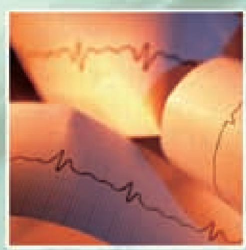
香港體檢及醫學診斷控股有限公司

HONG KONG HEALTH CHECK AND LABORATORY HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 397)

Annual Report 2008



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

Mr. Cho Kwai Yee, Kevin

Mr. Siu Kam Chau

Dr. Hui Ka Wah, Ronnie, *JP*

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

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Hong Kong

WEBSITE

www.hkhealthcheck.com

Chairman's Statement

On behalf of Hong Kong Health Check and Laboratory Holdings Company Limited ("Hong Kong Health Check" or the "Company"), I am pleased to present this annual report for the year ended 31 March 2008 to our shareholders.

BUSINESS REVIEW

2007/08 was a year of significant achievements for Hong Kong Health Check. For the year ended 31 March 2008, we made significant progress in building a solid foundation and venturing into the fast-growing China health check and medical diagnosis market. The profit attributable to equity holders of the Company for the year ended 31 March 2008 stood at HK$43,077,000.

Our objective is to be a leading provider of health check and medical diagnostic services in Hong Kong and the Mainland China markets.

Building a Strong Base for Growth

We are the first health check and laboratory centre in Hong Kong incorporating the three top-end imaging modalities – 64 Slice CT, 3T MRI and PET/CT – in a single location. Our clientele has been expanding rapidly since the opening of our flagship Health Check Centre located at 348 Nathan Road in 2006.

Our continuous effort in optimizing one-stop comprehensive services has led to a swift expansion of our client base. We serve different customers, including corporations, private doctors and Hospital Authority. The Group's competitive edge lies in establishing a long-term collaborative arrangement with hospitals, physician groups and other healthcare providers.

To improve the quality of healthcare for people who live and work in both urban and sub-urban districts, we have established satellite diagnostic centers in the densely populated Kwun Tong and Shatin districts and will extend our network to cover districts like Tai Kok Tsui and Tseung Kwan O.

We have built a well-recognized brand name and an experienced management team with extensive knowledge of the highly competitive health check and medical diagnostic industry. Our reputation and knowledge provides us the unique ability to leverage our versatile network and capitalize on this fast-growing healthcare sector.

Sustaining Operational Efficiency

We pursue a strategy that focuses on expanding the business through acquisition of competitors in Hong Kong. In June 2007, the Group completed a deal acquiring approximately 49% equity interest in Group Benefit Development Limited (the "Group Benefit"), a local company that specialized in the provision of medical diagnostic scanning and laboratory services. The acquisition enabled the Group to enhance its market share and to increase the number of its health check centres to eight in Hong Kong.

Chairman's Statement

The Group is now able to achieve operational, purchasing and administrative efficiencies, including the ability to maximize utilization through efficient deployment of resources. We also achieve savings in the purchase of equipment and secure favorable service and maintenance contracts from equipment manufacturers. All these lead to operational excellence and a marked increase in profit margin.

Reaching Out to the Public

We seek to leverage our market position and increase our customer base. We have adopted a prudent approach in setting new sources of revenue, expanding business relationships and maintaining present business alliances. Marketing activities include appointing spokespersons to enhance corporate image, offering sponsorships for health-related events e.g. FIVB World Grand Prix – Hong Kong in both 2007 and 2008, direct marketing to hospitals and developing leads through customers and equipment manufacturers.

Our Group is also committed to raising public awareness on "Health Management" through provision of intensive educational programs to the community. Free weekly seminars and workshops are held in our health check centers to encourage the public's participation.

Venturing into Mainland China

With improvements in living standards, a growing demand for quality healthcare and a high level of awareness of the importance of health check, the Mainland China market provides excellent business opportunities for the Group.

In view of the vast opportunities generated by the tremendous economic growth in the Mainland China and rising demand for medical diagnostic services, Hong Kong Health Check entered into a management agreement with The Sixth Affiliated (Gastrointestinal) Hospital, Sun Yat Sen University ("The 6th Affiliated Hospital") to establish the Zhongshanyi Town Health Health Check and Imaging Diagnostic Centre (the "Zhongshanyi TH Health Check Centre") at the Tianhe District in Guangzhou, China.

The cooperation with The 6th Affiliated Hospital, a renowned and prestigious medical institution in Guangzhou, marks a significant milestone for our Group. This is our first substantial investment and joint co-operative arrangement in the Mainland China, and is an important part of the company's corporate strategy in the Mainland China market.

Under the agreement, Hong Kong Health Check would inject RMB50 million to procure the necessary medical equipments. The 6th Affiliated Hospital would refer or transfer its clients, patients, and specimens for check-ups or laboratory services in the Zhongshanyi TH Health Check Centre.

Chairman's Statement

The 6th Affiliated Hospital has an extensive network along with a proven record of rapid growth and will provide the centre expertise and medical personnel uniquely valuable to the Zhongshanyi TH Health Check Centre. We believe the joint force allows us to provide comprehensive health check, laboratory and medical imaging services to better meet the needs of our customers in Guangzhou and the Pearl River Delta Region.

PROSPECT

Consolidate Market-Leading Position in Hong Kong

To match with the healthcare reform in Hong Kong, the Group is committed to providing full support to both private and public medical institutions. We allow hospitals, physician groups and other healthcare providers to enjoy the benefit of our imaging equipment without the need to invest their own capital directly. As a result of government initiatives that encourage private health care organizations to provide supplementary services to public institutions, we believe that the provision of quality health check and medical diagnosis and imaging services to public institutions' patients will grow and this will further boost our client base.

In addition, we will continue to develop our health check center business through an aggressive yet disciplined growth strategy, which focuses on building more satellite medical diagnostic centers. We see potential for growth through providing services in the rural district, which helps to consolidate our leadership position.

Strengthening Foothold in Mainland China

The health check and medical diagnosis market in mainland China remains largely untapped. According to "China Healthcare and Health Check Research" conducted by Bai Yan Information in 2008, revenue in the health check and related services and health insurance industry will reach RMB 20 billion and RMB 100 billion respectively in the next three to five years.

Our relationship with The 6th Affiliated Hospital allows us to showcase what we view as the optimum strategy for how health check centers serve their patients going forward. We will continue to seek for appropriate investment opportunities through collaboration with reputable health and medical institutions to further boost our health check and medical diagnostic business in China.

Being the first Hong Kong medical institution that has established a health check centre in China, the Group has further strengthened their business in China by investing in Core Healthcare Investment Holdings Limited ("Core Healthcare") (stock code: 8250), a company that participates in the China pharmaceutical business. We have become the largest shareholder in Core Healthcare through establishing a joint venture company with Town Health International Holdings Co. Ltd ("Town Health") (stock code: 8138) in November 2007. We are dedicated to boosting our corporate image in China by strengthening the health services platform.

Chairman's Statement

Improving Corporate Citizenship

Our commitment to the community is a value deeply ingrained in how we do business. We believe in improving the communities where we work and live. Being a successful corporation is not an easy task. Besides focusing on our Group's business growth, we endeavor to be a caring company by assuming our corporate responsibility. The Group plans to establish a charity fund in 2008. It is aimed at supporting the elderly, children and those with long-term healthcare needs.

The earthquake happened in the Wenchuan County, Sichuan Province in the southwestern part of China on 12 May 2008 was a disaster which every Chinese should devote the best effort in the support and help those being affected to re-establish their homeland. The Group has donated HK$1 million to the Home Affairs Department through which the money will be given to the disaster hit area.

We are a community of dedicated people working together to create value for our shareholders, customers and employees. On behalf of more than 170 employees, we appreciate your confidence in Hong Kong Health Check.

Fung Yiu Tong, Bennet
Chairman
Hong Kong, 20 June 2008

HONG KONG HEALTH CHECK AND LABORATORY

Management Discussion and Analysis

FINANCIAL REVIEW

The Group is set to build momentum thanks to an impressive record of revenue growth in the health check and medical diagnostic business. In 2007/08, the momentum increased at an unprecedented pace. The Group's turnover soared 344% to HK$70,132,000 (2007: HK$15,813,000), reflecting the success of our strategic business plan and operation. The revenue income was driven primarily by the core business of provision of health check and medical diagnostic services.

Basic earnings per share was HK1.07 cents. This was a substantial improvement from a loss of HK3.9 cents a year ago.

Profit attributable to equity holders of the Company for the year ended 31 March 2008 was approximately HK$43,077,000 (2007: loss of HK$52,818,000 attributable to equity holders of the Company). In view of the Group's active development of its core health check and medical diagnostic services business and potential acquisitions or expansion opportunities, the Board does not recommend the payment of final dividend.

REVIEW OF OPERATIONS

Rapid Growth Further Strengthens Market Positioning

During the year, the Group's business of provision of health check and medical diagnostic services has achieved sound results. Turnover increased by 344% to HK$70,132,000. The demand for health check services continues to grow as public awareness on regular health check increases.

In June 2007, the Group completed a deal with Group Benefit, a local company that specialized in the provision of medical diagnostic scanning and laboratory services. The Group became one of the major shareholder of Group Benefit by acquiring 47.99% of its total issued share capital for more than HK$23 million. Group Benefit has enjoyed a strong reputation in the local healthcare market. It has been in business for nearly twenty years and ran four health check centers in Hong Kong. The acquisition enabled the Group to take over a potential competitor and enlarged the Group's referral base by incorporating Group Benefit's existing clientele.

With the establishment of satellite medical diagnostic centers in the densely populated districts, Hong Kong Health Check boasts an extensive network and offers comprehensive health check and medical diagnostic services to customers, generating a steady source of revenue and improving the Group's financial standing.

Management Discussion and Analysis

Tapping into the China Healthcare & Medical Market

During the year under review, the Group made an important foray into the fast-growing China health check and medical diagnostic market. In February 2008, Hong Kong Health Check made the first substantial investment and joint cooperative arrangement in the PRC. The Group entered into a management agreement with The 6th Affiliated Hospital to establish the Zhongshanyi TH Health Check Centre. The Zhongshanyi TH Health Check Centre will be principally engaged in health check, medical diagnostic and medical laboratory services. Pursuant to the Agreement, the Group invests RMB50 million for the injection of medical equipment and enjoys an exclusive period of twenty years to operate and manage Zhongshanyi TH Health Check Centre.

Furthermore, the Group has collaborated with other companies to help expand its distribution network in China. A joint venture company which is 50% owned by the Group and 50% owned by Town Health entered into an agreement under which Core Healthcare agreed to issue convertible bonds with an aggregate principal amount of HK$150 million on 6 November 2007. The transaction made the joint venture company the largest shareholder in Core Healthcare.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group held cash and bank balances of approximately HK$118,700,000 (2007: HK$18,288,000). Net current assets amounted to approximately HK$455,781,000 (2007: Net current liabilities HK$20,102,000). Current ratio (defined as total current assets divided by total current liabilities) was 20.2 times (2007: 88%).

As at 31 March 2008, the Group had outstanding bank and other borrowings of approximately HK$292,443,000 (2007: HK$114,890,000). The bank borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements. The Group's bank balances and borrowings were denominated in Hong Kong dollars, risk in exchange rate fluctuation would not be material. The bank borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

CAPITAL STRUCTURE

As at 31 March 2008, the Group had shareholders' equity of approximately HK$558,650,000 (2007: HK$8,713,000).

On 27 April 2007, the Company placed 220,000,000 Tranche I Placing Shares to independent investors at a price of HK$0.19 per Tranche I Placing Share.

On 25 June 2007, the Company placed 560,000,000 Tranche II Placing Shares to independent investors at a price of HK$0.19 per Tranche II Placing Share. The gross proceeds from the Tranche I Placing and the Tranche II Placing was approximately HK$148.2 million.

Management Discussion and Analysis

On 2 August 2007, the Company issued with an aggregate principal amount of HK$500,000,000 Convertible Bonds II which was converted into 2,000,000,000 Shares at a conversion price of HK$0.25 per Conversion Share. The gross proceed from the CB placing was approximately HK$500 million

On 6 August 2007, the Company issued with an aggregate principal amount of HK$250,000,000 Convertible Bonds I which was converted into 1,000,000,000 Shares at a conversion price of HK$0.25 per Conversion Share. The gross proceed from the CB Placing was approximately HK$250 million.

In September 2007, the Company has exercised its right to redeem the Convertible Bond I and the Convertible Bond II with a principal amounts of HK$80,000,000 and HK$200,000,000 respectively.

In June 2008, the Company has exercised its right to redeem the Convertible Bond II with a principal amounts of HK$80,000,000.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2008, the Group employed approximately 170 employees. The Group 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. 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 2008, certain property, plant and equipment of the Group with carrying value of approximately HK$47,293,000 and bank deposits of HK$12,000,000 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 41, Chairman of the Company. Dr. Fung 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. Dr. Fung was appointed as an executive director and chairman of the Company on 22 May 2006 and 13 March 2007 respectively.

Mr. Lee Chik Yuet, aged 54, Deputy Chairman of the Company. Mr. Lee 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 14 years in Hong Kong specialized in commercial, corporate finance and investment laws in Hong Kong and the Mainland China. He is now mainly responsible for investment and operation of the Group in the Mainland China. He joined the Group in March 2007.

Dr. Cho Kwai Chee, aged 44, graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and D.P.D. (Cardiff). He is also the Permanent President of Hong Kong Shatin Industries and Commerce Association Limited, the District President of Yau Tsim District of Scout Association of Hong Kong and the Vice President of the Association of Hong Kong Professionals. Dr. Cho is responsible for directing the Group's overall business and development strategies. He is the brother of Mr. Cho Kwai Yee, Kevin, 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 27, graduated from Boston College in the United States of America with a bachelor degree of science in accountancy. She also holds a master degree in corporate finance from The Hong Kong Polytechnic University. Miss Choi has extensive knowledge in accounting and corporate finance. Miss Choi is a member of the Chinese People's Political Consultative Conference Jieyang, general committee member of the Chamber of Hong Kong Listed Companies, the Vice Chairman of Youth Professionals Committee of the Association of Hong Kong Professionals and the chairman of United We Stand Foundation Limited. Miss Choi is also an executive director and chairman of the 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. Miss Choi is also the director of Early Light International (Holdings) Limited and E. Lite (Choi's) Holdings Limited.

Profiles of Directors and Senior Management

Mr. Cho Kwai Yee, Kevin, aged 46, graduated from Newcastle 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 43, 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 (practising). Mr. Siu had worked in an international accounting firm and a number of listed groups. He has over 19 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 companies, whose shares are listed on the main board or GEM of the Stock Exchange. 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.

Dr. Hui Ka Wah, Ronnie, *JP,* aged 44, 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. 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 a CFA Charterholder and holds a MBA degree conferred by Universitas 21 Global. Dr. Hui is an independent non-executive director of CASH Financial Services Group Limited, E2-Capital (Holdings) Limited, Winbox International (Holdings) Limited and Suncorp Technologies Limited. He is also an executive director of Town Health International Holdings Company Limited, a vice chairman and executive director of Core Healthcare Investment Holdings Limited, the issued shares of which are listed on the Main Board and GEM board of the Stock Exchange respectively. Dr Hui had once been the independent non-executive director of CASH Retail Management Group Limited from March 2004 till February 2006, which is listed in Main Board of the Stock Exchange. He joined the Group in July 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 42, holds a bachelor degree with honours in Business Administration and a master of science degree in Corporate Governance and Directorship. He is 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 experience in financial management, corporate finance and corporate governance. Mr. Chan is currently an executive director of A-Max Holdings Limited, Kong Sun Holdings Limited and Prosticks International Holdings Limited and an independent non-executive director of China Sciences Conservational Power Limited, Premium Land Limited and Superb Summit International Timber Company Limited. Mr. Chan was an executive director of New Times Group Holdings Limited since 10 May 2006 and was redesignated as a non-executive director from 25 October 2006 onwards. He was also an independent non-executive director of Golden Resorts Group Limited from 17 September 2004 to 28 October 2005. Mr. Chan joined the Group in January 2005. He is also the chairman of the audit committee and a member of the remuneration committee of the Company.

Profiles of Directors and Senior Management

Mr. Lo Chun Nga, aged 57, has over 28 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. Mr. Lo joined the Group in May 2006. He is also a member of the audit committee and the chairman of the remuneration committee of the Company.

Mr. Chik Chi Man, aged 54, has over 40 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. Mr. Chik joined the Group in October 2006. He is also the member of the audit committee and remuneration committee of the Company.

SENIOR MANAGEMENT

Dr. Chan Po Nin, David, currently as consultant radiologist of the Group. Dr. Chan 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.

Dr Peter Tin-Kay Lau, currently as the Medical Director of the Group. He graduated from the University of Hong Kong in the 1980's with a Bachelor Degree in Medicine and Surgery. He then pursued further studies in family medicine at the Chinese University of Hong Kong, and was awarded the Diploma of Family Medicine in 1997 and a Master Degree in Family Medicine in 2005. Dr. Lau has more than 20 years of clinical experience. He is keen to promote a healthy lifestyle to the public, and has been a frequent speaker at schools and community centres. He is regularly consulted by the media, including newspapers, magazines, radio and television stations, to provide relevant health information. Dr. Lau is currently a council member of the Practicing Estate Doctors' Association and the Hong Kong Health Education and Health Promotion Foundation. He is also the coordinator of the Hong Kong Doctors' Union Shatin Study Group. Dr. Lau has participated actively in undergraduate medical education at the Chinese University of Hong Kong since the early 90's. In 2007, he was appointed Honorary Clinical Assistant Professor in Family Medicine. For over 10 years, Dr. Lau has served the Town Health Group in a number of positions. He jointed the Group in July 2006 and responsible for overseeing the clinical services and staff training of the Company.

Ms. Carrie Woo, currently as Assistant General Manager of the Group. Her primary responsibilities include overseeing operational issues among different business units within the Group as well as assisting the Group CEO in enhancing and driving the performance and efficiencies of the operation of the Group. Ms. Woo has 20 years of professional experience in the healthcare and medical field and has taken up senior management roles since 2000. She is a Registered Nurse and holds a Bachelor's degree in Psychology from the Azua Pacific University, California. Prior to joining the Group in February 2007, she has worked for a number of major hospitals and healthcare organizations.

Mr. Lam Chun Kei, currently as Assistant Financial Controller of the Group. Mr. Lam 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. Lam has over 10 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and a listed group. He Joined the Group in August 2007.

Report of the Directors

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 21 to the consolidated 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 2008 is set out in Note 9 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 30 to 109 of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2008 (2007: Nil).

PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries as at 31 March 2008 are set out in Note 21 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK$38,770,000 for the expansion of the Group's business.

Details of movements in property, plant and equipment of the Group during the year are set out in Note 19 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Group are set out in Note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 34 to the consolidated financial statements.

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

Particulars of the Company's share option scheme are set out in Note 35 to the consolidated financial statements.

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

During the year ended 31 March 2008, the Company repurchased its own shares as follows:

	Number of shares	Price per share		Aggregate
Month of repurchase	**repurchased**	**Highest**	**Lowest**	**consideration**
		HK$	HK$	HK$
August 2007	4,440,000	0.305	–	1,354,200
October 2007	6,500,000	0.193	0.188	1,234,000
November 2007	2,000,000	0.204	–	408,000
January 2008	5,020,000	0.138	0.130	682,600
	17,960,000			3,678,800

The above shares were cancelled and accordingly the issued share capital of the Company was reduced by the par value of these shares which amounted to HK$179,600. Apart from the repurchase of the shares as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2008.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 37 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2008, 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 2008.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2008, 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 35% and 11% 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.

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)*	
Mr. Lee Chik Yuet *(Deputy Chairman)*	
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)

Independent non-executive directors

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

Report of the Directors

In accordance with Bye-law 99, Dr. Fung Yiu Tong, Bennet, Mr. Siu Kam Chau and Mr. Chik Chi Man shall retire from office by rotation at the forthcoming annual general meeting and all of them will 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 15 and 16 to the consolidated financial statements.

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 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 Rule 14A of the Listing Rules during the year ended 31 March 2008:

On 18 April 2006, Classictime Investments Limited ("Classictime"), a wholly-owned subsidiary of the Company, entered into the Agreement with Dr. Francis Choi Chee Ming JP, ("Dr. Choi") 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 and Classictime as to 30% and 70% respectively. Total investment of Classictime in the JV Company amounted to HK$21,000,000, representing 70% of the issued share capital of the JV Company.

Pursuant to a sale and purchase agreement dated 2 April 2007 entered into between Classtictime and Dr. Choi, Classictime conditionally agreed to acquire from Dr. Choi the remaining 30% equity interest in the JV Company at a cash consideration of HK$9,000,000. The aforesaid acquisition was completed on 31 May 2007 on which the JV Company became a wholly-owned subsidiary of the Group. The details of the transaction are set out in Note 38 to the consolidated financial statements.

Report of the Directors

(B) The following continuing connected transactions not exempt under Rule 14A of the Listing Rules were entered into during the year ended 31 March 2008:

(i) 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 agreements, pursuant to which Majestic Centre Limited agreed to lease the whole floor of upper ground floor, lower ground floor and 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 (both days inclusive). Miss Choi Ka Yee, Crystal ("Miss Choi") and her associates are interested in 50% of the shareholdings of Majestic Centre Limited. In July 2007, Miss Choi and her associates completed the disposal of their 50% interests in Majestic Centre Limited and the transaction was no longer regarded as a continuing connected transaction.

Principal terms of the tenancy agreement are shown as below:

Basement 2
HK$300,000.00 per month (inclusive of rates, government rent, air-conditioning charges and management fee) for the period of thirty-one months from 1 September 2006 to 31 March 2009 (both days inclusive).

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).

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).

(ii) 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 is the daughter of Dr. Choi, who is a non-executive director of Town Health and has a controlling equity interest in Town Health.

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.

The above continuing connected transactions have also been reviewed by the independent auditors 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 IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31 March 2008, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company or its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 HK$0.01 each of the Company:

Name of director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Dr. Cho Kwai Chee *(Note 1)*	Held by controlled corporation	2,663,414,634	58.35%
Miss Choi Ka Yee, Crystal *(Note 2)*	Held by controlled corporation	100,000,000	2.19%

Notes:

1. Dr. Cho Kwai Chee is interested in 50.1% of the issued share capital of Broad Idea International Limited and pursuant to the SFO, is deemed to the interested in the same block of 2,663,414,634 shares which Broad Idea International Limited is interested or is deemed to be interested in.

2. 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 2008, none of the directors nor their associates had registered an interest or short position in the shares, underlying shares or convertible bonds 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

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "SHARE OPTION", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors 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 2008, 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 HK$0.01 each of the Company:

Name of shareholder	**Capacity**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Dr. Francis Choi Chee Ming JP *(Note 1)*	Held by controlled corporation	2,663,414,634	58.35%
Broad Idea International Limited ("Broad Idea") *(Note 1)*	Held by controlled corporation	2,663,414,634	58.35%
Town Health International Holdings Company Limited ("Town Health") *(Note 2)*	Held by controlled corporation	2,663,414,634	58.35%
Town Health (BVI) Limited *(Note 2)*	Held by controlled corporation	2,663,414,634	58.35%
Top Act Group Limited *(Note 2)*	Benefit owner	2,663,414,634	58.35%
Atlantis Investment Management Ltd	Benefit owner	260,000,000	5.7%

Report of the Directors

Note:

1. Dr. Francis Choi Chee Ming JP and Dr. Cho Kwai Chee own 49.9% and 50.1% beneficial interest in Broad Idea respectively. Broad Idea holds 46.75% of issued share capital of Town Health. Dr. Francis Choi Chee Ming JP and Dr. 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 through its wholly-owned subsidiary, Town Health (BVI) Limited, holds an interest in the Company. Such interest represented 58.35% of the issued ordinary share capital and comprised 487,804,878 shares and 2,175,609,756 conversion shares to be issued upon the exercise of conversion rights attached to the convertible bonds held by Top Act Group Limited, a wholly-owned subsidiary of Town Health (BVI) Limited.

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 2008.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in Note 47 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible persons, details of the scheme are set out in Note 35 to the consolidated financial statements.

Report of the Directors

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 2007/2008 of the Company.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 23 to 27.

AUDITORS

The consolidated 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, 20 June 2008

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 2008, 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 2008.

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 2008. 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

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 2008. 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

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 2008 are analyzed as follows:

	HK$'000
Audit services	
Audit fee for the year ended 31 March 2008	720
Non-audit services	
Tax compliance	60
Acting as reporting accountants to report on certain financial information included in the Company's circular issued during the year ended 31 March 2008	459
Others	20
	539
Total	1,259

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

The Audit Committee held two meetings during the year ended 31 March 2008. The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2007 and for the six months ended 30 September 2007 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 2008 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 2008 is set out below:

	Number of meetings attended/held		
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Dr. Fung Yiu Tong, Bennet	4/4	2/2	–
Mr. Lee Chik Yuet	4/4	–	–
Miss Choi Ka Yee, Crystal	4/4	–	–
Mr. Cho Kwai Yee, Kevin	4/4	–	–
Mr. Siu Kam Chau	4/4	–	–
Dr. Cho Kwai Chee (Appointed on 9 July 2007)	4/4	–	–
Dr. Hui Ka Wah, Ronnie *JP* (Appointed on 9 July 2007)	4/4	–	–
Independent Non-Executive Directors			
Mr. Chan Chi Yuen	4/4	2/2	1/1
Mr. Lo Chun Nga	4/4	2/2	1/1
Mr. Chik Chi Man	4/4	2/2	1/1

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 profit and cash flows for the year ended 31 March 2008 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 28 to 29.

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

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
HONG KONG HEALTH CHECK AND LABORATORY 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 30 to 109 which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

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 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.

Independent Auditors' Report

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 2008 and of the Group's profit 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, 20 June 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	8	**70,132**	15,813
Other income	10	**8,896**	1,723
Changes in inventories and clinical supplies consumed		**(20,425)**	(3,914)
Employee benefits expense		**(61,090)**	(22,930)
Depreciation expense		**(13,307)**	(3,490)
Gain/(loss) on fair value changes on held-for-trading investments		**(25,491)**	1,242
Gain on disposal of subsidiaries	11	**37,250**	–
Finance costs	12	**(21,236)**	(6,357)
Share of result of a jointly controlled entity	22	**235,642**	–
Loss on fair value changes of early redemption options embedded in convertible bonds	33	**(122,063)**	–
Other operating expenses		**(46,752)**	(26,298)
Profit/(Loss) before tax		**41,556**	(44,211)
Income tax	13	**494**	(8,967)
Profit/(Loss) for the year	14	**42,050**	(53,178)
Attributable to:			
Equity holders of the Company	17	**43,077**	(52,818)
Minority interests		**(1,027)**	(360)
		42,050	(53,178)
Dividends		**–**	–
Earnings/(Loss) per share			
– Basic and diluted (HK cents per share)	18	**1.07**	(3.9)

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	19	**118,239**	92,831
Goodwill	20	**22,121**	22,121
Interest in a jointly controlled entity	22	**233,510**	–
Available-for-sale investments	23	**31,210**	–
		405,080	114,952
Current assets			
Inventories of clinical supplies, at cost		**763**	362
Trade and other receivables	24	**14,239**	19,757
Amount due from a related party	25	**50,120**	–
Amount due from a jointly controlled entity	26	**33,706**	–
Tax recoverable		**510**	48
Held-for-trading investments	27	**200,981**	71
Conversion options embedded in convertible bonds	23	**33,994**	–
Early redemption options embedded in convertible bonds	33	**14,554**	–
Pledged bank deposits	28	**12,000**	10,000
Bank balances and cash	29	**118,700**	18,288
		479,567	48,526
Current liabilities			
Trade and other payables	30	**13,546**	19,954
Bank and other borrowings – due within one year	31	**10,240**	48,385
Tax liabilities		**–**	289
		23,786	68,628
Net current assets/(liabilities)		**455,781**	(20,102)

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Total assets less current liabilities		**860,861**	94,850
Non-current liabilities			
Bank and other borrowings – due after one year	31	**–**	18,708
Deferred tax liabilities	32	**19,527**	9,124
Convertible bonds	33	**282,203**	47,797
		301,730	75,629
Net assets		**559,131**	19,221
Capital and reserves			
Share capital	34	**45,596**	26,298
Reserves		**513,054**	(17,585)
Equity attributable to equity holders of the Company		**558,650**	8,713
Minority interests		**481**	10,508
Total equity		**559,131**	19,221

The financial statements were approved and authorized for issue by the board of directors on 20 June 2008 and were signed on its behalf by:

Fung Yiu Tong, Bennet
Director

Cho Kwai Yee, Kevin
Director

Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Interests in subsidiaries	21	**–**	–
Current assets			
Amounts due from subsidiaries	21	**602,265**	124,353
Trade and other receivables	24	**435**	389
Held-for-trading investments	27	**4,074**	71
Early redemption options embedded in convertible bonds	33	**14,554**	–
Bank balances and cash	29	**90,569**	11,518
		711,897	136,331
Current liabilities			
Amounts due to subsidiaries	21	**12,387**	12,387
Trade and other payables	30	**6,497**	5,088
		18,884	17,475
Net current assets		**693,013**	118,856
Total assets less current liabilities		**693,013**	118,856
Non-current liabilities			
Deferred tax liabilities	32	**9,142**	–
Convertible bonds	33	**282,203**	47,797
		291,345	47,797
Net assets		**401,668**	71,059
Capital and reserves			
Share capital	34	**45,596**	26,298
Reserves	37	**356,072**	44,761
		401,668	71,059

Fung Yiu Tong, Bennet
Director

Cho Kwai Yee, Kevin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Translation reserve	Convertible bonds equity reserve	Share-based payments reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 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 recognized directly in equity	–	–	–	–	(1,501)	–	–	–	(1,501)	–	(1,501)
Loss for the year	–	–	–	–	–	–	–	(52,818)	(52,818)	(360)	(53,178)
Total recognized expense for the year	–	–	–	–	(1,501)	–	–	(52,818)	(54,319)	(360)	(54,679)
Capital contributed by minority shareholders	–	–	–	–	–	–	–	–	–	9,000	9,000
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	1,868	1,868
Recognition of equity settled share-based payments	–	–	–	–	–	–	90	–	90	–	90
Recognition of equity component of convertible bonds	–	–	–	–	–	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 bonds	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 Statement of Changes in Equity

For the year ended 31 March 2008

	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$'000	Convertible bonds equity reserve HK$'000	Share-based payments reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007	**26,298**	**58,452**	**861**	**29,390**	**(1,499)**	**16,062**	**90**	**–**	**(120,941)**	**8,713**	**10,508**	**19,221**
Share of investment revaluation reserve of a jointly controlled entity recognized directly in equity	–	–	–	–	–	–	–	(2,132)	–	(2,132)	–	(2,132)
Profit/(Loss) for the year	–	–	–	–	–	–	–	–	43,077	43,077	(1,027)	42,050
Total recognized income and expense for the year	–	–	–	–	–	–	–	(2,132)	43,077	40,945	(1,027)	39,918
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Disposal of subsidiaries	–	–	–	–	1,769	–	–	–	–	1,769	–	1,769
Recognition of equity settled share- based payments	–	–	–	–	–	–	11,200	–	–	11,200	–	11,200
Recognition of equity component of convertible bonds	–	–	–	–	–	289,282	–	–	–	289,282	–	289,282
Deferred tax	–	–	–	–	–	(10,894)	–	–	–	(10,894)	–	(10,894)
Early redemption of convertible bonds	–	–	–	–	–	(108,027)	–	–	39,648	(68,379)	–	(68,379)
Issue of new shares	7,800	140,400	–	–	–	–	–	–	–	148,200	–	148,200
Transaction costs attributable to issue of new shares	–	(10,587)	–	–	–	–	–	–	–	(10,587)	–	(10,587)
Repurchase of shares	(180)	(3,499)	–	–	–	–	–	–	–	(3,679)	–	(3,679)
Issue of shares upon conversion of convertible bonds	11,678	211,086	–	–	–	(70,684)	–	–	–	152,080	–	152,080
At 31 March 2008	**45,596**	**395,852**	**861**	**29,390**	**270**	**115,739**	**11,290**	**(2,132)**	**(38,216)**	**558,650**	**481**	**559,131**

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
Profit/(Loss) for the year		**42,050**	(53,178)
Adjustments for:			
Income tax		**(494)**	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)
Gain on disposal of subsidiaries		**(37,250)**	–
Finance costs		**21,236**	6,357
Interest income		**(7,401)**	(1,227)
Depreciation		**13,307**	3,490
Equity-settled share-based payments		**11,200**	90
Share of result of a jointly controlled entity		**(235,642)**	–
Loss on fair value changes of early redemption options embedded in convertible bonds		**122,063**	–
Operating cash flows before movements in working capital		**(70,931)**	(35,987)
Inventories		**(401)**	48
Held-for-trading investments		**(200,910)**	16,099
Trade and other receivables		**5,128**	(3,623)
Trade and other payables		**(3,055)**	11,900
Cash used in operations		**(270,169)**	(11,563)
Hong Kong profits tax paid		**(748)**	(193)
Net cash used in operating activities		**(270,917)**	(11,756)
Investing activities			
Interest received		**7,156**	1,227
Purchase of available-for-sale investments		**(23,785)**	–
Purchase of property, plant and equipment		**(38,770)**	(73,276)
Proceeds from disposal of property, plant and equipment		**55**	–
Deposits paid for acquisition of medical equipments		**–**	(2,490)
Acquisition of additional interest in a subsidiary	38	**(9,000)**	–
Acquisition of subsidiaries	38	**–**	(31,241)
Disposal of subsidiaries	39	**(87)**	–
Advances to a related party		**(75,000)**	–
Repayment of amount due from a related party		**25,000**	–
Advances to a jointly controlled entity		**(75,000)**	–
Increase in pledged bank deposits		**(2,000)**	(10,000)
Net cash used in investing activities		**(191,431)**	(115,780)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	**2008 HK$'000**	2007 HK$'000
Financing activities			
Interest paid		**(6,464)**	(1,329)
Proceeds from issue of shares		**148,200**	238
Proceeds from issue of convertible bonds		**750,000**	60,000
Payments for share issue expenses		**(10,587)**	–
Payments for repurchase of shares		**(3,679)**	–
Payments for early redemption of convertible bonds		**(294,000)**	–
Proceeds from borrowings		**–**	35,000
Repayment of borrowings		**(20,710)**	(4,290)
Capital contributed by minority shareholders of subsidiaries		**–**	9,000
Net cash generated by financing activities		**562,760**	98,619
Net increase/(decrease) in cash and cash equivalents		**100,412**	(28,917)
Cash and cash equivalents at the beginning of the financial year		**18,288**	47,202
Effect of foreign exchange rate changes		**–**	3
Cash and cash equivalents at the end of the financial year		**118,700**	18,288
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**118,700**	18,288

Notes to the Financial Statements

For the year ended 31 March 2008

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.

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 provision of health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services to the public.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

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.

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 HKICPA. 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 (the "Listing Rules") 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses 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 business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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 the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Service fee income in relation to the provision of healthcare and medical check services is recognized when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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.

Dividend income from investments excluding financial assets at fair value through profit or loss is recognized when the shareholders' rights to receive payment have been established.

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 derecognised 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 derecognised.

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.

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 financial 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. To the extent that fixed-rated bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflected the hedged interest rate.

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.

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 jointly controlled entities, 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets (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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

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 ("FVTPL"), loans and receivables, 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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

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 receivables, loan receivables, other receivables, pledged bank deposits, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Notes to the Financial Statements

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt element of convertible bonds and certain unlisted equity securities as available-for-sale financial assets.

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 (see accounting policy in respect of impairment loss on financial assets below).

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 (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity. 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.

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 Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at fair value through profit or loss *(Continued)*

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability 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 FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that 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 gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross 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 bonds using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

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 designated 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 derecognised 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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, 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). The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

Share options granted to suppliers

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 (share options reserve).

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:

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 2008 and the details of the recoverable amount calculation are disclosed in Note 20.

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.

Estimated fair value of embedded derivatives

Determining the fair value of embedded derivatives requires estimation on the assumptions used in the Binomial model and the Black-Scholes option pricing model. The Binomial model and the Black-Scholes option pricing model require the Group to estimate volatilities of the share price and a suitable discount rate in order to calculate the fair value. At 31 March 2008, the fair values of the conversion options embedded in convertible bonds held by the Group and the early redemption options embedded in convertible bonds issued by the Group were approximately HK$33,994,000 and HK$14,554,000 respectively.

Impairment loss on amount due from a jointly controlled entity

Management regularly reviews the recoverability of the amount due from a jointly controlled entity. Appropriate impairment for estimated irrecoverable amount is recognized in profit and loss when there is objective evidence that the amount is not recoverable. Specific allowance is only made for the amount due from a jointly controlled entity that is unlikely to be collected and is recognized based on the estimation of the future cash flow expected to receive and a suitable discount rate in order to calculate the present value. As at 31 March 2008, the amount due from a jointly controlled entity amounted to approximately HK$33,706,000 (2007: Nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings, and convertible bonds), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

Net debt-to-equity ratio

The Group reviews the capital structure on a semi-annual basis and considers the cost of capital and the risks associated with each class of capital.

The net debt-to-equity ratio at the year-end was as follows:

	2008	2007
	HK$'000	HK$'000
Debt [i]	**292,443**	114,890
Cash and cash equivalents	**(118,700)**	(18,288)
Net debt	**173,743**	96,602
Equity [ii]	**559,131**	19,221
Net debt-to-equity ratio	**31%**	503%

[i] Debt comprises bank and other borrowings and convertible bonds as detailed in Notes 31 and 33 respectively.

[ii] Equity includes all capital and reserves of the Group.

6. CATEGORIES OF FINANCIAL INSTRUMENTS

	Notes	2008 HK$'000	2007 HK$'000
Financial assets			
Loans and receivables:			
– Trade and other receivables	24	**14,239**	19,757
– Amount due from a related party	25	**50,120**	–
– Amount due from a jointly controlled entity	26	**33,706**	–
– Pledged bank deposits	28	**12,000**	10,000
– Bank balances and cash	29	**118,700**	18,288
Available-for-sale financial assets:			
– Available-for-sale investments	23	**31,210**	–
Fair value through profit or loss:			
– Held-for-trading investments	27	**200,981**	71
– Conversion options embedded in convertible bonds	23	**33,994**	–
– Early redemption options embedded in convertible bonds	33	**14,554**	–
Financial liabilities			
Amortized cost:			
– Trade and other payables	30	**13,546**	19,954
– Bank and other borrowings	31	**10,240**	67,093
– Convertible bonds	33	**282,203**	47,797

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from a jointly controlled entity and a related party, held-for-trading investments, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) *Currency risk*

During the year ended 31 March 2008, the Group mainly operated in Hong Kong and the majority of the Group's transactions and balances as at and for the year ended 31 March 2008 were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and 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.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings, and exposed to fair value interest rate risk in relation to the debt element of the convertible bonds in Core Healthcare Investment Holdings Limited ("Core Healthcare") (included in available-for-sale investments). It is the Group's policy to keep its borrowings at fixed rate of interest so as to minimize the cash flow interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's HK$ borrowings.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

(I) The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the amounts outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by approximately HK$1,022,000 (2007: increase/decrease by approximately HK$59,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank borrowings.

(II) The sensitivity analyses below have been determined based on the exposure to interest rates for the debt element of convertible bonds in Core Healthcare at the balance sheet date. The analysis is prepared assuming the amounts outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by approximately HK$62,500 (2007: Nil). This is mainly attributable to the Group's exposure to interest rates on its debt element of convertible bonds in Core Healthcare.

(iii) Price risk on listed securities under held-for-trading investments

The Group is exposed to equity price risk through its investments held for trading and derivative financial instruments. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the respective Stock Exchanges. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk (Continued)

(iii) Price risk on listed securities under held-for-trading investments (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks of investments held for trading at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by approximately HK$10,049,000 (2007: increase/decrease by approximately HK$4,000) as a result of the changes in fair value of held-for-trading investments.

(iv) Price risk on conversion options/early redemption options embedded in convertible bonds

The Group is required to estimate the fair value of the conversion options/early redemption options embedded in the convertible bonds at each balance sheet date with changes in fair value to be recognized in the consolidated income statement as long as the convertible bonds are outstanding. The fair value adjustments will be affected either positively or negatively by, amongst others, the changes in share price volatility of the convertible bonds issuers.

In management's opinion, the sensitivity analyses have not been presented as such analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion options/early redemption options embedded in the convertible bonds involves multiple variables and certain variables are interdependent.

Credit risk

As at 31 March 2008, 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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk (Continued)

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's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2007: 100%) of the total trade receivables as at 31 March 2008. In addition, the Group has concentration risk on the amount due from a jointly controlled entity amounted to approximately HK$33,706,000 (2007: Nil). The Group has no significant concentration of credit risk by customers, 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. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk (Continued)

The following table details the Group's contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year	1 – 2 years	2 – 5 years	Total undiscounted cash flows	Total carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2008					
Non-derivative financial liabilities					
Trade and other payables	13,546	–	–	13,546	13,546
Bank and other borrowings	10,240	–	–	10,240	10,240
Convertible bonds	–	–	340,000	340,000	282,203
	23,786	**–**	**340,000**	**363,786**	**305,989**
At 31 March 2007					
Non-derivative financial liabilities					
Trade and other payables	19,954	–	–	19,954	19,954
Bank and other borrowings	48,385	10,323	8,385	67,093	67,093
Convertible bonds	–	–	60,000	60,000	47,797
	68,339	10,323	68,385	147,047	134,844

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and

- for an option-based derivative, the fair value is estimated using either the Binomial model or the Black-Scholes model and the fair values of derivative instruments are calculated with reference to the valuation carried out by Greater China Appraisal Limited ("GCAL"), an independent firm of professional valuers not connected with the Group. GCAL possesses appropriate qualifications and recent experiences in the valuation of similar derivative instruments.

Except for the convertible bonds issued by the Company as detailed in Note 33, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at either amortized cost or fair value through profit or loss in the consolidated financial statements approximate their fair values.

8. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. An analysis of the Group's revenue for the year is as follows:

	2008	2007
	HK$'000	HK$'000
Provision of healthcare and medical checks services	**70,132**	15,813

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

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**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
REVENUE								
Segment revenue	**70,132**	15,813	**–**	–	**–**	–	**70,132**	15,813
RESULT								
Segment results	**(40,538)**	(25,872)	**–**	–	**(26,599)**	1,055	**(67,137)**	(24,817)
Unallocated income							**7,401**	1,227
Unallocated corporate expenses							**(28,301)**	(14,264)
Gain on disposal of subsidiaries							**37,250**	–
Finance costs							**(21,236)**	(6,357)
Share of result of a jointly controlled entity							**235,642**	–
Loss on fair value changes of early redemption options embedded in convertible bonds							**(122,063)**	–
Profit/(Loss) before tax							**41,556**	(44,211)
Income tax							**494**	(8,967)
Profit/(Loss) for the year							**42,050**	(53,178)

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments	**Provision of healthcare and medical checks services**		**Manufacturing and sales of garment**		**Trading of securities**		**Consolidated**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
BALANCE SHEET								
ASSETS								
Segment assets	**130,496**	134,292	**–**	390	**200,981**	71	**331,477**	134,753
Interest in a jointly controlled entity							**233,510**	–
Unallocated corporate assets							**319,660**	28,725
Consolidated total assets							**884,647**	163,478
LIABILITIES								
Segment liabilities	**6,656**	11,279	**–**	3,347	**–**	–	**6,656**	14,626
Unallocated corporate liabilities							**318,860**	129,631
Consolidated total liabilities							**325,516**	144,257
OTHER INFORMATION								
Capital expenditure	**38,770**	96,309	**–**	–	**–**	–	**38,770**	96,309
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	**13,307**	3,490	**–**	–	**–**	–	**13,307**	3,490
Equity-settled share-based payments expenses	**11,200**	90	**–**	–	**–**	–	**11,200**	90

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(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's assets are located in Hong Kong.

10. OTHER INCOME

	2008	2007
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**7,156**	1,227
Amount due from a related party	**120**	–
Amount due from a jointly controlled entity	**125**	–
Total interest income	**7,401**	1,227
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
Sundry income	**1,495**	10
	8,896	1,723

11. GAIN ON DISPOSAL OF SUBSIDIARIES

The amount represents the gain on disposal of the Group's entire equity interests in Rollstone Limited and its wholly owned subsidiary, 上海凱祥服飾有限公司. The subsidiaries disposed did not contribute significantly to the Group's operating results and cash flows for the years ended 31 March 2007 and 2008.

12. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
– Bank borrowings wholly repayable within five years	**1,070**	1,194
– Bank overdrafts	**81**	67
– Convertible bonds	**18,998**	5,096
Loss on early redemption of convertible bonds	**1,087**	–
	21,236	6,357

13. INCOME TAX

	2008 HK$'000	2007 HK$'000
Current tax:		
– Hong Kong profits tax	**–**	134
– Overprovision of current tax in prior years	**(3)**	–
Deferred tax *(Note 32)*	**(491)**	8,833
Tax (credit)/charge for the year	**(494)**	8,967

Hong Kong profits tax is calculated at 17.5% (2007: 17.5%) on the net estimated assessable profits for the year.

No People's Republic of China ("PRC") income tax has been provided in respect of the Group's PRC subsidiary since it incurred tax losses for the year.

Notes to the Financial Statements

For the year ended 31 March 2008

13. INCOME TAX *(Continued)*

The tax (credit)/charge for the year can be reconciled to the profit/(loss) before tax per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit/(Loss) before tax	**41,556**	(44,211)
Tax at the Hong Kong profits tax rate of 17.5% (2007: 17.5%)	**7,272**	(7,737)
Tax effect of expenses not deductible for tax purpose	**25,108**	583
Tax effect of income not taxable for tax purpose	**(43,857)**	(569)
Overprovision of current tax in prior years	**(3)**	–
Tax effect of tax losses not recognized	**10,986**	16,690
Tax (credit)/charge for the year	**(494)**	8,967

14. PROFIT/(LOSS) FOR THE YEAR

	2008	2007
Profit/(Loss) for the year has been arrived at after charging:	**HK$'000**	HK$'000
Staff costs:		
– Directors' emoluments *(Note 15)*	**4,373**	4,075
– Other staff costs	**44,727**	18,432
– Other staff retirement benefits scheme contributions	**1,221**	423
– Equity-settled share-based payments expenses	**10,769**	–
	61,090	22,930
Auditors' remuneration	**720**	480
Cost of inventories recognized as an expense	**20,425**	3,914
Depreciation of property, plant and equipment	**13,307**	3,490
Operating lease rentals in respect of land and buildings	**10,137**	2,435
Total equity-settled share-based payments expenses	**11,200**	90

15. DIRECTORS' EMOLUMENTS

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

For the year ended 31 March 2008	Fees	Salaries and other benefits	Performance bonus	Retirement benefits scheme contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Dr. Fung Yiu Tong, Bennet	–	1,470	–	12	1,482
Mr. Lee Chik Yuet	–	1,500	–	12	1,512
Dr. Cho Kwai Chee (Appointed on 9 July 2007)	–	–	–	–	–
Dr. Hui Ka Wah, Ronnie, *JP* (Appointed on 9 July 2007)	–	87	–	–	87
Mr. Cho Kwai Yee, Kevin	–	360	–	12	372
Miss Choi Ka Yee, Crystal	–	560	–	–	560
Mr. Siu Kam Chau	–	240	–	12	252
Independent non-executive directors					
Mr. Chan Chi Yuen	60	–	–	–	60
Mr. Lo Chun Nga	24	–	–	–	24
Mr. Chik Chi Man	24	–	–	–	24
Total	**108**	**4,217**	**–**	**48**	**4,373**

Notes to the Financial Statements

For the year ended 31 March 2008

15. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 March 2007	**Fees**	**Salaries and other benefits**	**Performance bonus**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$'000	HK$'000	HK$'000	HK$'000	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

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: one) were directors of the Company whose emoluments are included in the disclosures in Note 15 above. The emoluments of the remaining three (2007: four) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**6,479**	5,291
Performance bonus	**86**	300
Retirement benefits scheme contributions	**36**	48
	6,601	5,639

Their emoluments fell within the following bands:

	Number of individuals 2008	2007
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**3**	2
	3	4

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

17. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to the equity holders of the Company includes a loss of approximately HK$176,614,000 (2007: a loss of HK$17,867,000) which has been dealt with in the financial statements of the Company.

18. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$43,077,000 (2007: loss of HK$52,818,000) and on the weighted average number of ordinary shares of approximately 4,021,061,000 (2007: 1,358,315,000).

For the year ended 31 March 2008, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

For the year ended 31 March 2007, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

19. 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 2006	–	12,169	–	34	12,203
Additions	12,123	74,592	2,819	182	89,716
Acquisition of subsidiaries	1,842	4,720	–	31	6,593
At 31 March 2007	13,965	91,481	2,819	247	108,512
Additions	14,727	20,390	2,738	915	38,770
Disposals	(55)	(12,158)	–	(34)	(12,247)
At 31 March 2008	28,637	99,713	5,557	1,128	135,035
DEPRECIATION AND IMPAIRMENT					
At 1 April 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
Provided for the year	2,289	10,513	425	80	13,307
Eliminated on disposals	–	(12,158)	–	(34)	(12,192)
At 31 March 2008	2,782	13,387	535	92	16,796
CARRYING AMOUNTS					
At 31 March 2008	25,855	86,326	5,022	1,036	118,239
At 31 March 2007	13,472	76,449	2,709	201	92,831

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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%

20. GOODWILL

	HK$'000
COST AND CARRYING VALUE	
At 1 April 2006	–
Acquisition of subsidiaries	22,121
At 31 March 2007 and 2008	**22,121**

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill at 31 March 2008 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 5-year period, and a discount rate of 10% 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.

21. INTERESTS IN SUBSIDIARIES

Company	**2008 HK$'000**	2007 HK$'000
Unlisted shares at cost, net of provision for impairment losses	**–**	–

Particulars of the Company's subsidiaries at 31 March 2008 are as follows:

Name of subsidiary	**Place of incorporation/ establishment**	**Issued and fully paid share capital/ registered capital**	**Principal activities**	**Attributable equity 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%

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company	
				Directly	Indirectly
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%
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%
Great Excellent Limited	Hong Kong	Ordinary shares HK$2	Provision of nominee services	100%	–
Win Smarter Limited	Hong Kong	Ordinary shares HK$2	Inactive	100%	–
Town Health Medical Technology (China) Company Limited	British Virgin Islands	Ordinary shares US$1,000	Not yet commenced business	–	100%

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company Directly	Indirectly
Wealth Treasure Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	–	100%
Hong Kong Gastrointestinal Endoscopy Investigations Centre Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
Hong Kong Health Check Centre Membership Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
Team Profit (China) Limited	Hong Kong	Ordinary share HK$1	Investment holding	–	100%
HK Health Check Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
Hong Kong Health Check Prenatal Diagnostic Centre Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
International Health Check and Laboratory Holdings Company Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly
China Health Check and Laboratory Holdings Company Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%
Joy Surplus International Limited	British Virgin Islands	Ordinary share US$1	Not yet commenced business	–	100%
Speedco Pacific Limited	British Virgin Islands	Ordinary share US$1	Investment holding	–	100%
廣東康健醫院管理有限公司 (transliterated as Guangdong Town Health Hospital Management Co. Ltd.) ("Guangdong Town Health") *(Note)*	PRC	Registered capital RMB 50 million (of which RMB 15 million had been paid up at 31 March 2008)	Not yet commenced business	–	100%

Note: Guangdong Town Health is a limited liability company established in the PRC with an initial operational term of 30 years from 15 January 2008 to 15 January 2038.

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and repayable on demand.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2008 HK$'000	2007 HK$'000
Cost of unlisted investment in a jointly controlled entity	–	–
Share of post acquisition profits	235,642	–
Share of post acquisition reserves	(2,132)	–
	233,510	–

As at 31 March 2008, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Precious Success Group Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	50%	50%	Investment holding

22. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarized financial information in respect of the Group's jointly controlled entity (which is accounted for using the equity method) is set out below:

	2008	2007
	HK$'000	HK$'000
Total assets	**534,431**	–
Total liabilities	**(67,412)**	–
Net assets	**467,019**	–
Group's share of net assets of the jointly controlled entity	**233,510**	–
Income	**471,533**	–
Profit for the period	**471,283**	–
Group's share of result of the jointly controlled entity for the year	**235,642**	–

23. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	HK$'000
Unlisted equity securities *(Note (a))*	**23,785**	–
Unlisted debt securities *(Note (b))*	**7,425**	–
	31,210	–

23. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(a) The unlisted equity securities represent the Group's investment in approximately 48.87% of the issued ordinary share capital of Group Benefit Development Limited, a private limited liability company incorporated in Hong Kong which is principally engaged in the provision of medical diagnostic scanning and laboratory services in Hong Kong. This equity interest is not classified as an associate as the Group does not have significant influence over Group Benefit Development Limited. The Group does not have representation on the board of directors and does not participate in the policy-making processes of Group Benefit Development Limited.

The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(b) During the year ended 31 March 2008, the Group acquired unlisted convertible bonds issued by Core Healthcare (the "Core Healthcare CB") with a principal amount of HK$10,000,000 from the Group's jointly controlled entity, Precious Success Group Limited, at a consideration of approximately HK$41,419,000. The consideration was settled by the amount due from a jointly controlled entity. Core Healthcare is a public limited company with its shares listed on the Growth Enterprise Market of the Stock Exchange. The Core Healthcare CB carry interest at 1% per annum payable annually in arrears, with a maturity date of 30 January 2012. The Core Healthcare CB are, at the option of the holders, convertible into ordinary shares of Core Healthcare at a conversion price of HK$0.019 per share (subject to adjustments) at any time between the date of issue and the maturity date. Unless previously redeemed, converted or purchased and cancelled, Core Healthcare shall redeem the convertible bonds at 100% of the principal amount at maturity date.

As the economic characteristics and risks of the embedded conversion option are not closely related to those of the host debt contract, the embedded conversion option is separately accounted for as derivatives and measured at fair value. The Group has classified the debt element of the Core Healthcare CB held by the Group as available-for-sale investment. The fair values of the debt element and conversion option element of the Core Healthcare CB as at 31 March 2008 amounted to approximately HK$7,425,000 and HK$33,994,000 respectively.

23. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

The methods and assumptions applied for the valuation of the Core Healthcare CB are as follows:

(1) Valuation of debt element

The fair value of debt element was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and remaining time to maturity. The effective interest rate of the debt element at 31 March 2008 was 10.59%.

(2) Valuation of conversion option element

The Black-Scholes option pricing model was used for valuation of conversion option element. The inputs into the model were share price of HK$0.148, conversion price of HK$0.019, volatility of 88.85%, dividend yield of nil, option life of 3.84 years, and risk free rate of 1.84%. Volatility of the share prices was estimated by the average annualized standard deviations of the continuously compounded rates of return of the share prices of Core Healthcare.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**5,660**	5,766	**–**	–
Less: Accumulated impairment	**–**	(671)	**–**	–
	5,660	5,095	**–**	–
Other receivables	**8,579**	14,662	**435**	389
Total trade and other receivables	**14,239**	19,757	**435**	389

Notes:

(i) Most of the patients of the medical check centers settle in cash. The Group allows an average credit period of 30 to 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
0-60 days	**3,364**	3,194	**–**	–
61-90 days	**817**	598	**–**	–
Over 90 days	**1,479**	1,303	**–**	–
	5,660	5,095	**–**	–

(ii) At 31 March 2008, all trade receivables of the Group are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

Notes to the Financial Statements

For the year ended 31 March 2008

25. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party, Spring Biotech Limited, is unsecured, bears interest at 1% per annum and is repayable on demand. Spring Biotech Limited is the joint venturer of the Group's jointly controlled entity, Precious Success Group Limited, and is a wholly-owned subsidiary of Town Health International Holdings Company Limited, a substantial shareholder of the Company as at 31 March 2008.

26. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from a jointly controlled entity, Precious Success Group Limited, is unsecured, bears interest at rates as determined by the shareholders and is repayable on demand.

27. HELD-FOR-TRADING INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
FAIR VALUE				
Unlisted investment funds	**196,907**	–	**–**	–
Listed equity securities in Hong Kong	**4,074**	71	**4,074**	71
	200,981	71	**4,074**	71

28. 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 2.42% (2007: 3.75%) per annum. The pledged bank deposits will be released upon the settlement of relevant borrowings.

29. 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 0.9% to 1.4% (2007: 1.5% to 3%) per annum and have original maturity of three months or less.

Bank balances and cash of the Group include an amount of approximately HK$16,407,000 (2007: HK$87,000) denominated in Renminbi and kept in Mainland China. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of these funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,717**	1,969	**–**	–
Other payables	**11,829**	17,985	**6,497**	5,088
	13,546	19,954	**6,497**	5,088

The following is an aged analysis of trade payables at the balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
0-60 days	**1,429**	798	**–**	–
61-90 days	**22**	17	**–**	–
Over 90 days	**266**	1,154	**–**	–
	1,717	1,969	**–**	–

31. BANK AND OTHER BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank installment loans *(Note (i))*	**–**	20,710	**–**	–
Bank revolving loans *(Note (i))*	**10,000**	10,000	**–**	–
PRC bank loans	**–**	36,143	**–**	–
Other loan *(Note (ii))*	**240**	240	**–**	–
	10,240	67,093	**–**	–
Carrying amount repayable:				
On demand or within one year	**10,240**	48,385	**–**	–
More than one year, but not exceeding two years	**–**	10,323	**–**	–
More than two years, but not exceeding five years	**–**	8,385	**–**	–
	10,240	67,093	**–**	–
Less: Amount due within one year shown under current liabilities	**(10,240)**	(48,385)	**–**	–
	–	18,708	**–**	–

Notes:

(i) The bank installment loans and bank revolving loans 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$47,293,000 (2007: HK$52,973,000), a charge over fixed deposits of approximately HK$12,000,000 (2007: 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 6.17% (2007: 5.01% to 5.68%) per annum.

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

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax balances recognized and movements thereon during the current and prior year:

Deferred tax liabilities

Group	Accelerated tax depreciation HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2006	–	–	–
Acquisition of subsidiaries	291	–	291
Charge to the consolidated income statement for the year	8,833	–	8,833
At 31 March 2007	9,124	–	9,124
Charge/(credit) to the consolidated income statement for the year	2,397	(1,752)	645
Charge to equity for the year	–	26,716	26,716
Credit to equity for the year	–	(15,822)	(15,822)
At 31 March 2008	**11,521**	**9,142**	**20,663**

Deferred tax assets

Group	Tax losses HK$'000
At 1 April 2006, 31 March 2007 and 1 April 2007	–
Credit to the consolidated income statement for the year	1,136
At 31 March 2008	**1,136**

For the purpose of balance sheet presentation, the deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

32. DEFERRED TAX LIABILITIES *(Continued)*

Deferred tax assets (Continued)

Group	**2008**	2007
	HK$'000	HK$'000
Deferred tax assets	**1,136**	–
Deferred tax liabilities	**(20,663)**	(9,124)
At 31 March 2008	**(19,527)**	(9,124)

At 31 March 2008, the Group has unused tax losses of HK$201,980,000 (2007: HK$140,746,000) 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.

The following are the major deferred tax balances recognized and movements thereon during the current and prior year:

Deferred tax liabilities

Company	**Convertible bonds**
	HK$'000
At 1 April 2006 and 31 March 2007	–
Credit to the consolidated income statement for the year	(1,752)
Charge to equity for the year	26,716
Credit to equity for the year	(15,822)
At 31 March 2008	9,142

At 31 March 2008, the Company has unused tax losses of approximately HK$72,654,000 (2007: HK$57,505,000) 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.

33. CONVERTIBLE BONDS

Group and Company

Convertible Notes I

On 23 February 2006, the Company issued convertible bonds with an aggregate principal amount of HK$60,000,000 (the "Convertible Notes I") to Top Act Group Limited, a subsidiary of Town Health International Holdings Company Limited. The Convertible Notes I bore interest at 1% per annum payable half yearly in arrears, with a maturity date of 22 February 2010. The Convertible Notes I were, at the option of the holders, convertible into ordinary shares of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) at any time between the date of issue and the maturity date. Any unredeemed and unconverted convertible notes would be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash at the maturity date.

On 9 July 2007, the Convertible Notes I with aggregate principal amount of HK$20,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.041 per share.

Tranche One CN II and Tranche Two CN II

In September 2006, the Company issued convertible bonds with an aggregate principal amount of HK$40,000,000 (the "Tranche One CN II") to independent investors. The Tranche One CN II bore interest at 1% per annum payable half yearly in arrears, with a maturity date of September 2010. The Tranche One CN II were, at the option of the holders, convertible into ordinary shares of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) at any time between the date of issue and the maturity date. Any unredeemed and unconverted convertible notes would be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash at the maturity date.

In December 2006, the Company issued convertible bonds with an aggregate principal amount of HK$20,000,000 (the "Tranche Two CN II") to independent investors. The Tranche Two CN II bore interest at 1% per annum payable half yearly in arrears, with a maturity date of December 2010. The Tranche Two CN II were, at the option of the holders, convertible into ordinary shares of the Company at an initial conversion price of HK$0.041 per share (subject to adjustments) at any time between the date of issue and the maturity date. Any unredeemed and unconverted convertible notes would be redeemed at 100% of the outstanding principal amount together with any accrued interest in cash at the maturity date.

Between November 2006 and March 2007, the entire Tranche One CN II and Tranche Two CN II with an aggregate principal amount of HK$60,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.041 per share.

33. CONVERTIBLE BONDS *(Continued)*

Group and Company (Continued)

Convertible Bonds I

On 7 August 2007, the Company issued convertible bonds with an aggregate principal amount of HK$250,000,000 (the "Convertible Bonds I") to independent investors. The Convertible Bonds I bore interest at 2% per annum payable half yearly in arrears, with a maturity date of 6 August 2011. The Convertible Bonds I were, at the option of the holders, convertible into ordinary shares of the Company at an initial conversion price of HK$0.25 per share (subject to adjustments) at any time between the date of issue and the maturity date. The Company had the option to redeem the Convertible Bonds I at any time between the date of issue and the maturity date at par or at the amount as equal to 105% of the principal amount of the Convertible Bonds I in cash within 14 days after receipt of conversion notice from the holders of the Convertible Bonds I.

On 8 August 2007 and 17 September 2007, the Convertible Bonds I with aggregate principal amounts of HK$110,000,000 and HK$60,000,000 respectively were converted into ordinary shares of the Company at the conversion price of HK$0.041 per share. On 17 September 2007, the Convertible Bonds I with aggregate principal amount of HK$80,000,000 were early redeemed by the Company at a consideration of HK$84,000,000.

Convertible Bonds II

On 2 August 2007, the Company issued convertible bonds with an aggregate principal amount of HK$500,000,000 (the "Convertible Bonds II") to Town Health International Holdings Company Limited. The Convertible Bonds II bore interest at 2% per annum payable half yearly in arrears, with a maturity date of 1 August 2011. The Convertible Bonds II were, at the option of the holders, convertible into ordinary shares of the Company at an initial conversion price of HK$0.25 per share (subject to adjustments) at any time between the date of issue and the maturity date. The Company had the option to redeem the Convertible Bonds II at any time between the date of issue and the maturity date at par or at the amount as equal to 105% of the principal amount of the Convertible Bonds II in cash within 14 days after receipt of conversion notice from the holders of the Convertible Bonds II.

On 17 September 2007, the Convertible Bonds II with aggregate principal amount of HK$200,000,000 were early redeemed by the Company at a consideration of HK$210,000,000.

33. CONVERTIBLE BONDS *(Continued)*

Group and Company (Continued)

Convertible Bonds II (Continued)

The convertible bonds were split into liability, derivative (if any) and equity components upon initial recognition by recognizing the liability component and derivative component at their fair values and attributing to the equity component the residual amount. The liability component is subsequently carried at amortized cost while the derivative component is carried at fair value to be remeasured at each balance sheet date. The equity component is presented in equity heading "convertible bonds equity reserve". The effective interest rates of the liability component range from 8.04% to 9.24%.

The movements of the liability and derivative components of the convertible bonds during the year are as follows:

	Liability component	Derivative component	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2006	44,274	–	44,274
Issue of convertible bonds during the year	44,111	–	44,111
Conversion into ordinary shares	(44,942)	–	(44,942)
Interest charged during the year	5,096	–	5,096
Interest payable during the year	(742)	–	(742)
At 31 March 2007	47,797	–	47,797
Issue of convertible bonds during the year	597,335	(136,617)	460,718
Conversion into ordinary shares	(152,080)	–	(152,080)
Early redemption by the Company	(224,534)	–	(224,534)
Interest charged during the year	18,998	–	18,998
Interest payable during the year	(5,313)	–	(5,313)
Changes in fair value through profit or loss	–	122,063	122,063
At 31 March 2008	**282,203**	**(14,554)**	**267,649**

The fair value of the liability component of the convertible bonds at 31 March 2008 was approximately HK$293,764,000 (2007: HK$48,589,000).

34. SHARE CAPITAL

Authorized: **Ordinary shares of HK$0.01 each**	**Number of shares**	**Total value** (HK$'000)
At 1 April 2006, 31 March 2007 and 31 March 2008	**30,000,000,000**	**300,000**

Issued and fully paid: **Ordinary shares of HK$0.01 each**	**Number of shares**	**Total value** (HK$'000)
At 1 April 2006	1,159,516,853	11,595
Issue of shares upon conversion of convertible bonds *(Note (a))*	1,463,414,615	14,634
Issue of shares upon exercise of share options *(Note (b))*	6,840,000	69
At 31 March 2007	2,629,771,468	26,298
Issue of shares upon conversion of convertible bonds *(Notes (c), (d) and (e))*	1,167,804,878	11,678
Issue of shares *(Notes (f) and (g))*	780,000,000	7,800
Repurchase of shares *(Note (h))*	(17,960,000)	(180)
At 31 March 2008	**4,559,616,346**	**45,596**

Notes:

The movements of the ordinary share capital for the year ended 31 March 2007 were as follows:

(a) Between November 2006 and March 2007, convertible bonds with aggregate principal amount of HK$60,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.041 per share.

(b) In November 2006, 6,840,000 share options were exercised, resulting in the issue of 6,840,000 ordinary shares of the Company at the exercise price of HK$0.0348 per share.

34. SHARE CAPITAL *(Continued)*

Notes: (Continued)

The movements of the ordinary share capital for the year ended 31 March 2008 were as follows:

(c) On 9 July 2007, convertible bonds with aggregate principal amount of HK$20,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.041 per share.

(d) On 8 August 2007, convertible bonds with aggregate principal amount of HK$110,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.25 per share.

(e) On 17 September 2007, convertible bonds with aggregate principal amount of HK$60,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.25 per share.

(f) On 27 April 2007, the Company placed, through the placing agent, 220,000,000 shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.19 per share.

(g) On 25 June 2007, the Company placed, through the placing agent, 560,000,000 shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.19 per share.

(h) During the year ended 31 March 2008, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of	Price per share		Aggregate
	ordinary shares of	Highest	Lowest	consideration
Month of repurchase	**HK$0.01 each**	**price paid**	**price paid**	**paid**
		(HK$)	(HK$)	(HK$'000)
August 2007	4,440,000	0.305	–	1,354
October 2007	6,500,000	0.193	0.188	1,234
November 2007	2,000,000	0.204	–	408
January 2008	5,020,000	0.138	0.130	683
	17,960,000			3,679

The above shares were cancelled upon repurchase.

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

35. 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.

35. SHARE OPTION SCHEME *(Continued)*

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

	Number of share options					
Grant date	**Outstanding at 1 April 2006**	**Exercised during the year ended 31 March 2007**	**Lapsed during the year ended 31 March 2007**	**Outstanding at 31 March 2007**	**Issued during the year ended 31 March 2008**	**Outstanding at 31 March 2008**
Consultants						
11 November 2004	44,760,000	(6,840,000)	(37,920,000)	–	–	–
Employees						
9 October 2007	–	–	–	–	284,900,000	284,900,000
Total	44,760,000	(6,840,000)	(37,920,000)	–	284,900,000	284,900,000
Exercisable at the end of the year	44,760,000			–	284,900,000	284,900,000
Exercise price	HK$0.0348	HK$0.0348	–	–	HK$0.198	HK$0.198

36. SHARE-BASED PAYMENTS

Agent Option

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 was appointed for the promotion of, and referral of customers for the health check business of the Group. In return, the Agent was 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 was 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 was 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.

36. SHARE-BASED PAYMENTS *(Continued)*

Agent Option (Continued)

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 the Black-Scholes option pricing model. The inputs to the model included 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 2008, the Group recognized equity-settled share-based payment expense of approximately HK$431,000 (2007: HK$90,000) in respect of the Agent Option.

Employee share options

Details of the Company's share option scheme are disclosed in Note 35.

The total fair value of the employee share options was determined by the directors to be approximately HK$10,769,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs to the model included grant date share price of HK$0.0378, exercise price of HK$0.198 per share, expected volatility of 66.75%, expected option life of 10 years, no expected dividend and estimated risk-free interest rate of 4.283%. The expected volatility of the share prices were estimated by the best available average annualized standard deviations of the continuously compounded rates of return on the Company's share prices since the date of business transformation of the Group.

For the year ended 31 March 2008, the Group recognized equity-settled share-based payment expense of approximately HK$10,769,000 (2007: Nil) in respect of the employee share options.

37. RESERVES

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	Convertible bonds equity reserve HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
At 1 April 2006	**12,086**	**861**	**29,390**	**16,062**	**–**	**(42,227)**	**16,172**
Recognition of equity settled share-based payments	–	–	–	–	90	–	90
Recognition of equity component of convertible bonds	–	–	–	15,889	–	–	15,889
Issue of shares upon exercise of share options	169	–	–	–	–	–	169
Issue of shares upon conversion of convertible bonds	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**
Recognition of equity settled share-based payments	–	–	–	–	11,200	–	11,200
Recognition of equity component of convertible bonds	–	–	–	289,282	–	–	289,282
Deferred tax	–	–	–	(10,894)	–	–	(10,894)
Early redemption of convertible bonds	–	–	–	(108,027)	–	39,648	(68,379)
Issue of new shares	140,400	–	–	–	–	–	140,400
Transaction costs attributable to issue of new shares	(10,587)	–	–	–	–	–	(10,587)
Repurchase of shares	(3,499)	–	–	–	–	–	(3,499)
Issue of shares upon conversion of convertible bonds	211,086	–	–	(70,684)	–	–	140,402
Loss for the year and total recognized expense for the year	–	–	–	–	–	(176,614)	(176,614)
At 31 March 2008	**395,852**	**861**	**29,390**	**115,739**	**11,290**	**(197,060)**	**356,072**

37. 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.

38. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of remaining interests in Town Health Medical Technology (China) Company Limited

Pursuant to a sale and purchase agreement dated 2 April 2007 (the "SP Agreement") entered into between the Company and Dr. Francis Choi Chee Ming *JP* ("Dr. Choi"), the Group 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 was 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 had not commenced business from its date of incorporation to the date of acquisition, and the consideration paid for the acquisition was 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.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *Acquisition of Polyray Technology Limited and Polylight Technology Limited*

On 30 November 2006, the Group 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 were as follows:

	Polylight Technology Limited	**Polyray Technology Limited**	**Acquirees' carrying amount before combination and fair value**
	HK$'000	HK$'000	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
Total consideration satisfied by cash			34,250
Net cash outflow arising on acquisition:			
Cash consideration paid			(34,250)
Bank balances and cash acquired			3,746
			(30,504)

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *Acquisition of Polyray Technology Limited and Polylight Technology Limited (Continued)*

The goodwill arising on acquisition of Polyray Technology Limited and Polylight Technology Limited was 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 31 March 2007. If the acquisition had been completed on 1 April 2006, total group revenue for the year ended 31 March 2007 would have been approximately HK$50,408,000, and loss for the year ended 31 March 2007 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.

(c) *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 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 were as follows:

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	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
Satisfied by:	
Cash paid for initial investment	1,000
Cash paid for the Subscription	7,000
	8,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(8,000)
Bank balances and cash acquired	7,263
	(737)

39. DISPOSAL OF SUBSIDIARIES

On 24 September 2007, the Group disposed of its entire equity interests in Rollstone Limited and its wholly owned subsidiary, 上海凱祥服飾有限公司, at a cash consideration of HK$1. The consolidated net liabilities of Rollstone Limited at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Trade and other receivables	390
Bank balances and cash	87
Trade and other payables	(3,353)
Bank and other borrowings	(36,143)
	(39,019)
Release of translation reserve	1,769
Gain on disposal	37,250
Cash consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(87)
	(87)

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2008, the Group's jointly controlled entity, Precious Success Group Limited transferred to the Group the Core Healthcare CB with a principal amount of HK$10,000,000 at a consideration of approximately HK$41,419,000, as partial settlement of the amount due from Precious Success Group Limited to the Group.

41. OPERATING LEASE COMMITMENTS

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

	2008 HK$'000	2007 HK$'000
Within one year	**17,100**	13,484
In the second to fifth years inclusive	**12,860**	15,690
	29,960	29,174

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 4 years.

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

42. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure contracted for but not provided for in the financial statements in respect of acquisition of property, plant and equipment	**386**	7,310

At 31 March 2008, the Group was committed to contribute an amount of approximately HK$19,800,000 pursuant to the cooperation agreement dated 12 July 2007 entered into between the Group and 中國中醫藥科技開發交流中心 (transliterated as National Centre of Traditional Chinese Medicine) for the joint development of health check and medical diagnostic centers in the PRC.

42. CAPITAL COMMITMENTS *(Continued)*

Pursuant to a management agreement dated 20 February 2008 (the "Management Agreement") entered into among Guangdong Town Health (a wholly-owned subsidiary of the Company), 中山大學附屬第六醫院(中山大學附屬胃腸肛門醫院) (transliterated as The Sixth Affiliated (Gastrointestinal) Hospital, Sun Yat-sen University) and 廣州中山醫博濟醫院管理有限公司 (transliterated as Guangzhou Zhongshanyi Boji Hospital Management Co. Ltd.) ("Boji"), the parties to the Management Agreement agreed that (i) 中山醫康健醫療中心 (transliterated as Zhongshanyi Town Health Medical Centre) ("Zhongshanyi TH Health Check Centre") would be established in Tianhe District, Guangzhou City, the PRC by The 6th Affiliated Hospital and would be principally engaged in health check, medical diagnostic and medical laboratory services; and (ii) Guangdong Town Health with primary role and Boji with secondary role were respectively appointed by The 6th Affiliated Hospital to operate and manage the Zhongshanyi TH Health Check Centre exclusively for 20 years from the date of the Management Agreement. Pursuant to the Management Agreement, Guangdong Town Health would inject RMB50 million to the Zhongshanyi TH Health Check Centre by way of injecting medical equipment, other facilities or assets, or by way of providing necessary working capital for operation and management of the Zhongshanyi TH Health Check Centre. The medical equipment, other facilities or assets injected by Guangdong Town Health would still be beneficially owned by Guangdong Town Health. The Group had made a capital contribution of RMB15 million to the registered capital of Guangdong Town Health up to 31 March 2008, and had a capital commitment of RMB35 million at 31 March 2008.

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

43. PLEDGE OF ASSETS

At 31 March 2008, certain property, plant and equipment of the Group with carrying value of approximately HK$47,293,000 (2007: HK$52,973,000) and bank deposits of HK$12,000,000 (2007: HK$10,000,000) were pledged to secure general bank facilities granted to the Group.

44. CORPORATE GUARANTEE

	Company	
	2008	2007
	HK$'000	HK$'000
Corporate guarantee provided by the Company in respect of banking facilities of subsidiaries	**40,000**	40,000

At 31 March 2008, the amount of such facilities utilized by the subsidiaries and covered by the Company's guarantees amounted to approximately HK$10,000,000 (2007: HK$30,170,000). In the opinion of the directors of the Company, no material liabilities would arise from the above corporate guarantees which arose in the ordinary course of business and the fair values of the corporate guarantees granted by the Company were immaterial.

45. 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 2008, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$1,269,000 (2007: HK$446,000). At 31 March 2008, there were no forfeited contributions available for the Group to offset contributions payable in future years (2007: Nil).

46. 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:

	2008	2007
	HK$'000	HK$'000
Laboratory fee received from Town Health International Holdings Company Limited	**844**	967
Service fees paid to Town Health International Holdings Company Limited for provision of consultation and management services *(Note (i))*	**6,623**	3,182
Rentals paid to Majestic Centre Limited for leasing of properties *(Note (ii))*	**2,124**	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 constituted 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) were interested in 50% of the shareholdings of Majestic Centre Limited. In July 2007, Miss Choi and her associates completed the disposal of their 50% interests in Majestic Centre Limited and the transaction was no longer regarded as a continuing connected transaction.

The directors of the Company consider that they are the only key management personnel of the Group and details of their compensation are set out in Note 15.

47. POST BALANCE SHEET EVENTS

(a) In June 2008, the Convertible Bonds II with aggregate principal amount of HK$80,000,000 were early redeemed by the Company.

(b) On 5 June 2008, the Company and Core Healthcare Investment Holdings Limited jointly announced that Kingston Securities Limited would, on behalf of the Company, make a voluntary conditional securities exchange offer (the "Offer") to acquire all of the issued shares in the share capital of Core Healthcare Investment Holdings Limited. The acquisition of the shares of Core Healthcare Investment Holdings Limited under the Offer would constitute a very substantial acquisition for the Company under the Listing Rules, and the Offer was therefore conditional upon the approval of the Company's shareholders at a special general meeting of the Company to be convened.

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**70,132**	15,813	1,450	4,150	23,117
Profit/(Loss) before tax	**41,556**	(44,211)	(45,346)	(28,759)	122
Income tax expense	**494**	(8,967)	–	(10)	(26)
Profit/(Loss) for the year	**42,050**	(53,178)	(45,346)	(28,769)	96
Attributable to:					
Equity holders of the Company	**43,077**	(52,818)	(45,346)	(28,769)	96
Minority interests	**(1,027)**	(360)	–	–	–
	42,050	(53,178)	(45,346)	(28,769)	96