as at the date of the announcement.

(d) On 13 July 2007, the Company announced that on 12 July 2007, Charm Advance Limited (an indirect, wholly-owned subsidiary of the Company) and National Centre of Traditional Chinese Medicine (中國中醫藥科技開發交流中心) entered into a cooperation agreement for the joint development of health check and medical diagnostic centers in the PRC, pursuant to which the Group is committed to contribute not less than HK$20,000,000 for the project.

Five-year Financial Summary

Results	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**15,813**	1,450	4,150	23,117	23,410
(Loss)/profit from operations	**(37,854)**	(5,360)	(25,672)	1,723	(121,624)
Finance costs	**(6,357)**	(3,407)	(3,087)	(1,601)	(285)
Impairment loss on an associate	**–**	(36,579)	–	–	–
(Loss)/profit before tax	**(44,211)**	(45,346)	(28,759)	122	(121,909)
Income tax expense	**(8,967)**	–	(10)	(26)	–
Loss for the year	**(53,178)**	(45,346)	(28,769)	96	(121,909)
Attributable to:					
Equity holders of the Company	**(52,818)**	(45,346)	(28,769)	96	(121,909)
Minority interests	**(360)**	–	–	–	–
	(53,178)	(45,346)	(28,769)	96	(121,909)

Five-year Financial Summary (Continued)

Assets and liabilities	2007	2006	2005	2004	2003
	Year ended 31 March				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Intangible assets	**22,121**	–	–	–	–
Tangible fixed assets	**92,831**	12	10,991	20,021	3,205
Current assets	**48,526**	86,137	61,441	95,522	31,440
Total assets	**163,478**	86,149	72,432	115,543	34,645
Current liabilities	**68,628**	40,002	51,620	72,137	19,686
Long-term portion of obligations Under hire-purchase contracts	**–**	–	–	249	229
Long-term bank and other borrowings	**18,708**	–	–	–	–
Deferred tax liabilities	**9,124**	–	–	–	–
Convertible loan notes	**47,797**	44,274	–	–	–
Total liabilities	**144,257**	84,276	51,620	72,386	19,915
Net assets	**19,221**	1,873	20,812	43,157	14,730
Capital and reserves:					
Share capital	**26,298**	11,595	8,829	73,580	44,780
Reserves	**(17,585)**	(9,722)	11,983	(30,423)	(30,082)
Equity attributable to the equity holders of the Company	**8,713**	1,873	20,812	43,157	14,698
Minority interests	**10,508**	–	–	–	32
Total equity	**19,221**	1,873	20,812	43,157	14,730