



HONG KONG HEALTH CHECK AND LABORATORY HOLDINGS COMPANY LIMITED

香港體檢及醫學診斷控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 397)

**ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2007**

FINANCIAL HIGHLIGHT

For the six months ended 30 September 2007:

- The Group recorded a revenue of approximately HK\$29,538,000, representing an increase of 5,119% as compared with the corresponding period in 2006.
- Profit attributable to equity holders of the Company amounted to approximately HK\$46,861,000 (2006: loss of HK\$10,811,000).

As at 30 September 2007:

- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 19.5 and a gearing ratio (defined as total bank borrowings to total equity) of 3.98%
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2007 (2006: Nil).

RESULTS

The board of directors (the “Board”) of Hong Kong Health Check and Laboratory Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 together with comparative figures for the previous period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2007	2006
		(unaudited)	(unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	29,538	566
Other income		2,571	654
Changes in inventories and clinical supplies consumed		(7,097)	(308)
Employee benefits expense		(23,310)	(5,304)
Depreciation expense		(6,083)	(14)
Fair value gain on held-for-trading investments		55,791	2,203
Gain on disposal of subsidiaries	4	37,250	—
Finance costs	5	(21,449)	(2,412)
Other operating expenses		(20,713)	(6,196)
Profit/(loss) before tax		46,498	(10,811)
Income tax expense	6	—	—
Profit/(loss) for the period	7	46,498	(10,811)
Attributable to:			
Equity holders of the Company		46,861	(10,811)
Minority interests		(363)	—
		46,498	(10,811)
Dividends		—	—
Earnings/(loss) per share	8		
Basic (HK cents per share)		1.35	(0.93)
Diluted (HK cents per share)		1.07	(0.93)

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2007 (unaudited) HK\$'000	As at 31 March 2007 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		108,956	92,831
Interest in an associate		23,357	—
Goodwill		22,121	22,121
		<u>154,434</u>	<u>114,952</u>
Current assets			
Inventories of clinical supplies, at cost		595	362
Trade and other receivables	9	23,365	19,757
Held-for-trading investments		262,459	71
Tax recoverable		48	48
Pledged bank deposits		10,000	10,000
Bank balances and cash		306,392	18,288
		<u>602,859</u>	<u>48,526</u>
Current liabilities			
Trade and other payables	10	12,878	19,954
Bank and other borrowings		17,757	48,385
Tax payable		289	289
		<u>30,924</u>	<u>68,628</u>
Net current assets/(liabilities)		<u>571,935</u>	<u>(20,102)</u>
Total assets less current liabilities		<u>726,369</u>	<u>94,850</u>
Non-current liabilities			
Bank and other borrowings		240	18,708
Convertible loan notes		264,307	47,797
Deferred tax liabilities		9,124	9,124
		<u>273,671</u>	<u>75,629</u>
Net assets		<u>452,698</u>	<u>19,221</u>
Capital and reserves			
Share capital		45,731	26,298
Reserves		405,822	(17,585)
Equity attributable to the equity holders of the Company		<u>451,553</u>	<u>8,713</u>
Minority interests		<u>1,145</u>	<u>10,508</u>
Total equity		<u>452,698</u>	<u>19,221</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007. In addition, the Group has applied the following accounting policy for interest in an associate during the current interim period:

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates 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 associate, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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 associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for the Group’s financial year beginning 1 April 2007. The adoption of the new HKFRS had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKAS 23 (Revised)	Borrowing Costs	1
HKFRS 8	Operating Segments	1
HK(IFRIC) – INT 12	Service – Concession Arrangements	2

1. Effective for annual periods beginning on or after 1 January 2009
2. Effective for annual periods beginning on or after 1 January 2008

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

3. SEGMENT INFORMATION

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

Business Segments

	Provision of healthcare and medical checks services		Trading of securities		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<u>29,538</u>	<u>566</u>	<u>–</u>	<u>–</u>	<u>29,538</u>	<u>566</u>
RESULT						
Segment result	(16,466)	(9,012)	55,349	2,203	38,883	(6,809)
Unallocated income					2,571	654
Unallocated corporate expenses					(10,757)	(2,244)
Gain on disposal of subsidiaries					37,250	–
Finance costs					<u>(21,449)</u>	<u>(2,412)</u>
Profit/(loss) before tax					46,498	(10,811)
Income tax expense					<u>–</u>	<u>–</u>
Profit/(loss) for the period					<u>46,498</u>	<u>(10,811)</u>

Geographical segments

No further geographical segments 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.

4. GAIN ON DISPOSAL OF SUBSIDIARIES

The amount for the period ended 30 September 2007 represents the gain on disposal of the Group's entire interests in Rollstone Limited and 上海凱祥服飾有限公司. The subsidiaries disposed during the period did not contribute significantly to the Group's operating results for the current period.

5. FINANCE COSTS

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interest on:		
– Bank overdraft	56	–
– Bank borrowings wholly repayable within five years	900	336
Effective interest expense on convertible loan notes	6,493	2,076
Premium paid for early redemption of convertible loan notes	14,000	–
	21,449	2,412

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for both periods.

No People's Republic of China (the "PRC") Enterprise Income Tax has been provided in respect of the Group's PRC subsidiary since it incurred tax loss for both periods.

7. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	6,083	14
Cost of inventories recognized as an expense	7,097	308

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Earnings:		
Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share	46,861	(10,811)
Effect of dilutive potential ordinary shares:		
Interest on outstanding convertible loan notes	<u>4,910</u>	<u>—</u>
Profit/(Loss) for the period attributable to the equity holders of the Company for the purpose of diluted earnings/(loss) per share	<u>51,771</u>	<u>(10,811)</u>
	Six months ended 30 September	
	2007	2006
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	3,478,728	1,159,517
Effect of dilutive potential ordinary shares from convertible loan notes	<u>1,369,053</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>4,847,781</u>	<u>1,159,517</u>

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Trade receivables, with aged analysis (<i>Note</i>)		
0-60 days	4,372	3,194
61-90 days	1,016	598
Over 90 days	2,081	1,974
	7,469	5,766
Less: Accumulated impairment	(671)	(671)
	6,798	5,095
Trade receivables, net	6,798	5,095
Other receivables	16,567	14,662
	23,365	19,757
Trade and other receivables	<u><u>23,365</u></u>	<u><u>19,757</u></u>

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

10. TRADE AND OTHER PAYABLES

	As at 30 September 2007 HK\$'000	As at 31 March 2007 HK\$'000
Trade payables, with aged analysis		
0-60 days	1,251	798
61-90 days	111	17
Over 90 days	90	1,154
	1,452	1,969
Total trade payables	1,452	1,969
Other payables and accruals	11,426	17,985
	12,878	19,954
Trade and other payables	<u><u>12,878</u></u>	<u><u>19,954</u></u>

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATION

It was a milestone six months for the Group. The Group made tremendous strides during the period under review by boosting its market position in the health check and medical diagnostic industry in both Hong Kong and mainland China. This will pave the way for the Group to establish a strong regional and global presence in the years to come.

For the six months ended 30 September 2007, the Group's turnover was HK\$29,538,000 (2006: HK\$566,000), representing an increase of 5,119% as compared to the corresponding period of last year. The increase in turnover was mainly attributable to the strong performance of the core healthcare and medical check services business. The profit attributable to the equity holders of the Group for the six months ended 30 September 2007 was HK\$46,861,000 (2006: loss of HK\$10,811,000).

In view of the Group's active development of its core medical businesses and potential acquisitions or expansions, the Board does not recommend the payment of dividend for the six months ended 30 September 2007.

Major Acquisition Spurs Growth in Hong Kong

During the period under review, the Group enjoyed strong revenue growth by expanding its core business, provision of healthcare and medical check services in Hong Kong. The Group has become a leading player in health check and medical diagnostic industry. The business made a turnover of HK\$29,538,000 during the first six months of 2007/2008 financial year, compared to a turnover of HK\$ 566,000 in the same period last year.

In June 2007, the Group completed a deal with Group Benefit Development Limited (the "Group Benefit"), a local company that specialized in the provision of medical diagnostic scanning and laboratory services. The Group became the single largest shareholder of Group Benefit by acquiring 47.99% of its total issued share capital for more than HK\$23 million.

Group Benefit enjoyed a strong reputation in the local healthcare market. It has been in business for nearly 20 years and ran four health check centers in Hong Kong.

The deal is beneficial in many ways. It allowed the Group to take over a potential competitor. It improved the Group's market positioning by acquiring a laboratory testing support company with a long and successful track record. Together with the existing eight health check centers of the Group, the acquisition raised to 12 the number of facilities under its control. And the Group enlarged its referral base thanks to Group Benefit's existing clientele.

Overall, the acquisition represented a major effort by the Group to consolidate its leading position in the health check and medical diagnostic industry in Hong Kong. The Group now boasts an extensive network and offers comprehensive healthcare and medical check services to customers. That also provides a steady source of revenue and improves the Group's financial standing.

Venturing into Mainland China

The Group aims to take advantage of vast opportunities generated by tremendous economic growth in mainland China and rising demands for healthcare by its people. The healthcare industry in China has experienced significant changes in recent years, with the per capita total expenditure on health increased from RMB375 billion in 2000 to RMB570 billion in 2004.

In its first step to develop its business in mainland China, the Group signed a cooperation agreement with the National Center of Traditional Chinese Medicine in July 2007.

The partnership is significant not only because it represented the Group's foray into the mainland China market. The Group is also set to benefit from the extensive hospital network of its partner which is a direct subsidiary and business unit of the State Administration of Traditional Chinese Medicine under the Chinese government.

It will facilitate the Group in obtaining the necessary permits and licenses for its business development in mainland China. The Group will also take advantage of its partner's internet platform, which is linked to the Group's membership network, to expand information flow and develop cross-border business opportunities.

Strong Financial Fundamentals

The Group enjoyed a strong financial position during the period under review and held the cash and bank balance of approximately HK\$306 million as at 30 September 2007. The funds enabled the Group to embark on its strategic expansion plan and seek other investment opportunities, so as to further increase its market share and maximize returns for shareholders.

PROSPECT

The Group has undergone successful transformation in recent years, from a focus on the garment trade to developing its core healthcare and medical check services business. It aims to continue towards this direction. The Group is convinced that its future prospects are bright amid rising healthcare demands and an aging population in both Hong Kong and the mainland China.

Consolidating Market Leader Position in Hong Kong

The Group will continue to expand its healthcare network in Hong Kong through merger and acquisitions after its successful takeover of Group Benefit. The Group will target companies that provide health checks, advanced diagnostic imaging services, day care observation services and medical laboratory-related services to the public.

The Group hopes to increase the number of health check centers in order to consolidate its leadership position in the market. In addition, it seeks to raise the number of satellite diagnostic centers outside the urban area through merger and acquisitions. This will help further boost the Group's client base and improve its overall market share.

Strengthening Foothold in Mainland China

The health check and medical diagnosis market in mainland China remains largely untapped. With improvements in people's living standards, growing demands for quality healthcare and an aging population, mainland China generates excellent business opportunities and potentials unrivalled among other markets.

The Group wants to take advantage of the opportunities in mainland China and to expand its business there. Its partnership agreement with the National Center of Traditional Chinese Medicine is a step in the right direction. The deal gives the Group access to hospitals across the country, covering areas such as health check and medical diagnosis in mainland China.

For the 2007/2008 financial year, the Group plans to establish two to three medical diagnostic medical centers in mainland China.

The Group will continue to explore new business opportunities in mainland China in the future in order to identify different and stable sources of customers and revenue.

Overall, the mission of the Group is to enhance public health awareness among people by promoting the concept of preventive healthcare through periodic, comprehensive and quality health checks. The Group will continue to work towards that and to maximize returns for shareholders.

MAJOR ACQUISITIONS

On 8 June 2007, the Purchaser, an indirect wholly-owned subsidiary of the Group, entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire the entire issued share capital of Speedco Pacific Limited which beneficially own approximately 47.99% of the total issued share capital of Group Benefit at a total cash consideration of approximately HK\$23,356,000. For details, please refer to the Company's announcement dated 8 June 2007 and circular dated 24 July 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group held bank balances and cash of approximately HK\$306,392,000 (31 March 2007: HK\$18,288,000). Net current assets amounted to approximately HK\$571,935,000 (31 March 2007: net current liabilities of HK\$20,102,000). Current ratio as at 30 September 2007 (defined as total current assets divided by total current liabilities) was 19.5.

As at 30 September 2007, the Group had outstanding bank and other borrowings of approximately HK\$17,997,000 (31 March 2007: HK\$67,093,000). Gearing ratio as at 30 September 2007 (defined as total bank borrowings to total equity) was 3.98%. 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 30 September 2007, the Group had shareholders' equity of approximately HK\$451,553,000.

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.

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 an principal amounts of HK\$80,000,000 and HK\$200,000,000 respectively.

CORPORATE GOVERNANCE

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2007, except for the following deviations:

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

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors, Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 September 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

During the six months ended 30 September 2007, the Company repurchased its own shares as follows:

Month of repurchase	Number of shares repurchased	Price per share <i>HK\$</i>	Aggregate consideration <i>HK\$</i>
August 2007	4,440,000	0.305	1,354,200

The above shares were cancelled upon repurchases and accordingly the issued share capital of the Company was reduced by the par value of these shares which amounted to HK\$44,400. Apart from the repurchased 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 six months ended 30 September 2007.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2007, the Group employed a total of approximately 175 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 30 September 2007, bank deposits of HK\$10,000,000 were pledged to secure general bank facilities granted to the Group.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

GENERAL

At the date of this announcement, the Board comprises seven executive Directors, namely Dr. Fung Yiu Tong, Bennet, Mr. Lee Chik Yuet, 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 and three independent non-executive Directors namely Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man.

By order of the Board
Hong Kong Health Check and Laboratory Holdings Company Limited
Fung Yiu Tong, Bennet
Chairman

Hong Kong, 13 November 2007

* *For identification purposes only*