THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hong Kong Health Check and Laboratory Holdings Company Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTION
AND
NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of the Company to be held at 9:30 a.m. on Monday, 23 November 2009 at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong is set out on pages 193 to 194 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

5 November 2009

* *For identification purpose only*

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Additional Purchaser Consideration Shares"	1,078 additional new Purchaser Shares to be allotted and issued, credited as fully paid, by the Purchaser to Town Health BVI (and/or its nominee) on Completion upon the occurrence of the Consideration Adjustment Event
"Agreement"	the conditional sale and purchase agreement dated 15 October 2009 entered into between the Purchaser, Town Health BVI and the Company in relation to the Transaction
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day(s)"	any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no.8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Hong Kong Health Check and Laboratory Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Health Walk Sale Shares pursuant to the terms of the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Adjustment Event"	the completion of the FOMT Acquisition at or prior to the Completion
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group after Completion
"Enlarged Purchaser Group"	the Purchaser and its subsidiaries as at the Completion

"FOMT"	First Oriental Medical Technology Group Limited (名華醫療科技集團有限公司*), a company incorporated in the BVI with limited liability and was owned as to 78% and 22% by Health Walk and Kingdom Hill respectively as at the date of the FOMT Agreement and which will be owned as to 100% by Health Walk upon the FOMT Acquisition Completion
"FOMT Acquisition"	the acquisition by Health Walk of the FOMT Sale Shares pursuant to the terms of the FOMT Agreement
"FOMT Acquisition Completion"	completion of the FOMT Acquisition
"FOMT Agreement"	the conditional sale and purchase agreement dated 15 October 2009 entered into by Health Walk, Kingdom Hill and Tsui Mai Ling, Margaret in relation to the FOMT Acquisition, details of which are set out in the Joint Announcement
"FOMT Group"	FOMT and its subsidiaries as at the date of the FOMT Agreement
"FOMT Sale Shares"	242 shares of US$1.00 each in the share capital of FOMT, representing 22% of the issued share capital of FOMT, beneficially held by Kingdom Hill as at the date of the FOMT Agreement
"Group"	the Company and its subsidiaries
"Group Benefit"	Group Benefit Development Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
"Group Benefit Group"	Group Benefit and its subsidiaries
"Health Check BVI"	Hong Kong Health Check and Laboratory Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Health Check BVI Capitalisation Shares"	such number of shares of US$1.00 each in the issued share capital of Health Check BVI which fall to be allotted and issued to the Company upon capitalisation of the Health Check BVI Loan upon occurrence of the Consideration Adjustment Event
"Health Check BVI Group"	Health Check BVI and its subsidiaries as at the date of the Agreement
"Health Check BVI Loan"	an amount of HK$20,615,000, being a portion of the shareholder's loan owing to the Company by Health Check BVI

* *For identification purpose only*

"Health Walk"	Health Walk Limited, a company incorporated in the BVI with limited liability, which was an indirect wholly-owned subsidiary of Town Health as at the date of the Joint Announcement and the immediate holding company of FOMT
"Health Walk Group"	Health Walk and the FOMT Group
"Health Walk Sale Shares"	such number of issued shares of Health Walk representing the entire issued share capital of Health Walk and held by Town Health BVI as at the date of the Completion
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	shareholders of the Company who have no interest in the Agreement and the transactions contemplated thereunder
"Joint Announcement"	the joint announcement of the Company and Town Health in relation to the FOMT Acquisition and the Transaction dated 15 October 2009
"Kingdom Hill"	Kingdom Hill Limited, a company incorporated in the BVI with limited liability, holding 22% of the issued share capital of FOMT as at the date of the FOMT Agreement
"Latest Practicable Date"	2 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	5:00 p.m. on 31 March 2010 or such other date as Town Health BVI and the Purchaser shall agree in writing
"PET scan"	positron emission tomography scan, a highly specialized imaging technique that is sensitive in picking up active tumour tissue in cancer patients
"Purchaser" or "Luck Key"	Luck Key Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of the Agreement
"Purchaser Consideration Shares"	3,822 new Purchaser Shares to be allotted and issued, credited as fully paid, by the Purchaser to Town Health BVI (and/or its nominee) on Completion

"Purchaser Share(s)"	ordinary share(s) of US$1.00 each in the share capital of the Purchaser
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be held on 23 November 2009 for the purpose of considering, and if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder
"Share(s)"	share(s) of the Company of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Town Health"	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 3886)
"Town Health BVI"	Town Health (BVI) Limited, a company incorporated in the BVI with limited liability and was the immediate holding company of Health Walk as at the date of the Joint Announcement and a wholly-owned subsidiary of Town Health
"Town Health Group"	Town Health and its subsidiaries
"Transaction"	the sale and purchase of the Health Walk Sale Shares and upon the occurrence of the Consideration Adjustment Event, the Health Check BVI Capitalisation Shares pursuant to the Agreement, and the allotment and issue of the various Purchaser Shares as a result thereof as described in the "Letter from the Board" in this circular
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

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)

Executive Directors:
Dr. Fung Yiu Tong, Bennet
Mr. Cho Kwai Yee, Kevin

Independent non-executive Directors:
Mr. Chan Chi Yuen
Mr. Lo Chun Nga
Mr. Chik Chi Man

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Shops 2B and 2C, Level 1
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

5 November 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 15 October 2009, the Company announced in the Joint Announcement that the Purchaser (a wholly-owned subsidiary of the Company as at the date of the Agreement), Town Health BVI (a wholly-owned subsidiary of Town Health) and the Company entered into the Agreement pursuant to which the Purchaser had agreed to purchase, and Town Health BVI had agreed to sell, the Health Walk Sale Shares.

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to approval of the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with details of the Agreement and the Transaction, further information of the Group and the Enlarged Group and to give you a notice of the SGM.

* *For identification purpose only*

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date of the Agreement

15 October 2009

Parties

(i) Town Health BVI, a wholly-owned subsidiary of Town Health as vendor;

(ii) the Company; and

(iii) the Purchaser, a wholly-owned subsidiary of the Company as at the date of the Agreement as purchaser.

As at the Latest Practicable Date, the Town Health Group held an aggregate of 97 Shares, representing a negligible percentage of the total issued share capital of the Company.

The principal activity of Town Health BVI is investment holding and save for the Town Health Group's interest in the Company as stated above, Town Health BVI and its beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Subject matter

The Purchaser has conditionally agreed to purchase, and Town Health BVI has conditionally agreed to sell, the Health Walk Sale Shares at a consideration of HK$70,200,000, which is subject to adjustment as mentioned below in the event that the FOMT Acquisition Completion takes place prior to the Completion. Such consideration shall be satisfied by the allotment and issue of, credited as fully paid, the Purchaser Consideration Shares.

If the Consideration Adjustment Event occurs (i.e. if the FOMT Acquisition Completion takes place prior to the Completion), the Company and the Purchaser shall jointly take all necessary actions to effect the capitalisation of the Health Check BVI Loan and the allotment and issue of the Health Check BVI Capitalisation Shares to the Company and thereafter, the Company shall sell, and the Purchaser shall purchase the Health Check BVI Capitalisation Shares at a consideration of HK$20,615,000.

Consideration

The consideration for the acquisition of the Health Walk Sale Shares (if the Consideration Adjustment Event does not occur) is HK$70,200,000, which will be satisfied by the allotment and issue of the Purchaser Consideration Shares (i.e. 3,822 new Purchaser Shares) by the Purchaser to Town Health BVI (and/or its nominee as directed in writing) on Completion.

If the Consideration Adjustment Event occurs, Health Walk shall hold 100% interest (instead of 78% interest as at the date of the Agreement) in FOMT, the consideration for the acquisition of the Health Walk Sale Shares shall be adjusted upwards by an amount of HK$19,800,000 in view of Health Walk's increased shareholding in FOMT. Such increased portion of the consideration will be satisfied by the allotment and issue of, credited as fully paid, the Additional Purchaser Consideration Shares (i.e. 1,078 new Purchaser Shares) to Town Health BVI (and/or its nominee) at Completion.

The number of new Purchaser Shares to be allotted and issued to Town Health BVI (and/or its nominee) is determined on the basis that at Completion, the Purchaser (and the Health Check BVI Group and the Health Walk Group) shall be owned as to 51% and 49% respectively by the Company and Town Health BVI. The shareholding structure of 51% and 49% of the Purchaser is determined by the Town Health Group and the Group after arm's length negotiations taking into account the expected net asset value of the Enlarged Purchaser Group and the fact that the Enlarged Purchaser Group will be principally engaged in the health check business and the role of the Health Walk Group within the Enlarged Purchaser Group is only the upstream supplier of radioactive isotopes for, and in support of, the health check business which has always been operated under the management of the Group.

If the Consideration Adjustment Event occurs, the Company shall sell, and the Purchaser shall purchase, the Health Check BVI Capitalisation Shares at a consideration of HK$20,615,000 which will be satisfied by the allotment and issue, credited as fully paid, of 1,122 new Purchaser Shares to the Company at Completion.

The consideration for the acquisition of the Health Walk Sale Shares of HK$70,200,000 (if the Consideration Adjustment Event does not occur) or HK$90,000,000 (if the Consideration Adjustment Event occurs) is determined after arm's length negotiations between the Purchaser and Town Health BVI taking into account of various factors, including the earnings potential, the profitability and future business prospects of the Health Walk Group and the synergic effect between the Health Walk Group and the Group.

The Purchaser Consideration Shares, the Additional Purchaser Consideration Shares and the Health Check BVI Capitalisation Shares will not be subject to any transfer restrictions upon their allotment and issue.

Conditions precedent to the Completion

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(i) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM by way of a poll to approve:

(a) the Agreement and the transactions contemplated in or incidental to the Agreement and the implementation thereof; and

(b) such other matters as required by the Listing Rules for consummation of the transactions contemplated therein;

in accordance with the requirements of the Listing Rules, the bye-laws of the Company and the applicable laws, rules and regulations;

(ii) the warranties given by Town Health BVI as detailed in the Agreement remaining true and accurate in all respects and not misleading in any respect as at the date of the Completion; and

(iii) the warranties given by the Purchaser as detailed in the Agreement remaining true and accurate in all respects and not misleading in any respect as at the date of the Completion.

The Purchaser shall be entitled at any time prior to the Long Stop Date by a notice in writing to Town Health BVI to waive condition (ii) above and Town Health BVI shall be entitled at any time prior to the Long Stop Date by a notice in writing to the Purchaser to waive condition (iii) above. If any condition is not fulfilled or waived on or before the Long Stop Date, the rights and obligations of the parties under the Agreement shall lapse and be of no further force and effect (save and except for certain provisions which shall remain in full force and effect) and the parties shall be released from all further obligations thereunder without any liability save for any antecedent breach.

Completion

Subject to fulfillment or wavier (as the case may be) of the conditions in full, Completion shall take place within four business days or on such other date as the parties to the Agreement may mutually agree in writing.

Upon Completion, Health Walk will be wholly-owned by the Purchaser and Health Check BVI will remain as a wholly-owned subsidiary of the Purchaser.

As at the date of the Agreement, the Purchaser's entire issued share capital, comprising 3,978 Purchaser Shares, was wholly owned by the Company. Upon Completion, assuming there is no Consideration Adjustment Event, the Company will own 3,978 Purchaser Shares, representing 51% of the issued share capital of the Purchaser as enlarged by the Purchaser Consideration Shares and the Town Health Group will own 3,822 Purchaser Shares, representing 49% of the issued share capital of the Purchaser as enlarged by the Purchaser Consideration Shares. In the event that the Consideration Adjustment Event occurs, taking into account of the allotment and issue of the Additional Purchaser Consideration Shares to Town Health BVI and the allotment and issue of 1,122 Purchaser Shares to the Company for the acquisition of the Health Check BVI Capitalisation Shares, the Company will own 5,100 Purchaser Shares, representing 51% of the issued share capital of the Purchaser as enlarged by the Purchaser Consideration Shares, the Additional Purchaser Consideration Shares and the said 1,122 Purchaser Shares, and the Town Health Group will own 4,900 Purchaser Shares, representing 49% of the issued share capital of the Purchaser as enlarged by the Purchaser Consideration Shares, the Additional Purchaser Consideration Shares and the said 1,122 Purchaser Shares. Upon Completion, such number of Purchaser Shares, representing 49% of the enlarged issued share capital of the Purchaser, which is a subsidiary of the Company, will be allotted and issued to Town Health BVI, the Transaction constitutes (i) an acquisition by Town Health BVI in respect of such 49% of the enlarged issued share capital of the Purchaser and (ii) a deemed disposal of the Company in respect of such 49% interest in the Purchaser.

Upon Completion, (i) the Purchaser, together with members of the Health Check BVI Group, will remain as subsidiaries of the Company, (ii) each of Health Walk and its subsidiaries will also become subsidiaries of the Company and their financial results will be consolidated with those of the Company.

On the other hand, each of Health Walk and its subsidiaries will cease to be subsidiaries of Town Health and Town Health will, through its 49% interest in the Purchaser, be interested in each of the Health Check BVI Group and the Health Walk Group in a proportionate percentage.

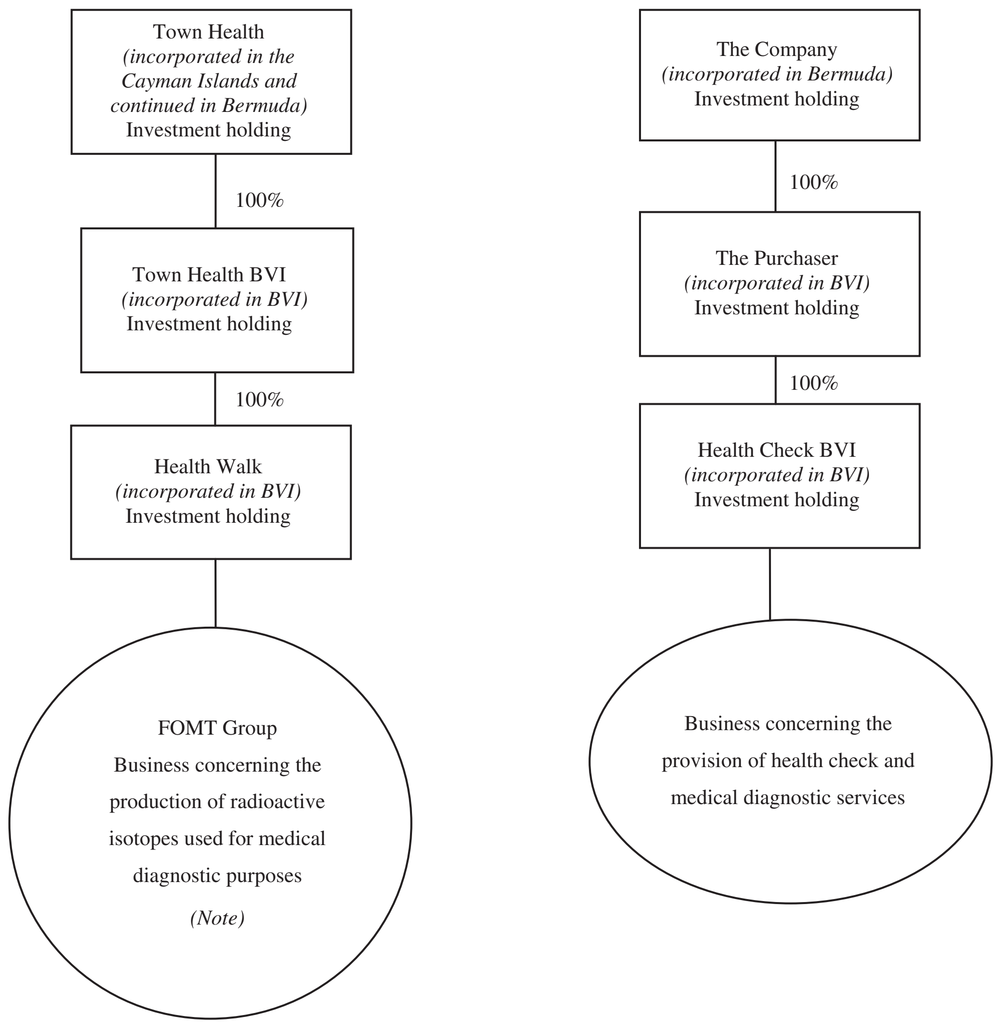
The FOMT Acquisition and the Transaction not inter-conditional

The FOMT Acquisition and the Transaction are not inter-conditional upon each other. For the avoidance of doubt, in the event the FOMT Acquisition Completion takes place prior to the Completion, it will only constitute a Consideration Adjustment Event.

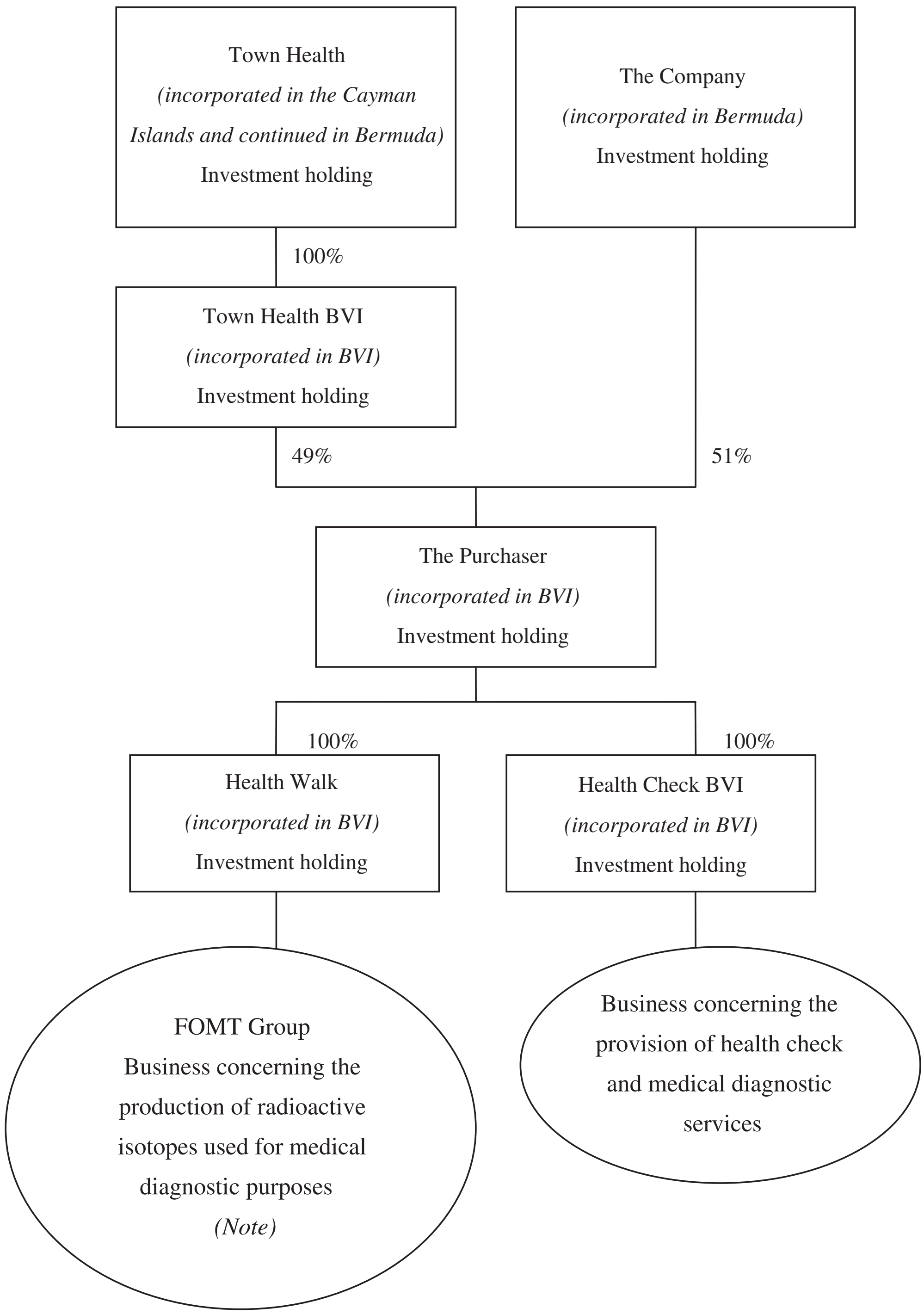
SHAREHOLDING STRUCTURES OF HEALTH WALK AND HEALTH CHECK BVI

Set out below are the simplified group structures of Health Walk and Health Check BVI:

Before Completion



Immediately after Completion



Note: As at the date of the Agreement, Health Walk was interested in 78% of FOMT, the holding company of the FOMT Group. If the FOMT Acquisition Completion takes place prior to the Completion, Health Walk will be interested in 100% of FOMT at Completion.

INFORMATION ON THE HEALTH WALK GROUP

Health Walk is an investment holding company. As at the date of the FOMT Agreement, Health Walk held 78% interest in the issued share capital of FOMT. Upon the FOMT Acquisition Completion, Health Walk will hold 100% of the issued share capital of FOMT. The FOMT Group is principally engaged in the production of radioactive isotopes used for medical diagnostic purposes, which has been sold to the major hospitals and healthcare institutions in Hong Kong. Radioactive isotopes are used as tracers to identify abnormal bodily processes, because some natural elements tend to concentrate in certain parts of the body: iodine in the thyroid, phosphorus in the bones, potassium in the muscles. When a patient is injected with a radioactive element, a special camera (i.e. PET scan) can take pictures of the internal workings of the organ. With the availability of these radioactive isotopes, doctors will be able to diagnose cancer, heart diseases and neurological disorders.

INFORMATION ON THE PURCHASER AND THE HEALTH CHECK BVI GROUP

The Purchaser is a wholly-owned subsidiary of the Company and, as at the date of the Agreement was holding the entire issued share capital of Health Check BVI, which is an investment holding company. The Health Check BVI Group is principally engaged in the provision of health check and health care related services.

FINANCIAL INFORMATION ON THE HEALTH WALK GROUP

Set out below is a summary of the key financial information of the Health Walk Group for the two years ended 31 March 2009:

	For the year ended 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Revenue	21,001	24,590
Net (loss)/profit before taxation	(4,933)	16,574
Net (loss)/profit after taxation	(7,465)	13,639

	As at 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Total assets	29,516	16,668
Net assets	3,693	1,190

As at 31 July 2009, the audited current liabilities of the Health Walk Group amounted to approximately HK$43.8 million of which amount due to Town Health BVI amounted to approximately HK$42.2 million. Subsequent to 31 July 2009, such amount owing by the Health Walk Group to Town Health BVI has been capitalized.

Set out below is the management discussion and analysis of the Health Walk Group for the three years ended 31 March 2009 and the four months ended 31 July 2009.

Health Walk was incorporated on 28 February 2001 and is an investment holding company. As at the Latest Practicable Date, Health Walk held 78% interest in the issued capital of FOMT. The FOMT Group is engaged in the production of radioactive isotopes used for medical diagnostic purposes, which has been sold to the major hospitals and healthcare institutions in Hong Kong.

For the year ended 31 March 2007

(a) Turnover

For the year ended 31 March 2007, turnover was approximately HK$15,885,000.

(b) Other income

For the year ended 31 March 2007, other income was approximately HK$290,000, which was mainly attributable to dividend income of HK$240,000 from a subsidiary.

(c) Gross profit margin

For the year ended 31 March 2007, gross profit was approximately HK$12,274,000 and gross profit margin was 77%.

(d) Administrative expenses

Administrative expenses for the year ended 31 March 2007 was approximately HK$2,084,000, mainly comprised office staff cost of HK$461,000, consultancy fee of HK$405,000 and repair and maintenance expense of HK$110,000.

(e) Liquidity and financial resources

The working capital of the Health Walk Group was mainly funded by its internally generated funds. The average term of credit for customers was 53 days. As at 31 March 2007, the current ratio (current assets divided by current liabilities) and gearing ratio (total liabilities divided by total equity) were 0.43 times and 2.45 times respectively.

(f) Capital structure

As at 31 March 2007, issued share capital was HK$8 and there was no other issued or outstanding loan capital, preference shares or convertible securities.

(g) Property, plant and equipment

As at 31 March 2007, property, plant and equipment was approximately HK$2,088,000 mainly contributed by medical equipment. In addition, deposit of approximately HK$6,846,000 had been made for acquisition of medical equipment.

(h) Foreign exchange risk

Foreign exchange risk was minimal as majority of transactions were denominated in Hong Kong dollars.

(i) Capital commitment

As at 31 March 2007, the Health Walk Group had a capital commitment of approximately HK$2,257,000.

(j) Contingent liability

As at 31 March 2007, the Health Walk Group did not have any contingent liability.

For the year ended 31 March 2008

The turnover for 2008 was approximately HK$21,001,000 (2007: HK$15,885,000), and there was a rise of 32% when compared with the turnover for 2007. The increase was mainly attributable to the fact that more patients were using PET scan services and there was a growth in market demand for radioactive isotopes.

(a) Turnover

For the year ended 31 March 2008, turnover was approximately HK$21,001,000 (2007: HK$15,885,000). There was an increase of approximately HK$5,116,000 over that of the previous year.

(b) Other income

For the year ended 31 March 2008, other income was approximately HK$2,904,000 and mainly comprised a dividend income of approximately HK$2,765,000 from an investee company.

(c) Gross profit margin

For the year ended 31 March 2008, gross profit was approximately HK$17,670,000 (2007: HK$12,274,000). As most of direct costs were relatively fixed, increase in turnover led to higher gross profit margin from 77% in 2007 to 84% in 2008.

(d) Administrative expenses

In line with the increase in turnover, the administrative expenses increased by 34% to approximately HK$2,794,000, mainly attributable to staff cost of approximately HK$424,000, consultancy fee of approximately HK$450,000 and repair and maintenance expense of approximately HK$805,000.

(e) Liquidity and financial resources

The working capital of the Health Walk Group was mainly funded by its internally generated funds. The average term of credit for customers was 49 days. As at 31 March 2008, the current ratio (current assets divided by current liabilities) and gearing ratio (total liabilities divided by total equity) were 0.46 times and 6.99 times respectively.

(f) Capital structure

As at 31 March 2008, issued share capital was HK$8 and there was no other issued or outstanding loan capital, preference shares or convertible securities.

(g) Property, plant and equipment

As at 31 March 2008, property, plant and equipment was approximately HK$2,321,000 mainly contributed by medical equipment.

(h) Foreign exchange risk

Foreign exchange risk was minimal as majority of transactions were denominated in Hong Kong dollars.

(i) Capital commitment

As at 31 March 2008, the Health Walk Group had a capital commitment of approximately HK$1,712,000.

(j) Contingent liability

As at 31 March 2008, the Health Walk Group did not have any contingent liability.

For the year ended 31 March 2009

Although the global financial tsunami had an adverse impact on the global economy, the Health Walk Group recorded a steady growth of turnover, amounting to approximately HK$24,590,000 for the year.

(a) Turnover

For the year ended 31 March 2009, turnover was approximately HK$24,590,000 (2008: HK$21,001,000). There was an increase of approximately HK$3,589,000 over that of the previous year.

(b) Other income

For the year ended 31 March 2009, other income was approximately HK$34.

(c) Gross profit margin

For the year ended 31 March 2009, gross profit was approximately HK$21,105,000 (2008: HK$17,670,000). Gross profit margin remained stable at 86% (2008: 84%).

(d) Administrative expenses

For the year ended 31 March 2009, administrative expenses of the Health Walk Group increased by 66% to approximately HK$4,651,000 (2008: HK$2,794,000). The increase was mainly attributed by the one-off legal and professional fee of HK$1,500,000. Apart from this, there was no significant variance of expenses, mainly office staff cost of HK$745,000, consultancy fee of HK$600,000 and repair and maintenance expense of HK$806,000.

(e) Liquidity and financial resources

The working capital of the Health Walk Group was mainly funded by its internally generated funds. The average term of credit for customers was 46 days. As at 31 March 2009, the current ratio (current assets divided by current liabilities) and gearing ratio (total liabilities divided by total equity) were 0.4 times and 13 times respectively.

(f) Capital structure

As at 31 March 2009, issued share capital was HK$8 and there was no other issued or outstanding loan capital, preference shares or convertible securities.

(g) Property, plant and equipment

As at 31 March 2009, property, plant and equipment was approximately HK$2,097,000 mainly from medical equipment.

(h) Foreign exchange risk

Foreign exchange risk was minimal as majority of transactions were denominated in Hong Kong dollars.

(i) Capital commitment

As at 31 March 2009, the Health Walk Group had a capital commitment of approximately HK$231,000.

(j) Contingent liability

As at 31 March 2009, the Health Walk Group did not have any contingent liability.

For the four months ended 31 July 2009

During the period, Health Walk increased its interest in the FOMT Group from 51% to 78%. The directors of Health Walk considered that by increasing the controlling stake in the FOMT Group, the Health Walk Group would further enhance its earning capability and income stream in the foreseeable future and would have positive impact on the operating and financial performance.

(a) Turnover

For the period ended 31 July 2009, turnover was approximately HK$8,149,000 (31 July 2008: HK$8,155,000).

(b) Other income

For the period ended 31 July 2009, other income was approximately HK$308,000.

(c) Gross profit margin

For the period ended 31 July 2009, gross profit was approximately HK$6,880,000 (31 July 2008: HK$7,076,000). Gross profit margin remained stable at 84% (31 July 2008: 87%).

(d) Administrative expenses

For the period ended 31 July 2009, administrative expenses of the Health Walk Group increased by 67% to approximately HK$1,705,000 (31 July 2008: HK$1,021,000). The increase was mainly due to the write off of approximately HK$508,000 as doubtful debt. Apart from this, there was no significant variance of expenses, mainly office staff cost of approximately HK$329,000, consultancy fee of approximately HK$200,000 and repair and maintenance expense of approximately HK$278,000.

(e) Liquidity and financial resources

The working capital of the Health Walk Group was mainly funded by its internally generated funds. The average term of credit for customers was 45 days. As at 31 July 2009, the current ratio (current assets divided by current liabilities) and gearing ratio (total liabilities divided by total equity) were 0.16 times and 11.16 times respectively.

(f) Capital structure

As at 31 July 2009, issued share capital was HK$8 and there was no other issued or outstanding loan capital, preference shares or convertible securities.

(g) Property, plant and equipment

As at 31 July 2009, property, plant and equipment was approximately HK$2,450,000 mainly contributed by medical equipment.

(h) Foreign exchange risk

Foreign exchange risk was minimal as majority of transactions were denominated in Hong Kong dollars.

(i) Capital commitment

As at 31 July 2009, the Health Walk Group had a capital commitment of approximately HK$1,617,000.

(j) Contingent liability

As at 31 July 2009, the Health Walk Group did not have any contingent liability.

FINANCIAL INFORMATION ON THE PURCHASER AND THE HEALTH CHECK BVI GROUP

Since the Purchaser is a newly incorporated company, no financial statement has been prepared.

Set out below is a summary of the key financial information of the Health Check BVI Group based on the unaudited consolidated accounts of the Health Check BVI Group for the two years ended 31 March 2009 which have been prepared in accordance with the generally accepted accounting principles in Hong Kong:

	For the year ended 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Revenue	70,132	105,550
Net loss before taxation	42,356	39,019
Net loss after taxation	43,614	38,147

	As at 31 March	
	2008	**2009**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Total assets	196,797	199,224
Net liabilities	100,006	138,430
		(Note)

Note: As at 31 March 2009, the unaudited current liabilities of the Health Check BVI Group amounted to approximately HK$328 million of which amount due to the Company amounted to approximately HK$320 million. Subsequent to 31 March 2009, an amount of approximately HK$212 million owing by the Health Check BVI Group to the Company has been capitalized.

FINANCIAL EFFECTS OF THE TRANSACTION

Net asset value

Set out in Appendix IV to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the effect of the Completion on the assets and liabilities of the Group, assuming the Transaction had taken place on 31 March 2009.

As set out in the unaudited pro forma consolidated balance sheet of the Enlarged Group in Appendix IV to this circular, the net assets of the Group will increase as a result of the Transaction.

Earnings

Upon Completion, each member of the Health Walk Group will become a non wholly-owned subsidiary of the Company and it is expected that the revenue of the Group will increase as a result of the Transaction.

Deemed disposal

The Group will not receive any sale proceeds from the deemed disposal of 49% interest in Luck Key pursuant to the Transaction. For illustrative purposes only and subject to audit, it is expected that the Group will not record any gain or loss as a result of the deemed disposal of the 49% of Luck Key as the Directors take the view that the value attributable to the 49% of the enlarged issued share capital of Luck Key, which is deemed to be disposed of by the Group upon Completion, is equal to the value of the Health Walk Group as will be recorded in the books of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the provision of health check and health care related services.

The Town Health Group is a management service provider for private medical and dental practices and an integrated healthcare service provider for the general public in Hong Kong predominantly under its widely known brandname "Town Health Centre 康健醫務中心". The Town Health Group's business activities can be broadly categorised into the (i) provision of healthcare and dental services; and (ii) sale of healthcare and pharmaceutical products.

As a provider of health check and medical diagnostic services in Hong Kong, the Transaction enables the Group to engage in the production of radioactive isotopes which are to be consumed internally for the operation of PET scan. As a result, the Group will no longer be required to rely on external supply of radioactive isotopes and thereby, ensuring stable supplies of radioactive isotopes without being subject to price fluctuation and enhancing the Group's overall competitiveness in the market through vertical integration. The excess radioactive isotopes that cannot be consumed internally can also be sold externally which will generate additional income to the Group. Furthermore, following the synergy with the Town Health Group, it is expected that more referrals for health check and medical diagnostic services will be made by the medical practitioners and specialists of the Town Health Group and thus, enhancing the Group's competitiveness in the health check and medical diagnostic industry in Hong Kong. On this basis, the Directors are of the view that the terms of the Transaction are on normal commercial terms, fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to approval of the Independent Shareholders at the SGM.

SGM

The SGM will be held at 9:30 a.m. on Monday, 23 November 2009 at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong, the notice of which is set out on pages 193 to 194 of this circular, for the Shareholders to consider and, if thought fit, to approve the Transaction.

In compliance with the Listing Rules, the resolution to approve the Transaction will be voted on by way of a poll at the SGM. Any Shareholder with a material interest in the Transaction and his associates will abstain from voting on the resolution approving the Transaction at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, the Town Health Group held an aggregate of 97 Shares, representing a negligible percentage of the total issued share capital of the Company. As Town Health is interested in the Agreement, it and its associates (as defined in the Listing Rules) will be required to abstain from voting at the SGM.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

RECOMMENDATION

The Directors consider that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL RESULTS

The following is a summary of the audited consolidated results for the three financial years ended 31 March 2009 extracted from the annual reports of the Company for each of the three years ended 31 March 2009.

	Year ended 31 March		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	106,538	70,132	15,813
Profit/(Loss) before tax	(616,660)	41,556	(44,211)
Income tax expense	2,220	494	(8,967)
Profit/(Loss) for the year	(614,440)	42,050	(53,178)
Attributable to:			
Equity holders of the Company	(637,879)	43,077	(52,818)
Minority interests	23,439	(1,027)	(360)
Net liabilities	(614,440)	42,050	(53,178)

	As at 31 March		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	142,949	405,080	114,952
Current assets	233,425	479,567	48,526
Current liabilities	15,364	23,786	68,628
Net current assets/(liabilities)	218,061	455,781	(20,102)
Total assets less current liabilities	361,010	860,861	94,850
Non current liabilities	9,514	301,730	75,629
Net assets	351,496	559,131	19,221

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the audited consolidated financial information of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2009:

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	8	106,538	70,132
Other income	10	8,066	8,896
Changes in inventories and clinical supplies consumed		(36,785)	(20,425)
Employee benefits expense		(78,785)	(61,090)
Depreciation expense		(15,989)	(13,307)
Loss on fair value changes on held-for-trading investments		(56,612)	(25,491)
Gain on disposal of subsidiaries	11	–	37,250
Finance costs	12	(10,053)	(20,149)
Impairment losses on goodwill	20	(553,972)	–
Share of results of a jointly controlled entity	22	(203,581)	235,642
Gain/(Loss) on early redemption of convertible bonds issued by the Company		57,293	(1,087)
Gain on fair value changes of convertible bonds issued by a listed subsidiary which were classified as financial liabilities designated as at fair value through profit or loss		253,828	–
Loss on fair value changes of conversion options embedded in convertible bonds held by the Group		(13,197)	–
Loss on fair value changes of early redemption options embedded in convertible bonds issued by the Company	33	(14,554)	(122,063)
Other operating expenses		(58,857)	(46,752)
(Loss)/Profit before tax		(616,660)	41,556
Income tax	13	2,220	494
(Loss)/Profit for the year	14	(614,440)	42,050
Attributable to:			
Equity holders of the Company	17	(637,879)	43,077
Minority interests		23,439	(1,027)
		(614,440)	42,050
Dividends		–	–
(Loss)/Earnings per share			(Restated)
– Basic (HK dollars per share)	18	(3.00)	0.54
			(Restated)
– Diluted (HK dollars per share)	18	(3.58)	0.54

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	19	119,164	118,239
Goodwill	20	–	22,121
Interest in a jointly controlled entity	22	–	233,510
Available-for-sale investments	23	23,785	31,210
		142,949	405,080
Current assets			
Inventories of clinical supplies, at cost		891	763
Trade and other receivables	24	34,625	14,239
Amount due from a related party	25	–	50,120
Amount due from a jointly controlled entity	26	–	33,706
Tax recoverable		–	510
Held-for-trading investments	27	35,437	200,981
Conversion options embedded in convertible bonds held by the Group	23	–	33,994
Early redemption options embedded in convertible bonds issued by the Company	33	–	14,554
Pledged bank deposits	28	10,000	12,000
Bank balances and cash	29	152,472	118,700
		233,425	479,567
Current liabilities			
Trade and other payables	30	15,364	13,546
Bank and other borrowings – due within one year	31	–	10,240
		15,364	23,786
Net current assets		218,061	455,781

	Notes	2009 HK$'000	2008 HK$'000
Total assets less current liabilities		361,010	860,861
Non-current liabilities			
Deferred tax	32	9,514	19,527
Convertible bonds	33	–	282,203
		9,514	301,730
Net assets		351,496	559,131
Capital and reserves			
Share capital	34	169,571	45,596
Reserves		158,370	513,054
Equity attributable to equity holders of the Company		327,941	558,650
Minority interests		23,555	481
Total equity		351,496	559,131

Balance Sheet
At 31 March 2009

	Notes	***2009*** *HK$'000*	**2008** *HK$'000*
Non-current assets			
Interests in subsidiaries	*21*	–	–
Current assets			
Amounts due from subsidiaries	*21*	315,976	602,265
Other receivables	*24*	808	435
Held-for-trading investments	*27*	26,277	4,074
Early redemption options embedded in convertible bonds issued by the Company	*33*	–	14,554
Bank balances and cash	*29*	92,158	90,569
		435,219	711,897
Current liabilities			
Amounts due to subsidiaries	*21*	88,190	12,387
Other payables	*30*	5,205	6,497
		93,395	18,884
Net current assets		341,824	693,013
Total assets less current liabilities		341,824	693,013
Non-current liabilities			
Deferred tax	*32*	–	9,142
Convertible bonds	*33*	–	282,203
		–	291,345
Net assets		341,824	401,668
Capital and reserves			
Share capital	*34*	169,571	45,596
Reserves	*37*	172,253	356,072
		341,824	401,668

Consolidated Statement Of Changes In Equity

For the Year ended 31 March 2009

	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 by way of placements	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

	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	Investment revaluation 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$'000*	*HK$'000*
At 1 April 2008	45,596	395,852	861	29,390	270	115,739	11,290	(2,132)	(38,216)	558,650	481	559,131
Share of investment revaluation reserve of a jointly controlled entity recognized directly in equity	–	–	–	–	–	–	–	2,132	–	2,132	–	2,132
(Loss)/Profit for the year	–	–	–	–	–	–	–	–	(637,879)	(637,879)	23,439	(614,440)
Total recognized income and expense for the year	–	–	–	–	–	–	–	2,132	(637,879)	(635,747)	23,439	(612,308)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(365)	(365)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	15,282	–	–	15,282	–	15,282
Early redemption of convertible bonds	–	–	–	–	–	(126,633)	–	–	835	(125,798)	–	(125,798)
Deferred tax	–	–	–	–	–	10,894	–	–	–	10,894	–	10,894
Issue of new shares by way of placements	26,000	2,600	–	–	–	–	–	–	–	28,600	–	28,600
Issue of new shares under a securities exchange offer	84,825	347,783	–	–	–	–	–	–	–	432,608	–	432,608
Transaction costs attributable to issue of new shares	–	(8,793)	–	–	–	–	–	–	–	(8,793)	–	(8,793)
Repurchase of shares	(4,300)	(11,020)	–	–	–	–	–	–	–	(15,320)	–	(15,320)
Issue of shares upon exercise of share options	17,450	64,649	–	–	–	–	(14,534)	–	–	67,565	–	67,565
At 31 March 2009	**169,571**	**791,071**	**861**	**29,390**	**270**	**-**	**12,038**	**-**	**(675,260)**	**327,941**	**23,555**	**351,496**

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating activities			
(Loss)/Profit for the year		(614,440)	42,050
Adjustments for:			
Income tax		(2,220)	(494)
Gain on disposal of subsidiaries		–	(37,250)
Loss on disposal of property, plant and equipment		1,581	–
Finance costs		10,053	20,149
Interest income		(3,200)	(7,401)
Depreciation		15,989	13,307
Total equity-settled share-based payments expenses		15,282	11,200
Impairment losses on goodwill		553,972	–
Share of results of a jointly controlled entity		203,581	(235,642)
(Gain)/Loss on early redemption of convertible bonds issued by the Company		(57,293)	1,087
Gain on fair value changes of convertible bonds issued by a listed subsidiary which were classified as financial liabilities designated as at fair value through profit or loss		(253,828)	–
Loss on fair value changes of conversion options embedded in convertible bonds held by the Group		13,197	–
Loss on fair value changes of early redemption options embedded in convertible bonds issued by the Company		14,554	122,063
Operating cash flows before movements in working capital		(102,772)	(70,931)
Inventories		(79)	(401)
Held-for-trading investments		288,139	(200,910)
Trade and other receivables		3,868	5,128
Trade and other payables		237	(3,055)
Cash generated by/(used in) operations		189,393	(270,169)
Hong Kong profits tax paid		(1,156)	(748)
Net cash generated by/(used in) operating activities		188,237	(270,917)

		2009	2008
		HK$'000	*HK$'000*
Investing activities			
Interest received		3,200	7,156
Dividends received from a jointly controlled entity		32,061	–
Purchase of available-for-sale investments		–	(23,785)
Purchase of property, plant and equipment		(16,011)	(38,770)
Proceeds from disposal of property, plant and equipment		–	55
Acquisition of additional interest in a subsidiary	*38*	(365)	(9,000)
Acquisition of subsidiaries	*38*	178,169	–
Disposal of subsidiaries	*39*	–	(87)
Advances to a related party		–	(75,000)
Repayment of amount due from a related party		50,120	25,000
Repayment of/(advance to) a jointly controlled entity		33,706	(75,000)
Decrease/(increase) in pledged bank deposits		2,000	(2,000)
Net cash generated by/(used in) investing activities		282,880	(191,431)
Financing activities			
Interest paid		(2,811)	(6,464)
Proceeds from issue of shares		96,165	148,200
Proceeds from issue of convertible bonds		–	750,000
Payments for share issue expenses		(8,793)	(10,587)
Payments for repurchase of shares		(15,320)	(3,679)
Payments for early redemption of convertible bonds		(496,622)	(294,000)
Repayment of borrowings		(10,240)	(20,710)
Net cash (used in)/generated by financing activities		(437,621)	562,760
Net increase in cash and cash equivalents		33,496	100,412
Cash and cash equivalents at the beginning of the financial year		118,700	18,288
Effect of foreign exchange rate changes		276	–
Cash and cash equivalents at the end of the financial year		152,472	118,700
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		152,472	118,700

Notes to the Financial Statements

For the year ended 31 March 2009

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 Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the establishment of health check centers in Hong Kong and the acquisition of established health check centers in Hong Kong for the provision of health check, advanced diagnostic imaging services, day care observation services and medical laboratory related services to the public.

During the year ended 31 March 2009, as a result of a securities exchange offer launched by the Group for the shares of Core Healthcare Investment Holdings Limited ("Core Healthcare") which was completed on 9 September 2008, the Group acquired control over Core Healthcare. Core Healthcare is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. Through its subsidiaries, Core Healthcare is principally engaged in the provision of diagnostic testing services and products and related research and development, advertising and public relationship services and investment holding.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised 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 (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.

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a subsidiary 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 subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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.

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.

Revenue from the provision of health check and related services is recognized when services are provided.

Revenue from the sales of products is recognized on the transfer of risks and rewards of ownership which generally coincide with the time when goods are delivered and title has passed.

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.

Property, plant and equipment

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

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

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

Leasing (the Group as lessee)

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

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

Foreign currencies

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

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.

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.

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.

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.

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).

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.

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.

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.

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.

Convertible bonds issued by the Company

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.

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

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 and consultants

Share options granted in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received 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.

Impairment loss on receivables

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability 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 2009, the Group did not hold any conversion options and early redemption options embedded in convertible bonds as all the underlying convertible bonds have been fully redeemed during the year ended 31 March 2009. 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.

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.

At 31 March 2009, the capital structure of the Group consisted of debt, 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:

	2009	**2008**
	HK$'000	*HK$'000*
Debt [(i)]	–	292,443
Cash and cash equivalents	(152,472)	(118,700)
Net debt	(152,472)	173,743
Equity [(ii)]	351,496	559,131
Net debt-to-equity ratio	N/A	31%

(i) Debt comprised 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	**2009** *HK$'000*	**2008** *HK$'000*
Financial assets			
Loans and receivables:			
– Trade and other receivables	*24*	34,625	14,239
– Amount due from a related party	*25*	–	50,120
– Amount due from a jointly controlled entity	*26*	–	33,706
– Pledged bank deposits	*28*	10,000	12,000
– Bank balances and cash	*29*	152,472	118,700
Available-for-sale financial assets:			
– Available-for-sale investments	*23*	23,785	31,210
Fair value through profit or loss:			
– Held-for-trading investments	*27*	35,437	200,981
– Conversion options embedded in convertible bonds held by the Group classified as held-for-trading	*23*	–	33,994
– Early redemption options embedded in convertible bonds issued by the Company classified as held-for-trading	*33*	–	14,554
Financial liabilities			
Amortized cost:			
– Trade and other payables	*30*	15,364	13,546
– Bank and other borrowings	*31*	–	10,240
– Convertible bonds	*33*	–	282,203

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 2009, 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 2009 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

At 31 March 2009, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank deposits. At 31 March 2008, the Group was exposed to cash flow interest rate risk in relation to variable-rate bank deposit, bank borrowings, and exposed to fair value interest rate risk in relation to the debt element of the CHI CB (included in available-for-sale investments). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate arising from the Group's variable-rate bank deposit.

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 loss for the year ended 31 March 2009 would decrease/increase by approximately HK$1,101,000 (2008: the Group's profit for the year ended 31 March 2008 would increase/decrease by approximately HK$1,022,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits (2008: its variable-rate bank deposits and bank borrowings).

(II) The sensitivity analyses below had been determined based on the exposure to interest rates for the debt element of the CHI CB at 31 March 2008. The analysis was prepared assuming the amounts outstanding at 31 March 2008 were outstanding for the whole year. A 50 basis point increase or decrease was 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 at 31 March 2008. This was mainly attributable to the Group's exposure to interest rates on its debt element of the CHI CB at 31 March 2008.

(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.

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 loss for the year ended 31 March 2009 would decrease/increase by approximately HK$1,772,000 (2008: the Group's profit for the year ended 31 March 2008 would increase/decrease by approximately HK$10,049,000) 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 was 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 statements as long as the convertible bonds were outstanding. The fair value adjustments would be affected either positively or negatively, amongst others, by the changes in share price volatility of the convertible bonds issuers.

In management's opinion, the sensitivity analyses had not been presented as such analyses were 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

At 31 March 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2008: 100%) of the total trade receivables as at 31 March 2009. 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.

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 2009					
Non-derivative financial liabilities					
Trade and other payables	15,364	–	–	15,364	15,364
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	5,315	46,458	308,975	360,748	282,203
	29,101	46,458	308,975	384,534	305,989

Fair value

The fair values 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 using the Binomial model or the Black-Scholes model and 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:

	2009	2008
	HK$'000	*HK$'000*
Provision of health check and related services	106,471	70,132
Sales of healthcare and pharmaceutical products	67	–
	106,538	70,132

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 health check and related services (including sales of healthcare and pharmaceutical products)		Trading of securities		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
Segment revenue	106,538	70,132	–	–	106,538	70,132
RESULTS						
Segment results	(593,459)	(40,538)	(57,248)	(26,599)	(650,707)	(67,137)
Unallocated income					3,924	7,401
Unallocated corporate expenses					(39,613)	(28,301)
Gain on disposal of subsidiaries					–	37,250
Finance costs					(10,053)	(20,149)
Share of results of a jointly controlled entity					(203,581)	235,642
Gain/(Loss) on early redemption of convertible bonds issued by the Company					57,293	(1,087)
Gain on fair value changes of convertible bonds issued by a listed subsidiary which were classified as financial liabilities designated as at fair value through profit or loss					253,828	–
Loss on fair value changes of conversion options embedded in convertible bonds held by the Group					(13,197)	–
Loss on fair value changes of early redemption options embedded in convertible bonds issued by the Company					(14,554)	(122,063)
(Loss)/Profit before tax					(616,660)	41,556
Income tax					2,220	494
(Loss)/Profit for the year					(614,440)	42,050

	Provision of health check and related services (including sales of healthcare and pharmaceutical products)		Trading of securities		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET ASSETS						
Segment assets	135,429	130,496	35,437	200,981	170,866	331,477
Interest in a jointly controlled entity					–	233,510
Unallocated corporate assets					205,508	319,660
Consolidated total assets					376,374	884,647
LIABILITIES						
Segment liabilities	8,481	6,656	–	–	8,481	6,656
Unallocated corporate liabilities					16,397	318,860
Consolidated total liabilities					24,878	325,516
OTHER INFORMATION						
Capital addition (excluding goodwill)	18,495	38,770	–	–	18,495	38,770
Addition of goodwill	531,851	–	–	–	531,851	–
Impairment losses on goodwill	553,972	–	–	–	553,972	–
Depreciation of property, plant and equipment	15,989	13,307	–	–	15,989	13,307
Equity-settled share-based payments expenses	15,282	11,200	–	–	15,282	11,200

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

	2009	**2008**
	HK$'000	*HK$'000*
Interest income on:		
Debt securities classified as available-for-sale investments	50	–
Bank deposits	2,442	7,156
Amount due from a related party	83	120
Amount due from a jointly controlled entity	625	125
Total interest income	3,200	7,401
Dividend income from listed investments classified as held-for-trading	670	–
Income from provision of advertising and public relationship services	1,238	–
Sundry income	2,958	1,495
	8,066	8,896

11. GAIN ON DISPOSAL OF SUBSIDIARIES

The amount represented 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, during the year ended 31 March 2008. The subsidiaries disposed did not contribute significantly to the Group's operating results and cash flows for the year ended 31 March 2008.

12. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings wholly repayable within five years	58	1,070
– Bank overdrafts	64	81
– Convertible bonds issued by the Company	9,931	18,998
	10,053	20,149

13. INCOME TAX

	2009	**2008**
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong profits tax	–	–
– Under/(Over) provision of current tax in prior years	125	(3)
	125	(3)
Deferred tax *(Note 32)*:		
– Current year	(1,230)	(491)
– Attributable to a change in tax rate	(1,115)	–
	(2,345)	(491)
Tax credit for the year	(2,220)	(494)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

No People's Republic of China (the "PRC") income tax has been provided in respect of the Group's PRC subsidiary since it incurred tax losses for the year (2008: Nil).

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/Profit before tax	(616,660)	41,556
Tax at the Hong Kong profits tax rate of 16.5% (2008: 17.5%)	(101,749)	7,272
Tax effect of expenses not deductible for tax purpose	153,001	25,108
Tax effect of income not taxable for tax purpose	(56,650)	(43,857)
Under/(Over) provision of current tax in prior years	125	(3)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	(1,115)	–
Tax effect of tax losses not recognized	4,168	10,986
Tax credit for the year	(2,220)	(494)

14. (LOSS)/PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
(Loss)/Profit for the year has been arrived at after charging:		
Staff costs:		
– Directors' emoluments *(Note 15)*	4,567	4,373
– Other staff costs	57,893	44,727
– Other staff retirement benefits scheme contributions	1,384	1,221
– Equity-settled share-based payments expenses	14,941	10,769
	78,785	61,090
Auditors' remuneration	680	720
Cost of inventories recognized as an expense	36,785	20,425
Depreciation of property, plant and equipment	15,989	13,307
Loss on disposal of property, plant and equipment	1,581	–
Operating lease rentals in respect of land and buildings	14,828	10,137
Total equity-settled share-based payments expenses	15,282	11,200

15. DIRECTORS' EMOLUMENTS

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

	Fees	Salaries and other benefits	Performance bonus	Contributions to retirement benefits scheme	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2009					
Executive directors					
Dr. Fung Yiu Tong, Bennet	–	240	–	12	252
Mr. Lee Chik Yuet	–	2,240	–	12	2,252
Mr. Cho Kwai Yee, Kevin	–	360	–	12	372
Dr. Cho Kwai Chee	–	300	–	–	300
Miss Choi Ka Yee, Crystal	–	600	–	–	600
Mr. Siu Kam Chau	–	248	–	12	260
Dr. Hui Ka Wah, Ronnie, JP	200	220	–	3	423
Independent non-executive directors					
Mr. Chan Chi Yuen	60	–	–	–	60
Mr. Lo Chun Nga	24	–	–	–	24
Mr. Chik Chi Man	24	–	–	–	24
Total	308	4,208	–	51	4,567
For the year ended 31 March 2008					
Executive directors					
Dr. Fung Yiu Tong, Bennet	–	1,470	–	12	1,482
Mr. Lee Chik Yuet	–	1,500	–	12	1,512
Mr. Cho Kwai Yee, Kevin	–	360	–	12	372
Dr. Cho Kwai Chee (Appointed on 9 July 2007)	–	–	–	–	–
Miss Choi Ka Yee, Crystal	–	560	–	–	560
Mr. Siu Kam Chau	–	240	–	12	252
Dr. Hui Ka Wah, Ronnie, JP (Appointed on 9 July 2007)	–	87	–	–	87
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

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2008: two) were directors of the Company whose emoluments are included in the disclosures in Note 15 above. The emoluments of the remaining four (2008: three) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	10,079	6,479
Performance bonus	–	86
Contributions to retirement benefits scheme	48	36
	10,127	6,601

Their emoluments fell within the following bands:

	Number of individuals	
	2009	2008
	HK$'000	*HK$'000*
Nil – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	1	3
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	2	–
	4	3

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

The (loss)/profit attributable to equity holders of the Company includes a loss of approximately HK$464,882,000 (2008: HK$176,614,000) which has been dealt with in the financial statements of the Company.

18. (LOSS)/EARNINGS PER SHARE

For the year ended 31 March 2009

Loss	*HK$'000*
Loss for the year attributable to ordinary equity holders of the Company and for the purpose of basic loss per share	(637,879)
Effect of dilutive potential ordinary shares:	
– Interest expenses on convertible bonds issued by the Company	9,931
– Gain on early redemption of convertible bonds issued by the Company	(57,293)
– Loss on fair value changes of early redemption options embedded in convertible bonds issued by the Company	14,554
– Deferred tax effect	(952)
Adjustment to the share of post-acquisition results of a listed subsidiary based on dilution of its earnings per share assuming conversion of the CHI CB	(161,978)
Loss for the purpose of diluted loss per share	(833,617)

Number of shares	**Number of shares** *'000*
Weighted average number of ordinary shares for the purpose of basic loss per share (as adjusted for the share consolidation which became effective on 6 April 2009 *(Note 47)*)	212,607
Effect of dilutive potential ordinary shares:	
– Share options issued by the Company	–
– Convertible bonds issued by the Company	20,376
Weighted average number of ordinary shares for the purpose of diluted loss per share (as adjusted for the share consolidation which became effective on 6 April 2009 *(Note 47)*)	232,983
Basic loss per share	(HK$3.00)
Diluted loss per share	(HK$3.58)

For the year ended 31 March 2009, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

For the year ended 31 March 2008

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company for the year ended 31 March 2008 was based on the profit for the year attributable to equity holders of the Company of approximately HK$43,077,000 and on the weighted average number of ordinary shares of approximately 80,421,000 as retrospectively adjusted for the share consolidation which became effective on 6 April 2009 (Note 47).

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.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant, machinery and equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 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
Acquisition of subsidiaries	1,309	991	184	–	–	2,484
Additions	4,900	9,275	1,060	212	564	16,011
Disposals	(1,432)	(1,139)	(182)	(8)	–	(2,761)
At 31 March 2009	33,414	108,840	6,619	1,332	564	150,769
DEPRECIATION AND IMPAIRMENT						
At 1 April 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
Provided for the year	3,410	11,725	672	130	52	15,989
Eliminated on disposals	(378)	(791)	(3)	(8)	–	(1,180)
At 31 March 2009	5,814	24,321	1,204	214	52	31,605
CARRYING AMOUNTS						
At 31 March 2009	27,600	84,519	5,415	1,118	512	119,164
At 31 March 2008	25,855	86,326	5,022	1,036	–	118,239

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

Leasehold improvements	:	10% to 20%
Plant, machinery and equipment	:	10% to 20%
Office equipment	:	10% to 40%
Furniture and fixtures	:	10% to 40%
Motor vehicles	:	20%

20. GOODWILL

	HK$'000
COST	
At 1 April 2007 and 31 March 2008	22,121
Additions arising from:	
– Acquisition of Core Healthcare *(Note 38(a))*	528,800
– Acquisition of Hong Kong Health Management Limited *(Note 38(b))*	51
– Acquisition of China Natural Pharmaceutical Holdings Company Limited *(Note 38(c))*	3,000
	531,851
At 31 March 2009	553,972
IMPAIRMENT	
At 1 April 2007 and 31 March 2008	–
Impairment loss recognized in respect of:	
– Polyray Technology Limited and Polylight Technology Limited	22,121
– Core Healthcare	528,800
– Hong Kong Health Management Limited	51
– China Natural Pharmaceutical Holdings Company Limited	3,000
	553,972
At 31 March 2009	553,972
CARRYING AMOUNTS	
At 31 March 2009	–
At 31 March 2008	22,121

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that goodwill arising from a number of acquisitions undertaken in the current year and a prior year was fully impaired. The recoverable amount of the operations was assessed by reference to value in use. A discount rate of 17% per annum was applied in the value in use model.

Impairment testing on goodwill

As explained in Note 9, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the cash-generating unit ("CGU") representing the business segment which is principally engaged in the provision of health check and related services. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17% per annum. Another key assumption for the value-in-use calculation is the budgeted gross margins, which are determined based on the CGU's past performance and management's expectations for the market development.

21. INTERESTS IN SUBSIDIARIES

Company	**2009** *HK$'000*	**2008** *HK$'000*
Unlisted shares at cost, net of provision for impairment losses	–	–

Particulars of the Company's principal subsidiaries at 31 March 2009 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 health check and related 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 health check and related services	–	100%
Polylight Technology Limited	Hong Kong	Ordinary shares HK$3,200,000	Provision of health check and related services	–	100%
Classictime Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	–	100%
Nicefit Limited	British Virgin Islands	Ordinary share US$1	Securities trading	100%	–
International Health Decoding Group Limited	Hong Kong	Ordinary shares HK$915	Provision of health check and related services	–	100% (2008: 81.96%)
Hong Kong Health Check and Laboratory Group Limited (formerly known as Charm Advance Limited)	British Virgin Islands	Ordinary share US$1	Investment holding	100%	–

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 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%
Town Health Medical Technology (China) Company Limited	British Virgin Islands	Ordinary shares US$1,000	Not yet commenced business	–	100%
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%
China Health Check and Laboratory Holdings Company Limited	Hong Kong	Ordinary share HK$1	Not yet commenced business	–	100%

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
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 (i))*	PRC	Registered capital RMB 50 million (of which RMB 15 million had been paid up at 31 March 2009)	Not yet commenced business	–	100%
Fair Jade Group Limited	British Virgin Islands	Ordinary share HK$1	Investment holding	–	100%
Core Healthcare Investment Holdings Limited *(Note (ii))*	Cayman Islands	Ordinary shares HK$7,381,745	Investment holding	–	60.12%
China Universal Limited *(Note (ii))*	Hong Kong	Ordinary share HK$1	Investment in listed securities	–	60.12%
Core Healthcare Products Limited *(Note (ii))*	Hong Kong	Ordinary shares HK$2	Sales of health food and pharmaceutical products	–	60.12%
Core Medical Technology Limited *(Note (ii))*	Hong Kong	Ordinary shares HK$12,000,000	Provision of diagnostic testing services and products and related research and development	–	60.12%
Hong Kong Hepatitis Diagnostic Centre Limited *(Note (ii))*	Hong Kong	Ordinary shares HK$100	Provision of diagnostic testing services relating to certain liver diseases	–	60.12%
Chemosino International Limited *(Note (ii))*	British Virgin Islands	Ordinary share US$1	Investment holding	–	60.12%
Hong Kong Health Management Limited *(Note (ii))*	Hong Kong	Ordinary share HK$1	Provision of diagnostic testing services and related marketing promotion services	–	60.12%

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
Next Dimension Advertising Limited *(Note (ii))*	Hong Kong	Ordinary shares HK$100	Provision of advertising and public relationship services	–	60.12%
Hong Kong Genius Obstetrics Service Consultancy Company Limited *(Note (ii))*	Hong Kong	Ordinary share HK$1	Provision of consultancy services	–	60.12%
Fairy Empire Investment Limited *(Note (ii))*	British Virgin Islands	Ordinary share US$1	Investment holding	–	60.12%
China Natural Pharmaceutical Holdings Company Limtied *(Note (ii))*	Cayman Islands	Ordinary share US$1	Investment holding	–	60.12%

Notes:

(i) 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.

(ii) The ordinary shares of Core Healthcare are listed on GEM. The financial year-end of Core Healthcare and its subsidiaries is 30 June.

Amounts due to and due from 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.

A provision for impairment against the amounts due from subsidiaries of approximately HK$120,000,000 (2008: Nil) was recognized at 31 March 2009 as the recoverable amounts of the amounts due from subsidiaries with reference to the net asset value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due from subsidiaries were reduced to their recoverable amounts.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 *HK$'000*	**2008** *HK$'000*
Cost of unlisted investment in a jointly controlled entity	–	–
Share of post acquisition profits, net of dividends received	–	235,642
Share of post acquisition reserves	–	(2,132)
	–	233,510

As at 31 March 2009, 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

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:

	2009	2008
	HK$'000	*HK$'000*
Debt element of the CHI CB *(Notes (i) and (ii))*	–	77,638
Conversion option element of the CHI CB *(Notes (i) and (ii))*	–	456,793
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 *(Note (iii))*	18,990	471,533
Expenses *(Note (iv))*	(426,151)	(250)
(Loss)/Profit for the year	(407,161)	471,283
Group's share of result of the jointly controlled entity for the year	(203,581)	235,642

Notes:

(i) During the year ended 31 March 2008, the Group and Spring Biotech Limited (a wholly-owned subsidiary of Town Health International Holdings Company Limited ("Town Health")) formed the above jointly controlled entity to subscribe for the unlisted convertible bonds issued by Core Healthcare ("CHI CB") with an aggregate principal amount of HK$150,000,000. On 28 March 2008, the jointly controlled entity transferred to each of the Group and Spring Biotech Limited the CHI CB with principal amount of HK$10,000,000. At 31 March 2008, the jointly controlled entity held the CHI CB with an aggregate principal amount of HK$130,000,000, of which the debt element and the conversion option element were separately accounted for. The methods and assumptions applied for the valuation of the CHI CB are set out in Note 23.

(ii) On 30 March 2009, all outstanding CHI CB were early redeemed by Core Healthcare at a redemption amount equal to 100% of the principal amount of the CHI CB.

(iii) Included in the income of the jointly controlled entity for the period ended 31 March 2008 was a gain of approximately HK$469,564,000 representing the gain on fair value changes of the conversion option embedded in the CHI CB between the date of subscription and 31 March 2008.

(iv) Included in the expenses of the jointly controlled entity for the period ended 31 March 2009 were a loss of approximately HK$33,007,000 representing the loss on redemption of the debt element of the CHI CB and a loss of approximately HK$393,139,000 representing the loss on fair value changes of the conversion option embedded in the CHI CB between 1 April 2008 and 30 March 2009, being the date of redemption of the CHI CB by Core Healthcare.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2009	**2008**
	HK$'000	*HK$'000*
Unlisted equity securities *(Note (a))*	23,785	23,785
Unlisted convertible debt securities *(Note (b))*	–	7,425
	23,785	31,210

Notes:

(a) The unlisted equity securities represent the Group's investment in approximately 48.87% equity interest in Group Benefit Development Limited ("Group Benefit"), 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. The Group does not have representation on the board of directors and does not participate in the policy-making processes of Group Benefit.

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 the CHI CB with a principal amount of HK$10,000,000 from the Group's jointly controlled entity on 28 March 2008 at a consideration of approximately HK$41,419,000. The consideration was settled by the amount due from a jointly controlled entity. The CHI CB carried interest at 1% per annum payable annually in arrears, with a maturity date of 30 January 2012. The CHI CB were, 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.

As the economic characteristics and risks of the embedded conversion option were not closely related to those of the host debt contract, the embedded conversion option was separately accounted for as derivatives and measured at fair value. The Group had classified the debt element of the CHI CB held by the Group as available-for-sale investment. The fair values of the debt element and the conversion option element of the CHI CB were determined by the directors of the Company with reference to the valuation performed by GCAL. Changes in fair values of the debt element and the conversion option element of the CHI CB were reflected in equity and in the consolidated income statement, respectively. Income was recognized on an effective interest basis for the debt element and was included in other income on the consolidated income statement.

The fair values of the debt element and the conversion option element of the CHI CB held by the Group as at 31 March 2008 amounted to approximately HK$7,425,000 and HK$33,994,000, respectively.

The methods and assumptions applied for the valuation of the CHI CB were as follows:

(1) Valuation of debt element

The fair value of the 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.

During the year ended 31 March 2009, as a result of a securities exchange offer launched by the Group for the shares of Core Healthcare which was completed on 9 September 2008, the Group acquired control over Core Healthcare. Accordingly, the financial information of Core Healthcare has been included in the consolidated financial information of the Group from the effective date of acquisition, and the CHI CB held by the Group were eliminated on consolidation of the assets and liabilities of Core Healthcare. Subsequently, on 30 March 2009, all outstanding CHI CB were early redeemed by Core Healthcare at a redemption amount equal to 100% of the principal amount of the CHI CB.

24. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	8,504	5,660	–	–
Other receivables	26,121	8,579	808	435
Total trade and other receivables	34,625	14,239	808	435

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**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-60 days	6,205	3,364	–	–
61-90 days	752	817	–	–
Over 90 days	1,547	1,479	–	–
	8,504	5,660	–	–

(ii) Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$1,547,000 (2008: HK$1,479,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 132 days (2008: 117 days). These receivables relate to a wide range of customers for whom there is no recent history of default.

(iii) The Group's trade and other receivables at 31 March 2009 included an amount of HK$1,312,000 (2008: HK$383,600) that is denominated in Renminbi.

25. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party, Spring Biotech Limited, was unsecured, interest bearing at 1% per annum and 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. The amount was fully settled during the year ended 31 March 2009.

26. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amounts due was unsecured, bearing interest at rates as determined by the shareholders and repayable on demand. The amount was fully settled during the year ended 31 March 2009.

27. HELD-FOR-TRADING INVESTMENTS

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FAIR VALUE				
Unlisted investment funds	7,040	196,907	–	–
Listed equity securities in Hong Kong	28,397	4,074	26,277	4,074
	35,437	200,981	26,277	4,074

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

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 1% (2008: 2.42%) 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 0.1% to 2.42% (2008: 0.9% to 1.4%) per annum and have original maturity of three months or less.

Bank balances and cash of the Group include an amount of approximately HK$11,795,000 (2008: HK$16,407,000) that is 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	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,335	1,717	–	–
Other payables	12,029	11,829	5,205	6,497
	15,364	13,546	5,205	6,497

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-60 days	3,191	1,429	–	–
61-90 days	8	22	–	–
Over 90 days	136	266	–	–
	3,335	1,717	–	–

31. BANK AND OTHER BORROWINGS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank revolving loans *(Note (i))*	–	10,000	–	–
Other loan *(Note (ii))*	–	240	–	–
	–	10,240	–	–
Carrying amount repayable:				
On demand or within one year	–	10,240	–	–

Notes:

(i) At 31 March 2008, the bank revolving loans were secured and denominated in Hong Kong dollars. The effective interest rates (which were also equal to contracted interest rates) ranged from 5.01% to 6.17% per annum. The bank revolving loans were fully settled during the year ended 31 March 2009.

(ii) At 31 March 2008, the other loan was unsecured, interest-free and repayable on demand. The other loan was fully settled during the year ended 31 March 2009.

32. DEFERRED TAX

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

Deferred tax liabilities

Group	Accelerated tax depreciation	Convertible bonds	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 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
Credit to the consolidated income statement for the year	(295)	(952)	(1,247)
Eliminated on redemption	–	(7,668)	(7,668)
Effect of change in tax rate	(658)	(522)	(1,180)
At 31 March 2009	10,568	–	10,568

Deferred tax assets

Group	Tax losses
	HK$'000
At 1 April 2007	–
Credit to the consolidated income statement for the year	1,136
At 31 March 2008	1,136
Charge to the consolidated income statement for the year	(17)
Effect of change in tax rate	(65)
At 31 March 2009	1,054

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:

Group

	2009	**2008**
	HK$'000	*HK$'000*
Deferred tax assets	1,054	1,136
Deferred tax liabilities	(10,568)	(20,663)
At 31 March 2009	(9,514)	(19,527)

At 31 March 2009, the Group has unused tax losses of approximately HK$303,114,000 (2008: HK$201,980,000) 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 followings 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 2007	–
Credit of 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
Credit to the consolidated income statement for the year	(952)
Eliminated on redemption	(7,668)
Attributable to a change in tax rate	(522)
At 31 March 2009	–

At 31 March 2009, the Company has unused tax losses of approximately HK$77,069,000 (2008: HK$72,654,000) 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 bonds issued by the 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. 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.

On 13 October 2008, the Convertible Bonds I with aggregate principal amount of HK$40,000,000 were early redeemed by the Company at a consideration of HK$40,000,000.

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.

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. 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.

On 3 June 2008, the Convertible Bonds II with aggregate principal amount of HK$80,000,000 were early redeemed by the Company at a consideration of HK$84,000,000. On 29 September 2008, the Convertible Bonds II with aggregate principal amount of HK$220,000,000 were early redeemed by the Company at a consideration of HK$231,000,000.

The convertible bonds issued by the Company 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 was subsequently carried at amortized cost while the derivative component was carried at fair value to be remeasured at each balance sheet date. The equity component was presented in equity heading "convertible bonds equity reserve". The effective interest rates of the liability component ranged 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 *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 April 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
Early redemption by the Company	(289,445)	–	(289,445)
Interest charged during the year	9,931	–	9,931
Interest payable during the year	(2,689)	–	(2,689)
Changes in fair value through profit or loss	–	14,554	14,554
At 31 March 2009	–	–	–

During the year ended 31 March 2009, all convertible bonds issued by the Company were early redeemed.

The fair value of the liability component of the convertible bonds at 31 March 2008 was approximately HK$293,764,000.

Group

CHI CB

On 31 January 2008, Core Healthcare issued the CHI CB with an aggregate principal amount of HK$150,000,000. The CHI CB carried interest at 1% per annum payable annually in arrears, with a maturity date of 30 January 2012. The CHI CB were, 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. Core Healthcare classified the CHI CB as financial liabilities designated as at fair value through profit or loss upon initial recognition.

During the year ended 31 March 2009, as a result of a securities exchange offer launched by the Group for the shares of Core Healthcare which was completed on 9 September 2008, the Group acquired control over Core Healthcare. Accordingly, the financial information of Core Healthcare has been included in the consolidated financial information of the Group from the effective date of acquisition. Further details relating to the aforesaid acquisition are set out in Note 38.

At the date of acquisition of Core Healthcare by the Group, the outstanding CHI CB with an aggregate principal amount of HK$150,000,000 were held as to HK$10,000,000 by Spring Biotech Limited (a wholly-owned subsidiary of Town Health), as to HK$10,000,000 by the Group and as to the remaining HK$130,000,000 by the Group's jointly controlled entity. The CHI CB held by the Group were eliminated on consolidation of the assets and liabilities of Core Healthcare. On 30 March 2009, all outstanding CHI CB with an aggregate principal amount of HK$150,000,000 were early redeemed by Core Healthcare at a redemption amount equal to 100% of the principal amount of the CHI CB.

The movements in the fair values of the CHI CB during the period from 9 September 2008 (being the date of acquisition of Core Healthcare by the Group) to 31 March 2009 are as follows:

	HK$'000
Acquisition of Core Healthcare	423,672
Eliminated on consolidation	(28,222)
Changes in fair value through profit or loss	(253,828)
Early redemption by Core Healthcare	(141,622)
At 31 March 2009	–

The fair value of the CHI CB at the date of acquisition of Core Healthcare by the Group was based on a valuation performed by an independent firm of professional valuers.

34. SHARE CAPITAL

Authorized: **Ordinary shares of HK$0.01 each**	**Number of shares**	**Total value** *HK$'000*
At 1 April 2007, 31 March 2008 and 31 March 2009	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 2007	2,629,771,468	26,298
Issue of shares upon conversion of convertible bonds *(Notes (a), (b) and (c))*	1,167,804,878	11,678
Issue of shares by way of placements *(Notes (d) and (e))*	780,000,000	7,800
Repurchase of shares *(Note (f))*	(17,960,000)	(180)
At 31 March 2008	4,559,616,346	45,596
Issue of shares upon exercise of share options *(Notes (g) and (h))*	1,745,000,000	17,450
Issue of shares under a securities exchange offer *(Note (i))*	8,482,507,980	84,825
Issue of shares by way of placements *(Notes (j))*	2,600,000,000	26,000
Repurchase of shares *(Note (k))*	(430,000,000)	(4,300)
At 31 March 2009	16,957,124,326	169,571

Notes:

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

(a) On 9 July 2007, convertible bonds with aggregate principal amount of HK$20,000,000 were converted into ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.041 per share.

(b) On 8 August 2007, convertible bonds with aggregate principal amount of HK$110,000,000 were converted into ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.25 per share.

(c) On 17 September 2007, convertible bonds with aggregate principal amount of HK$60,000,000 were converted into ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.25 per share.

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

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

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

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share: Highest price paid *(HK$)*	Price per share: Lowest price paid *(HK$)*	Aggregate consideration paid *(HK$'000)*
August 2007	4,440,000	0.305	0.305	1,354
October 2007	6,500,000	0.193	0.188	1,234
November 2007	2,000,000	0.204	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.

The movements of the ordinary share capital for the year ended 31 March 2009 were as follows:

(g) In April and May 2008, 440,000,000 share options were exercised, resulting in the issue of 440,000,000 ordinary shares of HK$0.01 each in the capital of the Company at the exercise price of HK$0.115 per share.

(h) In January 2009, 1,305,000,000 share options were exercised, resulting in the issue of 1,305,000,000 ordinary shares of HK$0.01 each in the capital of the Company at the exercise price of HK$0.013 per share.

(i) On 9 September 2008, the Company issued 8,482,507,980 ordinary shares of HK$0.01 each in the capital of the Company at the closing market price of HK$0.051 per share under a securities exchange offer launched by the Group for the shares of Core Healthcare.

(j) On 12 December 2008, the Company placed, through the placing agent, 2,600,000,000 ordinary shares of HK$0.01 each in the capital of the Company to independent investors at a price of HK$0.011 per share.

(k) During the year ended 31 March 2009, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest price paid *(HK$)*	Price per share Lowest price paid *(HK$)*	Aggregate consideration paid *(HK$'000)*
September 2008	110,000,000	0.053	0.045	5,590
October 2008	320,000,000	0.039	0.024	9,730
	430,000,000			15,320

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

35. SHARE OPTION SCHEME

Share option scheme of the Company

The Company's share option scheme (the "HKHC 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 HKHC 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 HKHC 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 HKHC 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 HKHC Share Option Scheme provided that options lapsed in accordance with the terms of the HKHC 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 HKHC 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 HKHC 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 HKHC Share Option Scheme.

The subscription price for shares under the HKHC Share Option Scheme shall be a price determined by the board of directors of the Company (the "HKHC 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 HKHC Board approves 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.

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	Exercise price *HK$*	Outstanding at 1 April 2007	Issued during the year ended 31 March 2008	Outstanding at 31 March 2008	Issued during the year ended 31 March 2009	Exercised during the year ended 31 March 2009	Outstanding at 31 March 2009
Employees and consultants							
9 October 2007	0.198	–	284,900,000	284,900,000	–	–	284,900,000
18 April 2008	0.115	–	–	–	455,000,000	(440,000,000)	15,000,000
5 January 2009	0.013	–	–	–	1,305,000,000	(1,305,000,000)	–
Total		–	284,900,000	284,900,000	1,760,000,000	(1,745,000,000)	299,900,000

The 1,745,000,000 share options exercised during the year ended 31 March 2009 resulted in the issue of 1,745,000,000 ordinary shares of the Company and new share capital of HK$17,450,000 and share premium of approximately HK$64,649,000. The related weighted average share price at the time of exercise was HK$0.04 per share.

At 31 March 2009, the Company had 299,900,000 (2008: 284,900,000) share options outstanding for the share options granted under the HKHC Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 299,900,000 (2008: 284,900,000) additional shares of HK$0.01 each in the capital of the Company and additional share capital of HK$2,999,000 (2008: HK$2,849,000) and share premium of HK$55,136,200 (2008: HK$53,561,200).

Share option scheme of Core Healthcare

A share option scheme was adopted by Core Healthcare on 20 April 2004 (the "CHI Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of operations of Core Healthcare and its subsidiaries (the "CHI Group").

The board of directors of Core Healthcare (the "CHI Board") may, at its discretion, invite any employees, directors, advisors, consultants, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers of and/or to any member of the CHI Group whom the CHI Board considers in its sole discretion, to have contributed to the CHI Group from time to time (together, the "Participants") to take up options to subscribe for shares of Core Healthcare.

Options granted should be accepted within 14 days from the date of grant. Upon acceptance of the options, the eligible person shall pay HK$1 to Core Healthcare by way of consideration for the grant. The options may be exercised in accordance with the terms of the CHI Share Option Scheme at any time during the option period after the options have been granted by the CHI Board. An option period is a period to be determined by the CHI Board in its absolute discretion and notified by the CHI Board to each eligible person as being the period during which any options may be exercised, such period to expire not later than 10 years after the date of grant of the options.

The subscription price will be determined by the CHI Board at its absolute discretion and shall be no less than the highest of: (a) the closing price of the shares of Core Healthcare as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant which must be a business day; and (b) the average closing price of the shares of Core Healthcare as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of Core Healthcare.

The total number of shares which may be issued upon exercise of all outstanding options granted or to be granted under the CHI Share Option Scheme is 10% of the issued share capital of Core Healthcare as at the listing date of Core Healthcare on GEM (the "CHI Scheme Mandate Limit"). Core Healthcare may renew the CHI Scheme Mandate Limit at any time subject to prior approval by the shareholders of Core Healthcare.

No Participants shall be granted an option which, if exercised in full, would result in such Participants becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued under all the options previously granted to him or her which have been exercised, and, issuable under all the outstanding options previously granted to him or her which are for the time being subsisting and unexercised, would exceed 1% of the total number of shares in issue in any 12-month period up to the date of grant of the options.

Share options granted to a director, chief executive or substantial shareholder of Core Healthcare, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Core Healthcare. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Core Healthcare, or to any of their associates, in excess of 0.1% of the shares of Core Healthcare in issue at any time or with an aggregate value (based on the price of Core Healthcare's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of Core Healthcare.

Unless early terminated in accordance with the terms therein, the CHI Share Option Scheme will remain valid and effective for a period of 10 years commencing on 18 June 2004.

Share options do not confer rights on the holder to dividends or to vote at the shareholders' meeting of Core Healthcare.

There were no outstanding share options granted under the CHI Share Option Scheme during the period from 9 September 2008 (being the date of acquisition of Core Healthcare by the Group) to 31 March 2009.

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.

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 2009, the Group recognized equity-settled share-based payment expense of approximately HK$341,000 (2008: HK$431,000) in respect of the Agent Option.

Share Options

Details of the HKHC Share Option Scheme and the CHI Share Option Scheme are disclosed in Note 35.

The total fair value of the share options granted under the HKHC Share Option Scheme on 9 October 2007 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 into the model included grant date share price of HK$0.19, exercise price of HK$0.198 per share, expected volatilities of 66.75%, expected option life of 10 years, no expected dividend and estimated risk-free interest rate of 4.283%.

The fair value of 455,000,000 share options granted under the HKHC Share Option Scheme on 18 April 2008 was determined by the directors to be approximately HK$12,331,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.115, exercise price of HK$0.115 per share, expected volatility of 134.58%, expected option life of 10 years, no expected dividend and estimated risk-free interest rate of 2.626%.

The fair value of 1,305,000,000 share options granted under the HKHC Share Option Scheme on 5 January 2009 was determined by the directors to be approximately HK$2,610,000 with reference to a valuation performed by an independent firm of professional valuers using a binomial model. The inputs into the model included grant date share price of HK$0.013, exercise price of HK$0.013 per share, expected volatility of 86.89%, expected option life of 1 year, no expected dividend and estimated risk-free interest rate of 0.37%.

The expected volatilities 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 2009, the Group recognized equity-settled share-based payment expense of approximately HK$ 14,941,000 (2008: HK$10,769,000) in respect of the HKHC Share Option Scheme.

Share options granted to the Chinese University under the Right of First Refusal Agreement

Under an agreement entered into between the Chinese University and Core Healthcare on 8 August 2002 relating to the grant of a right of first refusal to Core Healthcare by the Chinese University in respect of certain technology and inventions, as amended and supplemented by agreements dated 31 October 2003 and 16 April 2004 (the "Right of First Refusal Agreement"), Core Healthcare will be offered a right of first refusal for the grant by the Chinese University of a royalty-bearing exclusive license to use and commercially develop certain technologies and inventions and other noninvasive diagnostic technologies for detecting cancer and foetal diseases developed by Professor Lo Yuk Ming, Dennis in the future.

In return, Core Healthcare agreed to grant to the Chinese University or such person as the Chinese University may direct (including trustees of any funds) options to subscribe for shares of Core Healthcare or to pay cash up to a maximum amount of HK$4,600,000 over the period of the term of such agreement of four years commencing from 18 June 2004. Such grant of options will be granted to the Chinese University at intervals of twelve months. Such options are not intended to be granted under the CHI Share Option Scheme.

The following table discloses the details of the share options granted by Core Healthcare to the Chinese University under the Right of First Refusal Agreement and the movements in such holdings between 9 September 2008 (being the date of acquisition of Core Healthcare by the Group) and 31 March 2009:

			Number of share options			
Grant date	Exercisable period	Exercise price *HK$*	Outstanding at 9 September 2008	Issued during the period	Exercised during the period	Outstanding at 31 March 2009
27 June 2008	27 December 2008 to 26 June 2013	0.1220	10,655,738	–	–	10,655,738

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 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 by way of placements	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

	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 2008	395,852	861	29,390	115,739	11,290	(197,060)	356,072
Recognition of equity-settled share-based payments	–	–	–	–	15,282	–	15,282
Issue of shares upon exercise of share options	64,649	–	–	–	(14,534)	–	50,115
Early redemption of convertible bonds	–	–	–	(126,633)	–	835	(125,798)
Deferred tax	–	–	–	10,894	–	–	10,894
Issue of new shares by way of placements	2,600	–	–	–	–	–	2,600
Issue of new shares under a securities exchange offer	347,783	–	–	–	–	–	347,783
Transaction costs attributable to issue of new shares	(8,793)	–	–	–	–	–	(8,793)
Repurchase of shares	(11,020)	–	–	–	–	–	(11,020)
Loss for the year and total recognized expense for the year	–	–	–	–	–	(464,882)	(464,882)
At 31 March 2009	791,071	861	29,390	–	12,038	(661,107)	172,253

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

For the year ended 31 March 2009

(a) Acquisition of Core Healthcare Investment Holdings Limited

During the year ended 31 March 2009, the Group launched a securities exchange offer for the shares of Core Healthcare. The transaction involved the issue by the Company of 8,482,507,980 ordinary shares of HK$0.01 each in the capital of the Company at the closing market price of HK$0.051 per share in exchange for 5,937,755,591 issued ordinary shares of Core Healthcare, immediately followed by the placing down of 1,500,000,000 ordinary shares of Core Healthcare at a price of HK$0.113 per share to independent investors for gross proceeds of approximately HK$169,500,000. The net gain arising from the acquisition and placing down of the same parcel of 1,500,000,000 ordinary shares of Core Healthcare was accounted for as gain on fair value changes on held-for-trading investments in the consolidated income statement of the Group for the year ended 31 March 2009. Upon completion of the transaction, the Group has effectively acquired 4,437,755,591 issued ordinary shares of Core Healthcare, representing 60.12% of the issued share capital of Core Healthcare.

The net liabilities assumed in the transaction and the goodwill arising were as follows:

	Acquirees' carrying amount before combination and fair value
	HK$'000
Net liabilities assumed:	
Property, plant and equipment	2,361
Inventories	49
Trade receivables	546
Other receivables	23,211
Held-for-trading investments	13,309
Bank balances and cash	181,694
Trade payables	(152)
Other payables	(1,283)
Tax liabilities	(1,541)
Convertible bonds classified as financial liabilities designated as at fair value through profit or loss	(423,672)
	(205,478)
Goodwill *(Note 20)*	528,800
Consideration satisfied by the issue of 6,339,650,840 ordinary shares of HK$0.01 each in the capital of the Company at the closing market price of HK$0.051 per share on 9 September 2008	323,322
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	181,694

Core Healthcare contributed a profit of approximately HK$264,539,000 to the Group's loss for the period between the date of acquisition and 31 March 2009.

If the acquisition had been completed on 1 April 2008, total Group's revenue for the year ended 31 March 2009 would have been approximately HK$107,511,000, and loss for the year ended 31 March 2009 would have been approximately HK$902,204,000. 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 2008, nor is it intended to be a projection of future results.

(b) Acquisition of Hong Kong Health Management Limited

On 13 October 2008, the Group acquired the entire issued share capital of Hong Kong Health Management Limited at a cash consideration of approximately HK$675,000.

The net assets assumed in the transaction and the goodwill arising were as follows:

	Acquirees' carrying amount before combination and fair value
	HK$'000
Net assets assumed:	
Property, plant and equipment	123
Other receivables	497
Bank balances and cash	150
Trade payables	(55)
Other payables	(91)
	624
Goodwill *(Note 20)*	51
Total consideration satisfied by cash	675
Net cash outflow arising on acquisition:	
Cash consideration paid	(675)
Bank balances and cash acquired	150
	(525)

Hong Kong Health Management Limited contributed approximately HK$1,207,000 to the Group's loss for the period between the date of acquisition and 31 March 2009.

If the acquisition had been completed on 1 April 2008, total Group's revenue for the year ended 31 March 2009 would have been approximately HK$106,554,000, and loss for the year ended 31 March 2009 would have been approximately HK$614,491,000. 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 2008, nor is it intended to be a projection of future results.

(c) Acquisition of China Natural Pharmaceutical Holdings Company Limited

On 10 February 2009, the Group acquired the entire issued share capital of China Natural Pharmaceutical Holdings Company Limited at a cash consideration of approximately HK$3,000,000.

The net assets/liabilities assumed in the transaction and the goodwill arising were as follows:

	Acquirees' carrying amount before combination and fair value
	HK$'000
Net assets/liabilities assumed	–
Goodwill *(Note 20)*	3,000
Total consideration satisfied by cash	3,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,000)
Bank balances and cash acquired	–
	(3,000)

China Natural Pharmaceutical Holdings Company Limited contributed approximately HK$8,000 to the Group's loss for the period between the date of acquisition and 31 March 2009.

If the acquisition had been completed on 1 April 2008, total Group's revenue for the year ended 31 March 2009 would have been approximately HK$106,538,000, and loss for the year ended 31 March 2009 would have been approximately HK$614,457,000. 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 2008, nor is it intended to be a projection of future results.

(d) Acquisition of remaining equity interests in International Health Decoding Group Limited

International Health Decoding Group Limited was a 81.96% owned subsidiary of the Group at 31 March 2008. On 4 July 2008, the Group further acquired the remaining 18.04% equity interests from minority shareholders at a cash consideration of HK$365,000. Immediately after the acquisition, International Health Decoding Group Limited became a wholly-owned subsidiary of the Group. As the consideration paid for the acquisition was equal to 18.04% of the net assets of International Health Decoding Group Limited, there were no goodwill and profit or loss arising from the acquisition.

For the year ended 31 March 2008

(e) Acquisition of remaining equity 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. Choi Chee Ming GBS, 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.

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 of subsidiaries	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 transferred to the Group the CHI 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 the jointly controlled entity 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:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	17,667	17,100
In the second to fifth years inclusive	6,266	12,860
	23,933	29,960

Operating lease payments represent rentals payable by the Group for certain of its health check centers and office premises. Leases are negotiated and rentals are fixed for terms ranging from 1 to 5 years.

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

42. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the financial statements in respect of acquisition of property, plant and equipment	–	386

At 31 March 2009, 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.

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 2009 (2008: RMB15 million), and had a capital commitment of RMB35 million at 31 March 2009 (2008: RMB35 million).

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

43. PLEDGE OF ASSETS

At 31 March 2009, certain property, plant and equipment of the Group with carrying value of approximately HK$41,613,000 (2008: HK$47,293,000) and bank deposits of HK$10,000,000 (2008: HK$12,000,000) were pledged to secure general bank facilities granted to the Group.

44. CORPORATE GUARANTEES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Corporate guarantees provided by the Company in respect of banking facilities of subsidiaries	40,000	40,000

At 31 March 2009, the amount of such facilities utilized by the subsidiaries and covered by the Company's guarantees amounted to approximately HK$10,000,000 (2008: HK$10,000,000). 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 2009, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$1,435,000 (2008: HK$1,269,000). At 31 March 2009, there were no forfeited contributions available for the Group to offset contributions payable in future years (2008: 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:

	2009	**2008**
	HK$'000	*HK$'000*
Laboratory fee received from Town Health	233	844
Service fees paid to Town Health *(Note (i))*	3,414	6,623
Rentals paid to Majestic Centre Limited for leasing of properties *(Note (ii))*	–	2,124

Notes:

(i) The service fees paid to Town Health for provision of consultation and management services were based on a service agreement dated 7 August 2006 entered into between the Company and Town Health.

(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 ("Miss Choi") 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) Reduction of the Group's equity interests in Core Healthcare

Subsequent to the balance sheet date, the Group entered into a number of transactions between April and June 2009 which resulted in a reduction of the Group's equity interests in Core Healthcare from approximately 60.12% at 31 March 2009 to approximately 36.36% at 4 June 2009. Accordingly, Core Healthcare ceased to be a subsidiary of the Group and has become an associate of the Group as of the date of approval of these financial statements.

(b) Capital reorganization

On 3 March 2009, the Company proposed to put forward for approval by the shareholders of the Company a capital reorganization (the "Capital Reorganization") which involved the following:

(i) consolidation (the "Share Consolidation") of every 50 existing ordinary shares of HK$0.01 each in the capital of the Company into 1 consolidated share of HK$0.50 each (the "Consolidated Share");

(ii) reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.49 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share would be reduced from HK$0.50 to HK$0.01;

(iii) cancellation of the entire amount standing to the credit of the share premium account of the Company;

(iv) the credit arising in the books of the Company from (a) the reduction of the paid-up capital as aforesaid and (b) the cancellation of the share premium account of the Company would be credited to the contributed surplus account of the Company, and an amount equivalent to the amount of the accumulated losses standing to the credit of the contributed surplus account would be applied towards the elimination of such accumulated losses; and

(v) sub-division of each of the authorized but unissued Consolidated Shares of HK$0.50 each into 50 adjusted shares of HK$0.01 each.

Subsequent to the balance sheet date, the special resolution approving the Capital Reorganization was duly passed by the shareholders of the Company at a special general meeting held on 3 April 2009 and the Capital Reorganization became effective on 6 April 2009.

(c) Disposal of a subsidiary - Fair Jade Group Limited ("Fair Jade")

Subsequent to the balance sheet date, in June 2009, the Group disposed of its entire equity interests in, and its shareholder's loan to, Fair Jade (a wholly owned subsidiary of the Company) to Town Health (BVI) Limited (a wholly owned subsidiary of Town Health) for an aggregate consideration of HK$26,368,000. Fair Jade held 20% equity interests in Profit Sources Limited which was formed for the acquisition and management of a property situated in Hong Kong.

(d) Acquisition of additional 49.66 % equity interests in Group Benefit

As explained in Note 23, the Group's investment in approximately 48.87% equity interests in Group Benefit was accounted for as available-for-sale investment at 31 March 2009. Subsequent to the balance sheet date, in June 2009, the Group completed the acquisition of additional 49.66% equity interests in Group Benefit at a cash consideration of HK$29,425,000 (subject to adjustment), as a result of which Group Benefit became a 98.53% owned subsidiary of the Group. At the date of approval of these financial statements, the management of the Group was still in the midst of determining the financial effect of the aforesaid acquisition.

(e) Change of financial year-end date

Subsequent to the balance sheet date, the Company announced that the financial year-end date of the Company has been changed from 31 March to 31 December. Accordingly, the coming financial year-end date of the Company will be 31 December 2009.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group is set to build momentum thanks to the steady growth in the health check and medical diagnostic business. The Group's turnover soared 51.9% to approximately HK$106,538,000 (2008: approximately HK$70,132,000), reflecting the success of our strategic business plan and operation. Revenue was driven primarily by the core provision of health check and medical diagnostic services.

Due to the loss arising from (1) the loss attributable to the holding of the convertible bonds of a subsidiary and a jointly-controlled entity ("CHI CB") issued by Core Healthcare Investment Holdings Limited ("Core Healthcare") (stock code: 8250), a subsidiary of the Group; (2) the diminution in value of the CHI CB which is reflected in the financial statements of the Group; (3) the impairment of goodwill attributable to Core Healthcare which arose from the securities exchange offer launched by the Group for the shares of Core Healthcare during the year; (4) the estimated fair value of share-based payments expenses relating to the share options granted by the Group during the year; (5) the financial tsunami causing an investment loss for the investment activity carried out in accordance with the Group's treasury management policy; and (6) the operating loss caused by the adverse operating environment, loss attributable to equity holders of the Company for the year ended 31 March 2009 was approximately HK$637,879,000 (2008: Profit of approximately HK$43,077,000).

Factors (1), (2), (3) and (4) discussed above are non-cash in nature and do not have any cash flow impact on the Group.

In view of the Group's active expansion of its core health check and medical diagnostic services business and seeking for potential acquisitions or expansion, 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 provision of health check and medical diagnostic services achieved sound results. Turnover increased by 51.9% to approximately HK$106,538,000. The demand for health check services continues to grow as public awareness increases on regular health check-ups.

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 position.

Liquidity and financial resources

As at 31 March 2009, the Group held cash and bank balances of approximately HK$152,472,000 (2008: approximately HK$118,700,000). Net current assets amounted to approximately HK$218,061,000 (2008: approximately HK$455,781,000). Current ratio (defined as total current assets divided by total current liabilities) was 15.2 times (2008: 20.2 times).

As at 31 March 2009, the Group had no outstanding bank and other borrowings (2008: approximately HK$292,443,000).

The Group's bank balances were denominated in Hong Kong dollars and Renminbi, risk in exchange rate fluctuation would not be material.

Capital structure

As at 31 March 2009, the Group had shareholders' equity of approximately HK$327,941,000 (2008: approximately HK$558,650,000).

As from 9 September 2008, the final closing date of a voluntary conditional securities exchange offer made by Hong Kong Health Check to acquire all the issued shares of the Core Healthcare (other than those already held by Hong Kong Health Check and parties acting in concert with it), Core Healthcare became the subsidiary of the Hong Kong Health Check. Hong Kong Health Check issued 8,482,507,980 consideration shares in connection with the voluntary conditional securities exchange offer.

The Company has exercised its right to redeem the Convertible Bond II with principal amounts of HK$80,000,000 and HK$220,000,000 in June and September 2008 respectively.

In October 2008, the Company has exercised its right to redeem the Convertible Note I with a principal amount of HK$40,000,000.

On 27 November 2008, the placing agent and the Company entered into the placing agreement pursuant to which, the Company agreed to place, through the placing agent, 2,600,000,000 placing shares, on a best effort basis, to not fewer than six placees who and whose ultimate beneficial owners are to be third parties independent of the Company and its connected persons and not connected persons (as defined in the Listing Rules) of the Company at a price of HK$0.011 per placing share. The placing was completed on 12 December 2008.

On 3 March 2009, The Group announced to implement the capital reorganization that every 50 existing shares will be consolidated into one consolidated share and the issued share capital of the Company will be reduced through a cancellation of the paid up capital of the Company to the extent of HK$0.49 on each of the issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK$0.50 to HK$0.01. The capital reorganization became effective on 6 April 2009. Details of these are disclosed in an announcement of the Company dated 3 March 2009.

Human resources and remuneration policy

As at 31 March 2009, the Group employed approximately 140 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 2009, certain property, plant and equipment of the Group with carrying value of approximately HK$41,613,000 and bank deposits of HK$10,000,000 were pledged to secure general bank facilities granted to the Group.

4. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 September 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had secured bank borrowings of approximately HK$5,617,000. The secured bank borrowings are secured by a mortgage over the Group's buildings and prepaid lease payments with carrying amounts in aggregate of approximately HK$12,190,000.

Save as aforesaid and the litigation as disclosed under the paragraph headed "Litigation" in Appendix V to this circular and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 September 2009, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL STATEMENT

The Directors are of the opinion that in the absence of unforeseeable circumstances, taking into account of the internal resources of the Enlarged Group and the available banking facilities, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Strengthen Market-Leading Position in Local Community

The Group will continue to optimize its business to meet the growing customer needs for comprehensive and quality health check services. The Group is executing the strategic expansion plan to grow the health check business through an aggressive yet disciplined acquisition approach. On 11 May 2009, the Group raised the equity interest in Group Benefit, a local company that specializes in the provision of medical diagnostic scanning and laboratory services, to 98.53%. The move will bring 4 more health check centers under the Group's control. This will further increase the Group's market share and customer base in the local health check industry, strengthening its market-leading position.

The Group also plans to roll out a re-branding exercise and review its marketing strategy to reinforce the brand image in the community.

Strategic Investments Providing Strong Growth Potentials

The Group will further enhance its treasury function and better manage its surplus financial resources. It will strengthen its cash management scheme and invest in stock portfolio which includes both listed and unlisted securities. It is hoped that through better treasury management and portfolio investment, the Group could bring to investors better value and return. Also, the Group will invest in property market, targeting mainly retail and office properties in prime locations. It is anticipated that the property investment will provide attractive source of rental income for the Group, as well as good locations for the Group to open new satellite laboratory centers so as to expand its chain laboratory network.

In order to cope with the tough market condition, the Group will consider diversifying its business, besides maintaining and enhancing its health check and medical diagnostic services business. New business opportunities will be explored and it is hoped that through diversification of business, the Group could capitalize on any business opportunities arising from the economic recovery.

In the coming year, the Group will continue seeking good investment opportunities and expanding its scale. The Group is committed to maximizing the Group's value and strengthening its foothold in the local community, and delivering to shareholders good value.

Introduce Revolutionary Health Check Concept in China

The China health check and medical diagnosis market will be boosted by the booming health-conscious middle class citizens, and demand for superior healthcare services is tremendously high. The Group is devoted to providing worldclass health check and medical diagnostic and imaging services in China, and to raising public awareness of the power of preventive healthcare and regular check-ups. By replicating the successful model in Hong Kong, the Group will strive to develop a well-branded health check chain in Guangdong province in the coming year.

A new era is well under way in the healthcare sector. We are optimistic thanks to the opportunities ahead. The Group has positioned itself for long-term success and to lead the industry into the future.

Synergic effects with the Health Walk Group

The Health Walk Group is principally engaged in the production of radioactive isotopes used for medical diagnostic purposes, which has been sold to the major hospitals and healthcare institutions in Hong Kong. Radioactive isotopes are used as tracers to identify abnormal bodily processes, because some natural elements tend to concentrate in certain parts of the body: iodine in the thyroid, phosphorus in the bones, potassium in the muscles. When a patient is injected with a radioactive element, a special camera (i.e. PET scan) can take pictures of the internal workings of the organ. With the availability of these radioactive isotopes, doctors will be able to diagnose cancer, heart diseases and neurological disorders.

According to the Radiochemistry Society in the United States, the medical profession relies heavily on direct radiation fields and radioactive isotopes for identifying and treating diseases. In addition, radioactive materials are used extensively to test new drugs and conduct research into cures for diseases. It is the fact that our high standard of health and quality of life would not be possible without the use of radioactive materials. Nowadays, radioactive materials are used throughout the world for medical purposes.

It is expected that more referrals for health check and medical diagnostic services will be made by the medical practitioners and specialists of the Town Health Group and thus, enhancing the Group's competitiveness in the health check and medical diagnostic industry in Hong Kong.

Since 31 March 2009 (being the date of the latest published audited financial statements of the Group), the Group has acquired approximately 49.66% of the issued share capital of Group Benefit at a consideration of HK$29,424,928 (subject to adjustment), details of which are set out in the circular of the Company dated 29 May 2009.

The following is the audited consolidated results for the three years ended 30 November 2008 of the Group Benefit Group extracted from the circular of the Company dated 29 May 2009.

I. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	**Year ended 30 November 2006** *HK$*	**Year ended 30 November 2007** *HK$*	**Year ended 30 November 2008** *HK$*
Revenue	*6*	26,110,619	30,665,215	30,217,334
Other income	*7*	1,312,330	1,061,892	94,579
Changes in inventories and clinical supplies consumed		(2,112,341)	(2,560,590)	(1,921,934)
Laboratory services costs		(1,040,849)	(1,371,045)	(1,396,803)
Employee benefits expense	*10*	(14,049,686)	(15,976,230)	(15,105,880)
Depreciation and amortization expense		(1,497,174)	(2,127,230)	(2,125,773)
Other operating expenses		(4,621,760)	(5,289,537)	(6,709,642)
Finance costs	*9*	–	(165,818)	(195,980)
Share of result of an associate		700,358	723,107	839,646
Profit before tax	*8*	4,801,497	4,959,764	3,695,547
Income tax	*11*	(795,067)	(631,643)	(501,917)
Profit for the year		4,006,430	4,328,121	3,193,630
Attributable to:				
Equity holders of Group Benefit		3,586,920	4,191,590	3,064,256
Minority interests		419,510	136,531	129,374
		4,006,430	4,328,121	3,193,630
Dividends:				
Interim	*12*	11,503,266	–	2,722,666

CONSOLIDATED BALANCE SHEETS

	Notes	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
NON-CURRENT ASSETS				
Property, plant and equipment	14	9,644,761	8,493,627	6,986,852
Prepaid lease payments	15	13,556,259	13,298,406	13,040,553
Interest in an associate	17	2,035,926	1,459,033	1,258,679
Available-for-sale investments	18	80,000	80,000	–
Deferred tax assets	19	191,626	193,653	189,419
		25,508,572	23,524,719	21,475,503
CURRENT ASSETS				
Inventories	20	171,737	60,460	142,105
Trade and other receivables	21	2,626,729	2,931,762	3,183,617
Amounts due from minority shareholders of a subsidiary	22	–	1,180,800	1,180,800
Amounts due from former shareholders of a subsidiary	22	–	360,000	360,000
Tax recoverable		439,691	146,937	–
Bank balances and cash		13,597,359	11,609,304	14,339,346
		16,835,516	16,289,263	19,205,868
CURRENT LIABILITIES				
Trade and other payables	23	6,080,791	1,717,860	1,696,725
Amounts due to directors	22	8,397,886	–	–
Amounts due to minority shareholders of a subsidiary	22	3,608,000	2,158,000	1,750,000
Amount due to the ultimate holding company	22	–	–	1,151,613
Amounts due to former shareholders of a subsidiary	22	–	413,686	413,686
Bank borrowings – due within one year	24	–	283,033	375,995
Tax payable		–	–	19,751
		18,086,677	4,572,579	5,407,770
NET CURRENT (LIABILITIES)/ ASSETS		(1,251,161)	11,716,684	13,798,098
TOTAL ASSETS LESS CURRENT LIABILITIES		24,257,411	35,241,403	35,273,601
NON-CURRENT LIABILITIES				
Deferred tax liabilities	19	19,400	–	–
Bank borrowings – due after one year	24	–	6,024,146	5,585,380
		19,400	6,024,146	5,585,380
NET ASSETS		24,238,011	29,217,257	29,688,221
CAPITAL AND RESERVES				
Share capital	25	3,403,333	3,403,333	3,403,333
Share premium and reserves		19,332,997	23,524,587	23,866,177
Equity attributable to equity holders of Group Benefit		22,736,330	26,927,920	27,269,510
Minority interests		1,501,681	2,289,337	2,418,711
TOTAL EQUITY		24,238,011	29,217,257	29,688,221

BALANCE SHEETS

	Notes	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
NON-CURRENT ASSETS				
Property, plant and equipment	14	3,266,547	4,038,602	3,467,395
Prepaid lease payments	15	1,832,859	13,298,406	13,040,553
Interests in subsidiaries	16	15,827,948	10,917,073	6,806,566
Interest in an associate	17	1,430,026	1,430,026	1,258,679
Available-for-sale investments	18	80,000	80,000	–
Deferred tax assets	19	191,626	193,653	189,419
		22,629,006	29,957,760	24,762,612
CURRENT ASSETS				
Inventories	20	121,044	60,460	142,105
Trade and other receivables	21	1,534,766	1,298,225	1,360,480
Tax recoverable		129,578	287,585	–
Bank balances and cash		2,656,544	5,943,156	11,223,135
		4,441,932	7,589,426	12,725,720
CURRENT LIABILITIES				
Trade and other payables	23	1,691,677	1,361,693	1,379,973
Amounts due to directors	22	276,784	–	–
Amount due to a subsidiary	16	–	1,217,700	2,478,427
Amount due to the ultimate holding company	22	–	–	1,151,613
Amounts due to former shareholders of a subsidiary	22	–	413,686	413,686
Bank borrowings – due within one year	24	–	283,033	375,995
Tax payable		–	–	82,433
		1,968,461	3,276,112	5,882,127
NET CURRENT ASSETS		2,473,471	4,313,314	6,843,593
TOTAL ASSETS LESS CURRENT LIABILITIES		25,102,477	34,271,074	31,606,205
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	24	–	6,024,146	5,585,380
NET ASSETS		25,102,477	28,246,928	26,020,825
CAPITAL AND RESERVES				
Share capital	25	3,403,333	3,403,333	3,403,333
Share premium and reserves	26	21,699,144	24,843,595	22,617,492
TOTAL EQUITY		25,102,477	28,246,928	26,020,825

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of Group Benefit						
	Share capital *HK$* *(Note 25)*	Share premium *HK$*	Investment revaluation reserve *HK$*	Retained profits *HK$*	Total *HK$*	Minority interests *HK$*	Total equity *HK$*
At 1 December 2005	3,403,333	2,186,666	76,779	25,062,677	30,729,455	6,362,171	37,091,626
Gain on fair value changes of available-for-sale investments	–	–	156,337	–	156,337	–	156,337
Net income recognized directly in equity	–	–	156,337	–	156,337	–	156,337
Transfer to profit or loss on sale of available-for-sale investments	–	–	(233,116)	–	(233,116)	–	(233,116)
Profit for the year	–	–	–	3,586,920	3,586,920	419,510	4,006,430
Total recognized income and expense for the year	–	–	(76,779)	3,586,920	3,510,141	419,510	3,929,651
Dividends paid	–	–	–	(11,503,266)	(11,503,266)	(5,280,000)	(16,783,266)
At 30 November 2006	3,403,333	2,186,666	–	17,146,331	22,736,330	1,501,681	24,238,011
Profit for the year	–	–	–	4,191,590	4,191,590	136,531	4,328,121
Total recognized income and expense for the year	–	–	–	4,191,590	4,191,590	136,531	4,328,121
Capital contribution from minority shareholders	–	–	–	–	–	1,450,000	1,450,000
Dilution of interest in a subsidiary	–	–	–	–	–	(798,875)	(798,875)
At 30 November 2007	3,403,333	2,186,666	–	21,337,921	26,927,920	2,289,337	29,217,257
Profit for the year	–	–	–	3,064,256	3,064,256	129,374	3,193,630
Total recognized income and expense for the year	–	–	–	3,064,256	3,064,256	129,374	3,193,630
Dividends paid	–	–	–	(2,722,666)	(2,722,666)	–	(2,722,666)
At 30 November 2008	3,403,333	2,186,666	–	21,679,511	27,269,510	2,418,711	29,688,221

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Year ended 30 November 2006 HK$	Year ended 30 November 2007 HK$	Year ended 30 November 2008 HK$
Operating activities				
Profit before tax		4,801,497	4,959,764	3,695,547
Adjustments for:				
Interest income		(849,208)	(255,143)	(78,056)
Interest expenses		–	165,818	195,980
Dividend income from listed investments		(31,700)	–	–
Property, plant and equipment written off		35,715	–	–
Impairment loss on trade and other receivables		–	92,940	–
Impairment loss on available-for-sale financial assets		–	–	80,000
Gain on disposal of listed investments		(213,820)	–	–
Depreciation and amortization		1,497,174	2,127,230	2,125,773
Gain on dilution on interest in a subsidiary		–	(798,875)	–
Share of result of an associate		(700,358)	(723,107)	(839,646)
Operating cash flows before movements in working capital		4,539,300	5,568,627	5,179,598
Inventories		39,691	111,277	(81,645)
Trade and other receivables		129,617	(397,973)	(251,855)
Trade and other payables		25,617	(4,362,931)	(21,135)
Amounts due to minority shareholders of a subsidiary		2,816,000	(1,450,000)	(408,000)
Amounts due from minority shareholders of a subsidiary		–	(1,180,800)	–
Amounts due from former shareholders of a subsidiary		–	(360,000)	–
Amounts due to former shareholders of a subsidiary		–	413,686	–
Amounts due to directors		(298,974)	(8,397,886)	–
Amount due from an associate		909,948	–	–
Cash generated from/(used in) operations		8,161,199	(10,056,000)	4,416,963
Hong Kong profits tax paid		(1,253,602)	(360,316)	(330,995)
Net cash generated by/(used in) operating activities		6,907,597	(10,416,316)	4,085,968

	Notes	Year ended 30 November 2006 HK$	Year ended 30 November 2007 HK$	Year ended 30 November 2008 HK$
Investing activities				
Interest received		849,208	255,143	78,056
Dividends received from listed investments		20,766	–	–
Dividends received from an associate		520,000	1,300,000	1,040,000
Proceeds from disposal of listed investments		2,421,592	–	–
Acquisition of a subsidiary	27	(172,147)	–	–
Purchase of property, plant and equipment		(6,520,458)	(718,243)	(361,145)
Proceeds from disposal of property, plant and equipment		20,000	–	–
Net cash generated by/(used in) investing activities		(2,861,039)	836,900	756,911
Financing activities				
Advance from the ultimate holding company		–	–	1,151,613
Interest paid		–	(165,818)	(195,980)
Proceeds from borrowings		–	6,450,000	–
Dividends paid to equity holders of Group Benefit		(11,503,266)	–	(2,722,666)
Dividends paid to minority interests		(5,280,000)	–	–
Capital contributed by minority shareholders		–	1,450,000	–
Repayment of bank loans		–	(142,821)	(345,804)
Net cash generated by/(used in) by financing activities		(16,783,266)	7,591,361	(2,112,837)
Net (decrease)/increase in cash and cash equivalents		(12,736,708)	(1,988,055)	2,730,042
Cash and cash equivalents brought forward		26,334,067	13,597,359	11,609,304
Cash and cash equivalents carried forward		13,597,359	11,609,304	14,339,346

1. SIGNIFICANT ACCOUNTING POLICIES

The financial information has 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 financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The financial information is presented in Hong Kong dollars, which is the same as the functional currency of Group Benefit.

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

HKFRSs (Amendments)	Improvements to HKFRSs	1
HKAS 1 (Revised)	Presentation of Financial Statements	2
HKAS 23 (Revised)	Borrowing Costs	2
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	3
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	2
HKAS 39 (Amendment)	Eligible Hedged Items	3
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	2
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	2
HKFRS 3 (Revised)	Business Combinations	3
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	2
HKFRS 8	Operating Segments	2
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives	7
HK(IFRIC) – INT 13	Customer Loyalty Programmes	4
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate	2
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation	5
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners	3
HK(IFRIC) – INT 18	Transfers of Assets from Customers	6

1 Effective for annual periods beginning on or after 1 January 2009, except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfer of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of Group Benefit anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Group Benefit and entities (including special purpose entities) controlled by Group Benefit (its subsidiaries). Control is achieved where Group Benefit 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 Target 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 Target 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 Target Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Target 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 Target Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Target 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.

Investments 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 Target Group's share of the net assets of the associates, less any identified impairment loss. When the Target Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target 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 Target Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Target Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate 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.

Any excess of the Target 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 an associate of the Target Group, profits and losses are eliminated to the extent of the Target Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at 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 income in relation to the provision of diagnostic scanning 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.

Property, plant and equipment

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

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

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

Leasing (the Target 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.

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 Group Benefit'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 Target Group's foreign operations are translated into the presentation currency of the Target 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.

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 Target 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, associates and jointly control entities, except where the Target 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.

Impairment (other than goodwill and intangible assets with indefinite useful lives)

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

Financial assets

The Target 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, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

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 Target 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 and other receivables and bank balances) 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).

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.

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.

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.

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 Target Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss 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.

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 Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial 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 borrowings, trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target 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 Target Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

Provisions

Provisions are recognized when the Target Group has a present obligation as a result of a past event, and it is probable that the Target 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.

2. CAPITAL RISK MANAGEMENT

The Target Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Target Group manages capital by regularly monitoring its current and expected liquidity requirement rather than using debt/equity ratio analysis.

The Target Group is not subject to either internally or externally imposed capital requirements.

3. CATEGORIES OF FINANCIAL INSTRUMENTS

	As at 30 November 2006 *HK$*	**As at 30 November 2007** *HK$*	**As at 30 November 2008** *HK$*
Financial assets			
Loans and receivables:			
– Trade and other receivables	2,523,788	2,789,393	3,023,617
– Amounts due from minority shareholders of a subsidiary	–	1,180,800	1,180,800
– Amounts due from former shareholders of a subsidiary	–	360,000	360,000
– Bank balances and cash	13,597,359	11,609,304	14,339,346
	16,121,147	15,939,497	18,903,763
Available-for-sale financial assets:			
– Available-for-sale investments	80,000	80,000	–

	As at 30 November 2006 *HK$*	As at 30 November 2007 *HK$*	As at 30 November 2008 *HK$*
Financial liabilities			
Amortized costs:			
– Trade and other payables	6,080,791	1,717,860	1,696,725
– Amounts due to directors	8,397,886	–	–
– Amounts due to minority shareholders of a subsidiary	3,608,000	2,158,000	1,750,000
– Amount due to the ultimate holding company	–	–	1,151,613
– Amounts due to former shareholders of subsidiaries	–	413,686	413,686
– Bank borrowings	–	6,307,179	5,961,375
	18,086,677	10,596,725	10,973,399

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Target 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 loss on receivables

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments include trade and other receivables, amounts due from minority shareholders of a subsidiary, amounts due from former shareholders of a subsidiary, trade and other payables, amounts due to directors, amounts due to minority shareholders of a subsidiary, amount due to ultimate holding company, amounts due to former shareholders of a subsidiary and bank borrowings. 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 Target Group's exposure to market risk or the manner in which it manages and measures the risk.

Currency risk

During the Relevant Periods, the Target Group mainly operated in Hong Kong and the majority of the Target Group's transactions and balances were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Target 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.

Interest rate risk

The Target Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Target Group to cash flow interest rate risk. The interest rates and terms of repayment of bank borrowings of the Target Group are disclosed in note 24.

The Target Group does not use any derivative instrument to reduce its economic exposure to changes in interest rate.

As at 30 November 2007 and 2008, it is estimated that a general increase/decrease of 0.5% in interest rate, with all other variables held constant, would decrease/increase the Target Group's profit after tax of approximately HK$26,000 and HK$25,000 respectively. No sensitivity analysis is prepared for the borrowings as at 30 November 2006 as the Target Group did not have any borrowings at that balance sheet date. The sensitivity analysis above has been determined assuming that the change in interest rate risk for the borrowings at the balance sheet date. The 0.5% increase or decrease represents directors' assessment of the likely maximum change in the interest rates over the period until the next balance sheet date.

Price risk

The Target Group is not exposed to commodity price risk because the Target Group does not hold any listed equity security during the Relevant Periods.

Credit risk

As at 30 November 2006, 2007 and 2008, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheets.

In order to minimize the credit risk, the management of the Target 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 Target Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Group Benefit consider that the Target 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 Target Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for almost 100% of the total trade receivables as at 30 November 2006, 2007 and 2008. The Target Group has no significant concentration of credit risk by customers, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Target Group manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meeting continuous operational need.

Internally generated cash flow is the general source of funds to finance the operation of the Target Group. The Target Group has net assets of HK$24,238,011, HK$29,217,257 and HK$29,688,221 as at 30 November 2006, 2007 and 2008 respectively. The Target Group regularly reviews its major funding positions to ensure it has adequate financial resource in meeting its financial obligations.

The following table details the Target 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 Target Group can be required to pay.

	Less than 1 year	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 November 2006					
Target Group					
Trade and other payables	6,080,791	–	–	6,080,791	6,080,791
Amounts due to directors	8,397,886	–	–	8,397,886	8,397,886
Amounts due to minority shareholders of a subsidiary	3,608,000	–	–	3,608,000	3,608,000
	18,086,677	–	–	18,086,677	18,086,677

	Less than 1 year	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 November 2007					
Target Group					
Trade and other payables	1,717,860	–	–	1,717,860	1,717,860
Bank borrowings	593,004	2,372,016	5,584,121	8,549,141	6,307,179
Amounts due to minority shareholders of a subsidiary	2,158,000	–	–	2,158,000	2,158,000
Amounts due to former shareholders of a subsidiary	413,686	–	–	413,686	413,686
	4,882,550	2,372,016	5,584,121	12,838,687	10,596,725

	Less than 1 year	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 November 2008					
Target Group					
Trade and other payables	1,696,725	–	–	1,696,725	1,696,725
Bank borrowings	520,740	2,082,960	4,382,895	6,986,595	5,961,375
Amounts due to minority shareholders of a subsidiary	1,750,000	–	–	1,750,000	1,750,000
Amounts due to the ultimate holding company	1,151,613	–	–	1,151,613	1,151,613
Amounts due to former shareholders of a subsidiary	413,686	–	–	413,686	413,686
	5,532,764	2,082,960	4,382,895	11,998,619	10,973,399

Fair value

The fair value of 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.

The directors of Group Benefit 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.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Target Group's turnover, represents net income from provision of diagnostic scanning services in Hong Kong. Accordingly, no further business or geographical segment information is presented.

7. OTHER INCOME

	Year ended 30 November 2006	**Year ended 30 November 2007**	**Year ended 30 November 2008**
	HK$	*HK$*	*HK$*
Interest income from bank deposits	849,208	255,143	78,056
Sundry income	53,496	7,874	16,523
Dividend income from listed investments	31,700	–	–
Gain on disposal of listed investments	213,820	–	–
Net foreign exchange gains	164,106	–	–
Gain on dilution of interest in a subsidiary *(Note)*	–	798,875	–
	1,312,330	1,061,892	94,579

Note:

On 25 January 2007, a subsidiary of the Target Group, Union Wise Enterprises Limited, allotted 3,850,000 new ordinary shares of HK$1 each to the shareholders at par for cash. The Target Group subscribed for 2,400,000 shares of HK$1 each and the Target Group's equity interest in Union Wise Enterprises Limited was reduced from 100% to 62.34%, resulting in a gain on dilution of interest in a subsidiary of HK$798,875.

8. PROFIT BEFORE TAX

Profit before tax is stated after charging the following items:

	Year ended 30 November 2006 *HK$*	Year ended 30 November 2007 *HK$*	Year ended 30 November 2008 *HK$*
Amortization of prepaid lease payments	36,657	257,853	257,853
Depreciation of property, plant and equipment	1,460,517	1,869,377	1,867,920
	1,497,174	2,127,230	2,125,773
Operating lease rentals in respect of rented premises	1,445,161	1,194,888	1,304,860
Auditors' remuneration	110,000	110,800	120,000
Provision for impairment of trade receivables	–	92,940	–
Provision for impairment of available-for-sale investments	–	–	80,000
Share of tax of associate (included in share of results of associate)	202,123	218,047	103,937

9. FINANCE COSTS

	Year ended 30 November 2006 *HK$*	Year ended 30 November 2007 *HK$*	Year ended 30 November 2008 *HK$*
Interest on bank borrowings – not wholly repayable within five years	–	165,818	195,980

10. EMPLOYEE BENEFITS EXPENSE

	Year ended 30 November 2006 *HK$*	Year ended 30 November 2007 *HK$*	Year ended 30 November 2008 *HK$*
Directors' emoluments	2,216,821	1,369,803	925,025
Other staff costs	11,520,707	14,288,381	14,051,861
Other staff retirement benefits schemes contributions	312,158	318,046	128,994
	14,049,686	15,976,230	15,105,880

(a) Directors' emoluments

The emoluments paid or payable to each of the directors of Group Benefit for each of the three years ended 30 November 2008 were as follows:

	Notes	Year ended 30 November 2006 HK$	Year ended 30 November 2007 HK$	Year ended 30 November 2008 HK$
Dr. Leung Tze Ching	*(i), (ii) & (iii)*			
– Fees		400,000	528,387	–
– Salaries and other benefits		1,070,312	–	–
– Contributions to retirement benefits schemes		–	–	–
Dr. Shum Ding Ping	*(i) & (ii)*	–	–	–
Dr. Chun Siu Yeung	*(i) & (ii)*	–	–	–
Dr. Leung Ka Woo	*(i)*	–	–	–
Dr. Ma Yat Tai	*(iv)*	–	–	–
Mr. Wong Pui Hon	*(i)*	–	–	–
Dr. Wong Yin Wai	*(i) & (ii)*	–	–	–
Mr. Cheung Ka Man, Carman	*(i) & (ii)*			
– Fees		–	–	–
– Salaries and other benefits		423,590	470,916	504,025
– Contributions to retirement benefits schemes		12,000	12,000	12,000
Mr. Kwan Chi Wan	*(i), (ii) & (v)*			
– Fees		–	–	–
– Salaries and other benefits		298,919	346,500	397,000
– Contributions to retirement benefits schemes		12,000	12,000	12,000
Dr. Young Siu Sun	*(i) & (vi)*	–	–	–
Dr. Ng Yau Yung	*(i), (vii) & (viii)*	–	–	–
Dr. Wong Tai Wai, David	*(i), (ii), (iii) & (ix)*	–	–	–
Mr. Che Wai Hang, Allen	*(x), (xi) & (xii)*	–	–	–
Ms. Chan Kit Wah, Eva	*(xiii)*	–	–	–
Mr. Ma Chi Min, Effinie	*(ii)*	–	–	–
Mr. Kan Yin Ting	*(ii)*	–	–	–
Mr. Lam Kwong Ming	*(xiii), (xiv) & (xv)*	–	–	–
		2,216,821	1,369,803	925,025

Notes:

i) Removed on 14 July 2007.
ii) Appointed on 14 July 2007.
iii) Resigned on 28 August 2007.
iv) Resigned on 8 March 2006.
v) Subsequently resigned on 10 January 2009.
vi) Appointed on 17 March 2006.
vii) Appointed on 4 July 2006.
viii) Appointed as alternate director on 29 July 2007 and resigned on 12 August 2007.
ix) Appointed on 10 July 2006.

x) Appointed as alternate director on 29 December 2006 and resigned on 9 January 2007.
xi) Appointed as alternate director on 16 June 2007 and resigned on 18 June 2007.
xii) Appointed as alternate director on 4 July 2007 and resigned on 12 July 2007.
xiii) Appointed on 28 August 2007.
xiv) Appointed as alternate director on 29 July 2007 and resigned on 6 August 2007.
xv) Appointed as alternate director on 26 August 2007 and resigned on 30 August 2007.

(b) Employees' emoluments

The five highest paid employees in the Target Group included one, one and nil director of Group Benefit for each of the three years ended 30 November 2008 respectively. The emoluments of the remaining four, four and five individuals for each of the three years ended 30 November 2008 respectively were as follows:

	Year ended 30 November 2006 *HK$*	**Year ended 30 November 2007** *HK$*	**Year ended 30 November 2008** *HK$*
Salaries and other benefits	4,489,910	6,954,456	7,594,800
Contributions to retirement benefits schemes	38,000	36,000	36,000
	4,527,910	6,990,456	7,630,800

	Year ended 30 November 2006 *(Number of employees)*	**Year ended 30 November 2007** *(Number of employees)*	**Year ended 30 November 2008** *(Number of employees)*
Nil to HK$1,000,000	3	2	3
HK$2,500,001 to HK$3,000,000	1	2	1
HK$3,000,001 to HK$3,500,000	–	–	1

11. INCOME TAX EXPENSE

	Year ended 30 November 2006 *HK$*	**Year ended 30 November 2007** *HK$*	**Year ended 30 November 2008** *HK$*
Current tax:			
Hong Kong	754,517	599,767	522,683
Other jurisdictions	–	53,303	–
	754,517	653,070	522,683
Over provision in prior year – Hong Kong	(1)	–	(25,000)
Deferred tax			
– Current year	40,551	(21,427)	(6,832)
– Attributable to a change in tax rate	–	–	11,066
	795,067	631,643	501,917

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced Hong Kong profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for each of the two years ended 30 November 2006 and 2007 and at 16.5% of the estimated assessable profit for the year ended 30 November 2008.

The tax charge for the Relevant Periods can be reconciled to the profits per the consolidated income statements.

	Year ended 30 November 2006	Year ended 30 November 2007	Year ended 30 November 2008
	HK$	*HK$*	*HK$*
Profit before tax	4,801,497	4,959,764	3,695,547
Tax at Hong Kong profits tax rate	840,262	867,959	609,766
Tax effects of:			
– expenses not deductible for tax purpose	318,917	496,788	278,091
– income not taxable for tax purpose	(1,050,319)	(660,580)	(354,168)
– tax losses not recognized	797,810	32,935	131,597
– utilization of tax losses previously not recognized	(111,602)	(190,117)	(218,670)
– Over provision in respect of prior years	(1)	–	(25,000)
– Others	–	84,658	80,301
Tax charge for the year	795,067	631,643	501,917

12. DIVIDENDS

	Year ended 30 November 2006	Year ended 30 November 2007	Year ended 30 November 2008
	HK$	*HK$*	*HK$*
Interim, paid, of HK$3.38 per share	11,503,266	–	–
Interim, paid, of HK$0.80 per share	–	–	2,722,666

13. EARNINGS PER SHARE

Earnings per share have not been presented as such information is not considered meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Medical instruments	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Target Group	*(Note)*				
COST					
At 1 December 2005	1,495,642	1,450,833	3,620,653	17,100,140	23,667,268
Additions	–	48,618	1,275,960	5,195,880	6,520,458
Acquired on acquisition of a subsidiary	1,176,600	–	–	–	1,176,600
Disposals	–	–	–	(6,980,495)	(6,980,495)
At 30 November 2006	2,672,242	1,499,451	4,896,613	15,315,525	24,383,831
Additions	–	18,043	37,200	663,000	718,243
At 30 November 2007	2,672,242	1,517,494	4,933,813	15,978,525	25,102,074
Additions	–	118,810	70,535	171,800	361,145
At 30 November 2008	2,672,242	1,636,304	5,004,348	16,150,325	25,463,219
DEPRECIATION AND IMPAIRMENT					
At 1 December 2005	205,716	1,353,168	2,803,421	15,841,028	20,203,333
Provided for the year	37,391	58,008	359,949	1,005,169	1,460,517
Eliminated on disposals	–	–	–	(6,924,780)	(6,924,780)
At 30 November 2006	243,107	1,411,176	3,163,370	9,921,417	14,739,070
Provided for the year	66,806	40,257	493,225	1,269,089	1,869,377
At 30 November 2007	309,913	1,451,433	3,656,595	11,190,506	16,608,447
Provided for the year	66,806	50,167	504,697	1,246,250	1,867,920
At 30 November 2008	376,719	1,501,600	4,161,292	12,436,756	18,476,367
CARRYING AMOUNTS					
At 30 November 2008	2,295,523	134,704	843,056	3,713,569	6,986,852
At 30 November 2007	2,362,329	66,061	1,277,218	4,788,019	8,493,627
At 30 November 2006	2,429,135	88,275	1,733,243	5,394,108	9,644,761

Group Benefit	Buildings *HK$* *(Note)*	Furniture, fixtures and equipment *HK$*	Leasehold improvements *HK$*	Medical instruments *HK$*	Total *HK$*
COST					
At 1 December 2005	1,495,642	1,340,476	3,202,466	9,962,056	16,000,640
Additions	–	13,958	–	1,080,000	1,093,958
Disposals	–	–	–	(1,745,124)	(1,745,124)
At 30 November 2006	1,495,642	1,354,434	3,202,466	9,296,932	15,349,474
Additions	1,176,600	18,043	10,000	348,000	1,552,643
At 30 November 2007	2,672,242	1,372,477	3,212,466	9,644,932	16,902,117
Additions	–	89,022	–	144,000	233,022
At 30 November 2008	2,672,242	1,461,499	3,212,466	9,788,932	17,135,139
DEPRECIATION AND IMPAIRMENT					
At 1 December 2005	205,716	1,251,515	2,636,147	8,862,741	12,956,119
Provided for the year	37,391	50,111	148,715	600,000	836,217
Eliminated on disposals	–	–	–	(1,709,409)	(1,709,409)
At 30 November 2006	243,107	1,301,626	2,784,862	7,753,332	12,082,927
Provided for the year	66,806	30,826	148,956	534,000	780,588
At 30 November 2007	309,913	1,332,452	2,933,818	8,287,332	12,863,515
Provided for the year	66,806	35,503	146,320	555,600	804,229
At 30 November 2008	376,719	1,367,955	3,080,138	8,842,932	13,667,744
CARRYING AMOUNTS					
At 30 November 2008	2,295,523	93,544	132,328	946,000	3,467,395
At 30 November 2007	2,362,329	40,025	278,648	1,357,600	4,038,602
At 30 November 2006	1,252,535	52,808	417,604	1,543,600	3,266,547

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

Buildings	Over the shorter of the terms of the lease, or 40 to 48 years
Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Medical instruments	14% – 20%

Note:

The Target Group has pledged land and buildings including buildings elements with carrying amounts of HK$1,147,185 and HK$1,117,770 at 30 November 2007 and 2008 respectively to secure a mortgage loan granted by a bank to the Target Group amounting to HK$6,307,179 and HK$5,961,375 at 30 November 2007 and 2008 respectively. The mortgage loan was drawn down in May 2007.

15. PREPAID LEASE PAYMENTS

	HK$
Target Group	
COST	
At 1 December 2005	2,063,498
Acquired on acquisition of a subsidiary	11,723,400
At 30 November 2006, 30 November 2007 and 30 November 2008	13,786,898
AMORTIZATION	
At 1 December 2005	193,982
Charged for the year	36,657
At 30 November 2006	230,639
Charged for the year	257,853
At 30 November 2007	488,492
Charged for the year	257,853
At 30 November 2008	746,345
CARRYING AMOUNTS	
At 30 November 2008	13,040,553
At 30 November 2007	13,298,406
At 30 November 2006	13,556,259

	HK$
Group Benefit	
COST	
At 1 December 2005 and 30 November 2006	2,063,498
Additions	11,723,400
At 30 November 2007 and 30 November 2008	13,786,898
AMORTIZATION	
At 1 December 2005	193,982
Charges for the year	36,657
At 30 November 2006	230,639
Charges for the year	257,853
At 30 November 2007	488,492
Charges for the year	257,853
At 30 November 2008	746,345
CARRYING AMOUNTS	
At 30 November 2008	13,040,553
At 30 November 2007	13,298,406
At 30 November 2006	1,832,859

	As at 30 November 2006	**As at 30 November 2007**	**As at 30 November 2008**
	HK$	*HK$*	*HK$*
Target Group			
The prepaid lease payments comprise:			
Land in Hong Kong:			
Long lease	13,556,259	13,298,406	13,040,553
Group Benefit			
The prepaid lease payments comprise:			
Land in Hong Kong:			
Long lease	1,832,859	13,298,406	13,040,553

The Target Group has pledged certain land and buildings including prepaid lease payments elements with carrying amounts of HK$11,281,008 and HK$11,502,204 at 30 November 2007 and 2008 respectively to secure a mortgage loan granted by a bank to the Target Group amounting to HK$6,307,179 and HK$5,961,375 at 30 November 2007 and 2008 respectively. The mortgage loan was drawn down in May 2007.

16. INTERESTS IN SUBSIDIARIES

	Notes	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Group Benefit				
Unlisted equity investments, at cost	*(i) & (ii)*	3,365,179	5,763,689	5,763,689
Provision for impairment	*(iii)*	–	–	(2,561,573)
		3,365,179	5,763,689	3,202,116
Amounts due from subsidiaries	*(iv)*	13,551,309	6,241,924	4,692,990
Provision for impairment		(1,088,540)	(1,088,540)	(1,088,540)
		15,827,948	10,917,073	6,806,566

Notes:

(i) During the year ended 30 November 2006, the Target Group acquired the entire equity interest in Allied Rich Development Limited at a consideration of HK$1,015,176 (Note 27).

(ii) On 25 January 2007, Union Wise Enterprises Limited issued additional 3,850,000 ordinary shares of HK$1 each at par for cash, of which 2,400,000 ordinary shares were allotted to the Target Group. As a result, the Target Group's equity interest in Union Wise Enterprises Limited was diluted from 100% to 62.34%.

(iii) A provision for impairment against the investments in subsidiaries of HK$2,561,573 was recognized as at 30 November 2008 as the recoverable amounts of the investments in subsidiaries with reference to the net asset value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investments in subsidiaries were reduced to their recoverable amounts.

(iv) The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INTEREST IN AN ASSOCIATE

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Target Group			
Cost of investment in an associate			
Unlisted	52	52	52
Share of post-acquisition profits, net of dividends received	2,035,874	1,458,981	1,258,627
	2,035,926	1,459,033	1,258,679
Group Benefit			
Cost of investment in an associate			
Unlisted *(Note)*	1,430,026	1,430,026	1,430,026
Provision for impairment	–	–	(171,347)
	1,430,026	1,430,026	1,258,679

At 30 November 2006, 2007 and 2008, the Target Group had interests in the following associate:

Name	Place of incorporation	Particulars of issued share capital	Attributable equity interest held by Group Benefit	Principal activities
First Oriental Nuclear Medicine Limited *(Note)*	Hong Kong	Ordinary shares, HK$200	26%	Provision of PET scanning services

Note:

During the year ended 30 November 2006, Champion Projects Limited, a subsidiary of Group Benefit, transferred 13% equity interests in First Oriental Nuclear Medicine Limited to Group Benefit. As a result, Group Benefit directly held 26% equity interest in this associate.

The financial statements of the above associate have a financial year ending 31 December. The consolidated financial information for the 12 months ended 30 November 2006, 2007 and 2008 is based on unaudited financial statements.

The summarized financial information in respect of the associate is set out below:

	Year ended 30 November 2006 HK$	Year ended 30 November 2007 HK$	Year ended 30 November 2008 HK$
Total assets	9,983,967	8,188,942	6,292,232
Total liabilities	(2,153,484)	(2,577,277)	(1,451,157)
Net assets	7,830,483	5,611,665	4,841,075
Target Group's share of net assets of associates	2,035,926	1,459,033	1,258,679
Revenue	16,352,570	19,136,786	18,006,812
Profit for the year	2,693,685	2,781,182	3,229,410
Target Group's share of profits of associate for the year	700,358	723,107	839,646

18. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Target Group and Group Benefit			
Unlisted equity securities *(Note)*	80,000	80,000	80,000
Provision for impairment	–	–	(80,000)
	80,000	80,000	–

Note:

The Target Group holds 1.27% of the ordinary share capital of Century Medical Practice Limited, a private entity incorporated in Hong Kong. The investment in Century Medical Practice Limited was measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates was so significant that the directors of the Target Group considered that the fair value cannot be measured reliably. A provision for impairment of HK$80,000 has been made for the year ended 30 November 2008. The Target Group does not presently intend to dispose of this investment.

19. DEFERRED TAXATION

The following are the major deferred tax balances recognized and movements thereon during the Relevant Periods:

Deferred tax liabilities	Year ended 30 November 2006 *HK$*	Year ended 30 November 2007 *HK$*	Year ended 30 November 2008 *HK$*
Target Group			
Accelerated tax depreciation allowances			
At the beginning of the year	–	19,400	–
Credited to consolidated income statement	–	(19,400)	–
Acquisition of a subsidiary *(Note 27)*	19,400	–	–
At the end of the year	19,400	–	–

Deferred tax assets	Year ended 30 November 2006 *HK$*	Year ended 30 November 2007 *HK$*	Year ended 30 November 2008 *HK$*
Target Group and Group Benefit			
Accelerated tax depreciation charges			
At the beginning of the year	232,177	191,626	193,653
(Charged)/credited to consolidated income statement	(40,551)	2,027	(4,234)
At the end of the year	191,626	193,653	189,419

20. INVENTORIES

	As at 30 November 2006 *HK$*	As at 30 November 2007 *HK$*	As at 30 November 2008 *HK$*
Target Group			
Materials for use in provision of diagnostic service	171,737	60,460	142,105
Group Benefit			
Materials for use in provision of diagnostic service	121,044	60,460	142,105

21. TRADE AND OTHER RECEIVABLES

	As at 30 November 2006 *HK$*	As at 30 November 2007 *HK$*	As at 30 November 2008 *HK$*
Target Group			
Trade receivables	1,699,755	2,347,408	2,503,921
Provision of impairment	–	(92,940)	(92,940)
	1,699,755	2,254,468	2,410,981
Other receivables, deposits and prepayments	926,974	677,294	772,636
	2,626,729	2,931,762	3,183,617
Group Benefit			
Trade receivables	924,233	1,198,846	1,215,790
Provision of impairment	–	(92,940)	(92,940)
	924,233	1,105,906	1,122,850
Other receivables, deposits and prepayments	610,533	192,319	237,630
	1,534,766	1,298,225	1,360,480

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

	As at 30 November 2006 *HK$*	As at 30 November 2007 *HK$*	As at 30 November 2008 *HK$*
Target Group			
0 – 30 days	983,716	878,767	945,865
31 – 60 days	629,622	887,107	927,801
Over 60 days	86,417	581,534	630,255
	1,699,755	2,347,408	2,503,921
Group Benefit			
0 – 30 days	506,360	455,472	478,471
31 – 60 days	372,821	432,437	521,107
Over 60 days	45,052	310,937	216,212
	924,233	1,198,846	1,215,790

The Target Group's and Group Benefit's trade receivables are dominated in Hong Kong dollars. The Target Group and Group Benefit allow an average credit period of 30 days to its trade customers.

The aging analysis of these receivables is as follows:

	As at 30 November 2006	**As at 30 November 2007**	**As at 30 November 2008**
	HK$	*HK$*	*HK$*
Target Group			
Neither past due nor impaired	983,716	878,767	945,865
Past due but not impaired			
– 1 – 30 days past due	629,622	887,107	927,801
– Over 30 days past due	86,417	488,594	537,315
	1,699,755	2,254,468	2,410,981
Group Benefit			
Neither past due nor impaired	506,360	455,472	478,471
Past due but not impaired			
– 1 – 30 days past due	372,821	432,437	521,107
– Over 30 days past due	45,052	217,997	123,272
	924,233	1,105,906	1,122,850

For the Target Group and Group Benefit's trade receivables which are past due but not impaired relate to a number of independent customers. Based on the past experience, the directors considered that no impairment allowance is necessary in respect of these balances as these balances are considered to be fully recoverable.

Movement in the provision of impairment of trade receivables are as follows:

	Year ended 30 November 2006	**Year ended 30 November 2007**	**Year ended 30 November 2008**
	HK$	*HK$*	*HK$*
Target Group and Group Benefit			
At 1 December	–	–	92,940
Provision of impairment	–	92,940	–
At 30 November	–	92,940	92,940

At 30 November 2007, the Target Group and Group Benefit's trade receivables of HK$92,940 were impaired due to unexpected difficulty in collecting the outstanding amounts.

22. AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS OF A SUBSIDIARY/FORMER SHAREHOLDERS OF A SUBSIDIARY/DIRECTORS/THE ULTIMATE HOLDING COMPANY

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

23. TRADE AND OTHER PAYABLES

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Target Group			
Trade payables	1,284,288	1,191,939	1,143,969
Other payables and accruals	4,796,503	525,921	552,756
	6,080,791	1,717,860	1,696,725
Group Benefit			
Trade payables	1,065,665	874,073	869,135
Other payables and accruals	626,012	487,620	510,838
	1,691,677	1,361,693	1,379,973

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

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Target Group			
0 – 60 days	1,166,414	1,022,927	902,142
61 – 90 days	6,369	10,850	12,529
Over 90 days	111,505	158,162	229,298
	1,284,288	1,191,939	1,143,969
Group Benefit			
0 – 60 days	1,022,824	804,686	749,028
61 – 90 days	3,480	401	10,636
Over 90 days	39,361	68,986	109,471
	1,065,665	874,073	869,135

24. BANK BORROWINGS

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Target Group and Group Benefit			
Bank loan, secured *(Note)*	–	6,307,179	5,961,375
Carrying amount repayable:			
On demand or within one year	–	283,033	375,995
More than one year, but not exceeding two years	–	362,623	385,525
More than two years, but not more than five years	–	1,084,254	1,216,051
More than five years	–	4,577,269	3,983,804
	–	6,307,179	5,961,375
Less: Amounts due within one year shown under current liabilities	–	(283,033)	(375,995)
	–	6,024,146	5,585,380

Note:

The bank loan is secured by a mortgage over the Target Group's buildings (Note 14) and prepaid lease payments (Note 15) and bearing interest at 2.5% below the lender's Hong Kong dollars best lending rate per annum. The weighted average effective interest rates on the bank loan are 4.5% and 2.5% for the years ended 30 November 2007 and 2008 respectively.

25. SHARE CAPITAL

	As at 30 November 2006 HK$	As at 30 November 2007 HK$	As at 30 November 2008 HK$
Authorized			
3,620,000 ordinary shares of HK$1 each	3,620,000	3,620,000	3,620,000
Issued and fully paid			
3,403,333 ordinary shares of HK$1 each	3,403,333	3,403,333	3,403,333

26. SHARE PREMIUM AND RESERVES

	Share premium *HK$*	Investment revaluation reserve *HK$*	Retained profits *HK$*	Total reserves *HK$*
Group Benefit				
At 1 December 2005	2,186,666	120,494	20,643,636	22,950,796
Gain on fair value changes of available-for-sale investments	–	17,052	–	17,052
Net income recognized directly in equity	–	17,052	–	17,052
Transfer to profit or loss on sale of available-for-sale investments	–	(137,546)	–	(137,546)
Profit for the year	–	–	10,372,108	10,372,108
Total recognized income and expenses for the year	–	(120,494)	10,372,108	10,251,614
Dividends paid	–	–	(11,503,266)	(11,503,266)
At 30 November 2006	2,186,666	–	19,512,478	21,699,144
Profit for the year	–	–	3,144,451	3,144,451
Total recognized income and expense for the year	–	–	3,144,451	3,144,451
At 30 November 2007	2,186,666	–	22,656,929	24,843,595
Profit for the year	–	–	496,563	496,563
Total recognized income and expenses for the year	–	–	496,563	496,563
Dividends paid	–	–	(2,722,666)	(2,722,666)
At 30 November 2008	2,186,666	–	20,430,826	22,617,492

27. ACQUISITION OF A SUBSIDIARY

During the year ended 30 November 2006, the Target Group acquired 100% of the issued share capital of Allied Rich Development Limited from certain directors of Group Benefit for a consideration of HK$1,015,176.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount and fair value before combination
	HK$
Net assets acquired:	
Property, plant and equipment	1,176,600
Prepaid lease payments	11,723,400
Bank balances	427,853
Other payables	(61,400)
Tax payable	(50,224)
Loans from shareholders	(12,181,653)
Deferred tax liabilities	(19,400)
	1,015,176
Total consideration satisfied by:	
Cash paid	600,000
Balance payable	415,176
	1,015,176
Net cash outflow arising on acquisition:	
Cash consideration paid	600,000
Cash and cash equivalents acquired	(427,853)
	172,147

28. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	As at 30 November 2006	**As at 30 November 2007**	**As at 30 November 2008**
	HK$	*HK$*	*HK$*
Within one year	1,068,809	1,304,373	1,433,354
In the second to fifth years inclusive	1,045,319	1,306,418	2,681,064
	2,114,128	2,610,791	4,114,418

Operating leases relate to clinics with leases terms of between 2 to 3 years. All operating lease contracts contain market review clauses in the event that the Target Group exercises its option to renew.

29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial information, the Target Group entered into the following significant related party transactions during the Relevant Periods:

	Year ended 30 November 2006	**Year ended 30 November 2007**	**Year ended 30 November 2008**
	HK$	*HK$*	*HK$*
Management fee paid to the ultimate holding company *(note (i))*	–	–	1,151,613
Diagnostic scanning service fees received from the directors of a subsidiary *(note (ii))*	1,113,611	1,079,795	543,246

Note:

(i) The management fee was based on terms agreed between the parties involved.

(ii) The fees were substantially in line with those offered by the Group to its third party clients.

30. LITIGATION

The Target Group engaged in the following litigations during the Relevant Periods and these litigations are still in process:

(a) Group Benefit has claimed against Leung Tze Ching ("LTC") for, inter alia, sums of money received by LTC during his office as director of Group Benefit or alternatively damages for breach of fiduciary duties owed to Group Benefit;

(b) LTC has claimed against Group Benefit for, inter alia, outstanding remuneration and upwards adjustment to the remuneration to LTC during LTC's office as director and managing director of Group Benefit and damages for wrongful termination of contract (including wages in lieu of notice and long service payment); and

(c) Champion Projects Limited ("CPL"), a non-wholly owned subsidiary of Group Benefit, is claiming against LTC for sums of money received by LTC during his office as director of CPL and/or alternatively damages for breach of fiduciary duties owed to CPL.

On 11 May 2009, Group Benefit, CPL and LTC entered into a conditional deed of settlement ("Settlement Deed"), pursuant to which the parties have agreed to a full and final settlement of all claims, demands, choses in action they have or may have against each other (including but not limited to claims for reimbursement of expenses), and all actions and/or legal proceedings and/or suits among them and all claims or causes of action of one party against each other thereunder or otherwise in relation thereto whatsoever and wheresoever in accordance with its terms. The Settlement Deed is held in escrow pending, and is conditional and shall become fully effective only upon the completion of the proposed acquisition by Joy Surplus International Limited, a wholly-owned subsidiary of Hong Kong Health Check Laboratory Holdings Company Limited, of approximately 49.66% equity interest in Group Benefit, and shall not take effect at all until and unless the completion of the proposed acquisition has taken place.

31. ULTIMATE HOLDINGS COMPANY

In the opinion of the directors, the ultimate holding company of Group Benefit as at 30 November 2007 and 2008 was Info Allied Limited, which was incorporated in Hong Kong.

II. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the financial information, no significant event took place subsequent to 30 November 2008.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies comprising the Target Group have been prepared in respect of any period subsequent to 30 November 2008.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

5 November 2009

The Board of Directors
Hong Kong Health Check and Laboratory Holdings Company Limited
Shop 2B & 2C, Level 1
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Health Walk Limited ("Health Walk") and its subsidiaries (hereinafter collectively referred to as the "Health Walk Group") for the three years ended 31 March 2007, 2008 and 2009 and the four months period ended 31 July 2009 (the "Relevant Periods"), for inclusion in the circular (the "Circular") dated 5 November 2009 issued by Hong Kong Health Check and Laboratory Holdings Company Limited (the "Company").

Health Walk is a private limited liability company incorporated in the British Virgin Islands on 28 February 2001. The address of its registered office and principal place of business are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and Shop 37, Level 3, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, New Territories, Hong Kong respectively. Its principal activity is investment holding.

At the date of this report, Health Walk has the following subsidiaries, all of which are private companies with limited liability:

Name	**Date and place of incorporation**	**Particulars of issued capital**	**Attributable equity interest held by Health Walk**	**Principal activities**
First Oriental Medical Technology Group Limited *(Note (i))*	2 November 1999, British Virgin Islands ("BVI")	Ordinary shares, US$1,100	78% (direct)	Investment holding
First Oriental Medical Technology Limited *(Note (ii))*	30 June 1999, Hong Kong	Ordinary shares, HK$1,000,000	78% (indirect)	Investment holding
First Oriental Cyclotron Limited *(Note (ii))*	10 December 1999, Hong Kong	Ordinary shares, HK$10,000	73.32% (indirect)	Production of radioactive isotopes for medical uses

Notes:

(i) No audited financial statements of Health Walk and First Oriental Medical Technology Group Limited have been prepared as there are no statutory requirements for these entities to prepare audited financial statements in their place of incorporation.

(ii) The statutory financial statements of each of First Oriental Medical Technology Limited and First Oriental Cyclotron Limited for each of the years ended 31 March 2007, 2008 and 2009, were audited by Messrs. Deloitte Touche Tohmatsu, Hong Kong.

For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the consolidated management accounts of the Health Walk Group for the Relevant Periods, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the consolidated management accounts (the "Underlying Financial Statements") of the Health Walk Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Health Walk Group for the Relevant Periods and the consolidated statements of financial position as at 31 March 2007, 2008 and 2009 and 31 July 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the director of Health Walk who approved their issue. The director of Health Walk is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, except for the effect of the non-consolidation of assets and liabilities, income and expense of certain subsidiaries in the preparation of the Financial Information as fully explained in the basis of preparation of financial information set out in note 1 to the Financial Information below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Health Walk Group and Health Walk at 31 March 2007, 2008 and 2009 and 31 July 2009 and of the results and cash flows of the Health Walk Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Health Walk Group for the four months ended 31 July 2008 together with the notes thereon (the "31 July 2008 Financial Information") have been extracted from the financial information of the Health Walk Group for the same period which was prepared by the director of Health Walk solely for the purpose of this report. We have reviewed the 31 July 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 July 2008 Financial Information consisted of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 July 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 July 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Revenue	8	15,885,020	21,001,380	24,590,030	8,154,830	8,149,090
Cost of sales		(3,610,788)	(3,331,433)	(3,485,146)	(1,079,040)	(1,268,985)
Gross profit		12,274,232	17,669,947	21,104,884	7,075,790	6,880,105
Other income and gains	9	289,714	2,903,731	34	18	308,019
Administrative expenses		(2,083,544)	(2,793,609)	(4,651,274)	(1,020,980)	(1,705,394)
Gain/(loss) on disposal of subsidiaries	28	–	(22,712,823)	119,911	–	–
Profit/(loss) before tax	10	10,480,402	(4,932,754)	16,573,555	6,054,828	5,482,730
Income tax expense	12	(1,741,517)	(2,532,240)	(2,934,173)	(1,000,000)	(876,998)
Profit/(loss) and total comprehensive income/(expense) for the year/period		8,738,885	(7,464,994)	13,639,382	5,054,828	4,605,732
Total comprehensive income/(expense) attributable to:						
Equity holders of Health Walk		4,308,950	(15,321,694)	6,485,336	2,420,659	2,436,804
Minority interests		4,429,935	7,856,700	7,154,046	2,634,169	2,168,928
		8,738,885	(7,464,994)	13,639,382	5,054,828	4,605,732

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Health Walk Group			
		At 31 March 2007	At 31 March 2008	At 31 March 2009	At 31 July 2009
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	2,088,085	2,321,099	2,096,727	2,450,081
Goodwill	*15*	8,366,944	8,366,944	8,366,944	38,498,966
Interests in a subsidiary	*16*	29,626,994	–	–	–
Available-for-sale investment	*17*	1	1	1	1
Deposit paid on acquisition of property, plant and equipment	*18*	6,846,400	6,846,400	–	–
		46,928,424	17,534,444	10,463,672	40,949,048
CURRENT ASSETS					
Inventories	*19*	381,196	361,316	380,492	439,135
Trade and other receivables	*20*	1,169,839	893,243	1,494,657	1,678,488
Amount due from immediate holding company	*21*	8	8	8	–
Amount due from a subsidiary	*21*	3,000,000	–	–	–
Amounts due from related companies	*22*	655,950	1,595,048	1,310,100	1,976,000
Amount due from an investee company	*21*	787,500	638,900	626,650	599,700
Amounts due from minority shareholders	*21*	5,531,691	2,265,339	463,974	–
Bank balances and cash	*23*	9,165,758	6,227,563	1,928,282	2,125,020
		20,691,942	11,981,417	6,204,163	6,818,343
CURRENT LIABILITIES					
Trade and other payables	*24*	7,448,603	403,658	67,486	87,831
Amount due to ultimate holding company	*21*	37,917,823	22,486,310	11,296,528	–
Amount due to immediate holding company	*21*	–	–	–	42,187,835
Amounts due to fellow subsidiaries	*21*	1,989,575	1,989,575	1,989,575	–
Amount due to a minority shareholder	*21*	–	–	1,485,000	47,727
Tax payable		684,827	943,274	638,780	1,515,778
		48,040,828	25,822,817	15,477,369	43,839,171
NET CURRENT LIABILITIES		(27,348,886)	(13,841,400)	(9,273,206)	(37,020,828)
NET ASSETS		19,579,538	3,693,044	1,190,466	3,928,220
CAPITAL AND RESERVES					
Share capital	*25*	8	8	8	8
Retained earnings/ (accumulated losses)		8,340,485	(6,981,209)	(495,873)	1,940,931
Equity attributable to equity holders of Health Walk		8,340,493	(6,981,201)	(495,865)	1,940,939
Minority interests		11,239,045	10,674,245	1,686,331	1,987,281
TOTAL EQUITY		19,579,538	3,693,044	1,190,466	3,928,220

STATEMENTS OF FINANCIAL POSITION

		Health Walk			
		At 31 March 2007	At 31 March 2008	At 31 March 2009	At 31 July 2009
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS					
Interests in subsidiaries	*16*	42,962,872	13,335,878	13,335,878	45,335,878
CURRENT ASSETS					
Amount due from immediate holding company	*21*	8	8	8	–
Amount due from a subsidiary	*21*	3,000,000	–	2,805,000	–
Amount due from a minority shareholder	*21*	558,000	–	–	–
		3,558,008	8	2,805,008	–
CURRENT LIABILITIES					
Amount due to ultimate holding company	*21*	37,499,823	22,024,210	11,296,528	–
Amount due to immediate holding company	*21*	–	–	–	42,187,835
Amount due to a subsidiary	*21*	4,584,900	1,764,600	–	–
Amounts due to fellow subsidiaries	*21*	1,989,575	1,989,575	1,989,575	–
		44,074,298	25,778,385	13,286,103	42,187,835
NET CURRENT LIABILITIES		(40,516,290)	(25,778,377)	(10,481,095)	(42,187,835)
NET ASSETS/(LIABILITIES)		2,446,582	(12,442,499)	2,854,783	3,148,043
CAPITAL AND RESERVES					
Share capital	*25*	8	8	8	8
Retain earnings/ (accumulated losses)		2,446,574	(12,442,507)	2,854,775	3,148,035
TOTAL EQUITY		2,446,582	(12,442,499)	2,854,783	3,148,043

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of Health Walk				
	Share capital *HK$*	Retained profits/ (accumulated losses) *HK$*	Total *HK$*	Minority interests *HK$*	Total equity *HK$*
At 1 April 2006	8	4,031,535	4,031,543	6,809,110	10,840,653
Profit and total comprehensive income for the year	–	4,308,950	4,308,950	4,429,935	8,738,885
At 31 March 2007	8	8,340,485	8,340,493	11,239,045	19,579,538
Profit/(loss) and total comprehensive income/ (expense) for the year	–	(15,321,694)	(15,321,694)	7,856,700	(7,464,994)
Dividends paid to minority interests	–	–	–	(8,421,500)	(8,421,500)
At 31 March 2008	8	(6,981,209)	(6,981,201)	10,674,245	3,693,044
Profit and total comprehensive income for the year	–	6,485,336	6,485,336	7,154,046	13,639,382
Dividends paid to minority interests	–	–	–	(16,141,960)	(16,141,960)
At 31 March 2009	8	(495,873)	(495,865)	1,686,331	1,190,466
Profit and total comprehensive income for the period	–	2,436,804	2,436,804	2,168,928	4,605,732
Acquisition of additional interests in a subsidiary	–	–	–	(1,867,978)	(1,867,978)
At 31 July 2009	8	1,940,931	1,940,939	1,987,281	3,928,220
(Unaudited)					
At 1 April 2008	8	(6,981,209)	(6,981,201)	10,674,245	3,693,044
Profit and total comprehensive income for the period	–	2,420,659	2,420,659	2,634,169	5,054,828
At 31 July 2008	8	(4,560,550)	(4,560,542)	13,308,414	8,747,872

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Operating activities						
Profit/(loss) before tax		10,480,402	(4,932,754)	16,573,555	6,054,828	5,482,730
Adjustments for:						
Interest income		(34,095)	(138,325)	(34)	(18)	(1)
Dividend income from unlisted investments		(240,149)	(2,765,406)	–	–	–
Depreciation		762,480	796,376	456,065	144,446	176,951
Impairment loss recognized on amount due from a minority shareholder		–	–	–	–	508,000
Gain on disposal of property, plant and equipment		(7,970)	–	–	–	–
(Gain)/loss on disposal of subsidiaries	28	–	22,712,823	(119,911)	–	–
Operating cash flows before movements in working capital		10,960,668	15,672,714	16,909,675	6,199,256	6,167,680
Inventories		(119,056)	19,880	(19,176)	(36,371)	(58,643)
Trade and other receivables		(719,031)	276,596	(1,097,208)	(6,786)	(183,831)
Amount due from immediate holding company		–	–	–	–	8
Amount due from a subsidiary		–	3,000,000	–	–	–
Amounts due from related companies		(218,850)	(939,098)	284,948	537,398	(665,900)
Amount due from an investee company		703,799	148,600	12,250	(6,600)	26,950
Amounts due from minority shareholders		(1,155,407)	3,266,352	1,801,365	3,389	(44,026)
Trade and other payables		6,986,982	(7,044,945)	10,633,828	(259,832)	20,345
Amount due to ultimate holding company		(24,969)	(14,323,968)	(11,189,782)	258	(43,296,528)
Amount due to immediate holding company		–	–	–	–	42,187,835
Amounts due to fellow subsidiaries		–	–	–	–	(1,989,575)
Amount due to a minority shareholder		–	–	1,485,000	–	(1,437,273)
Cash generated from operations		16,414,136	76,131	18,820,900	6,430,712	727,042
Hong Kong profits tax paid		(1,313,897)	(2,273,793)	(3,238,667)	–	–

	Notes	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Net cash generated by/ (used in) operating activities		15,100,239	(2,197,662)	15,582,233	6,430,712	727,042
Investing activities						
Interest received		34,095	138,325	34	18	1
Dividends received from unlisted investments		240,149	2,765,406	–	–	–
Deposit paid on acquisition of property, plant and equipment		(6,846,400)	–	(2,947,071)	–	–
Proceeds from disposal of property, plant and equipment		7,970	–	–	–	–
Purchase of property, plant and equipment		(1,633,406)	(1,029,390)	(231,693)	(22,000)	(530,305)
Disposal of subsidiaries	*28*	–	5,806,626	(560,824)	–	–
Net cash generated by/ (used in) investing activities		(8,197,592)	7,680,967	(3,739,554)	(21,982)	(530,304)
Financing activities						
Dividends paid to minority shareholders		–	(8,421,500)	(16,141,960)	–	–
Net cash used in financing activities		–	(8,421,500)	(16,141,960)	–	–
Net increase/(decrease) in cash and cash equivalents		6,902,647	(2,938,195)	(4,299,281)	6,408,730	196,738
Cash and cash equivalent at beginning of the year/period		2,263,111	9,165,758	6,227,563	6,227,563	1,928,282
Cash and cash equivalent at end of the year/period, representing bank balances and cash		9,165,758	6,227,563	1,928,282	12,636,293	2,125,020

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has 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 Financial Information is presented in Hong Kong dollars which is the same as the functional currency of the Health Walk Group, except where otherwise indicated.

The Financial Information has been prepared in accordance with all of the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for the Health Walk Group's financial period beginning on or prior to 1 April 2009 in the preparation of the Financial Information throughout the Relevant Periods, except for the departure from the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" regarding the non-consolidation of assets and liabilities, income and expense of certain subsidiaries in the preparation of the Financial Information as further explained below. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the Relevant Periods, the Health Walk Group had the following investments in certain companies which were engaged in the business of sale of cardiology and peripheral vascular related surgical equipment other than the core business of the Health Walk Group.

(a) 56.13% equity interests in Pacific Medical (Holding) Company Limited ("Pacific Medical"), a company incorporated in the British Virgin Islands and principally engaged in investment holding. Such investment was held by Health Walk prior to 1 April 2006 and was disposed of on 10 March 2008.

(b) 56.13% equity interests in Pacific Medical (China) Group Company Limited, a company incorporated in the British Virgin Islands and principally engaged in the business of sale of cardiology and peripheral vascular related surgical equipment. Such investment was held by Pacific Medical prior to 1 April 2006.

(c) 56.13% equity interests in Pacific Medical Technology Limited, a company incorporated in the British Virgin Islands and principally engaged in investment holding. Such investment was held by Pacific Medical prior to 1 April 2006.

(d) 56.13% equity interests in Pacific Medical Trading Limited, a company incorporated in the British Virgin Islands and principally engaged in investment holding. Such investment was held by Pacific Medical prior to 1 April 2006.

(e) 56.13% equity interests in Pacific Medical (China) Company Limited, a company incorporated in Hong Kong and principally engaged in the business of sale of cardiology and peripheral vascular related surgical equipment. Such investment was held by Pacific Medical prior to 1 April 2006.

(f) 56.13% equity interests in Pacific Medical (Hong Kong) Company Limited, a company incorporated in Hong Kong and principally engaged in the business of sale of cardiology and peripheral vascular related surgical equipment. Such investment was held by Pacific Medical prior to 1 April 2006.

(g) 56.13% equity interests in上海帕斯醫療器材有限公司, an entity established in the People's Republic of China (the "PRC") and principally engaged in the business of sale of cardiology and peripheral vascular related surgical equipment. Such investment was held by Pacific Medical Trading Limited prior to 1 April 2006.

As the above-mentioned companies were not engaged in the same core business of the Health Walk Group and had been disposed of by the Health Walk Group on 10 March 2008, for the purposes of this report, the investments are accounted for as "interests in subsidiaries" as set out in note 16 to the Financial Information and their underlying assets and liabilities, results and cash flows are not included in the preparation of the Financial Information. This accounting treatment is a departure from the requirements of Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" which requires consolidation of the investments be classified as investments in subsidiaries into the Financial Information.

The Health Walk Group had net current liabilities of HK$27,348,886, HK$13,841,400, HK$9,273,206, HK$37,020,828 at 31 March 2007, 31 March 2008, 31 March 2009 and 31 July 2009 respectively. The Financial Information has been prepared on a going concern basis because the ultimate holding company has agreed to provide adequate funds to enable the Health Walk Group to meet in full its financial obligations as they fall due for the foreseeable future.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008	1
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009	2
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1
HKAS 39 (Amendment)	Eligible Hedged Items	1
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	3
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	3
HKFRS 3 (Revised)	Business Combinations	1
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1
HK(IFRIC) – Int 18	Transfers of Assets from Customers	4

1. Effective for annual periods beginning on or after 1 July 2009.
2. Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3. Effective for annual periods beginning on or after 1 January 2010.
4. Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Health Walk Group's accounting treatment for non-common control business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for change in the Health Walk Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HK(IFRIC) – Int 18 applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The director of Health Walk anticipates that the application of HK(IFRIC) – Int 18 will have no financial impact to the Health Walk Group's operating results nor financial positions.

The director of Health Walk anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Health Walk Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Except for the non-consolidation of assets and liabilities, income and expense of certain subsidiaries as set out in note 1 to the Financial Information, the Financial Information incorporates the financial statements of Health Walk and entities controlled by Health Walk (its subsidiaries). Control is achieved where Health Walk 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 Relevant Periods are included in the consolidated statement of comprehensive income 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 Health Walk 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 Health Walk 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 interests in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Health Walk Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Health Walk 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 Health Walk Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Health Walk Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

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

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Health Walk Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly controlled entity 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 statement of financial position.

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 at the end of each reporting period, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. 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 statement of comprehensive income and 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.

Interests in subsidiaries

Interests in subsidiaries are stated at cost less any identified impairment loss in Health Walk's statement of financial position.

Revenue recognition

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

Revenue from sales of goods is recognized when goods are delivered and title has passed.

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

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

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

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

Leasing (the Health Walk 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.

Rental expenses arising from operating leases is charged to the consolidated statement of comprehensive income on a straight line basis over the relevant lease term. 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. 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.

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 Health Walk's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the Financial Information. 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.

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 end of each reporting period. Exchange differences arising are recognized in the translation reserve.

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/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income and expense that are never taxable or deductible. The Health Walk Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information 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, except where the Health Walk 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 the end of each reporting period 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 year/period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Health Walk Group 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 ("FVTPL") are recognized immediately in profit or loss.

Financial assets

The Health Walk Group's financial assets are classified into one of the three categories, including financial assets at 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 Periods. 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 to the net carrying amount of the asset on initial recognition.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 Health Walk 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 the end of each reporting period 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.

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 deposit paid on acquisition of property, plant and equipment, trade and other receivables, amount due from immediate holding company, amount due from a subsidiary, amounts due from related companies, amount due from an investee company, amounts due from minority shareholders and 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).

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 and loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss (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, they are measured at cost less any identified impairment losses at the end of each reporting period 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 the end of each reporting period. 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
- when it becomes probable that the borrower will enter bankruptcy or financial re-organization.

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 Health Walk Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. 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.

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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Health Walk Group 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 Health Walk 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 Periods. 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 to the net carrying amount of the liabilities on initial recognition.

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.

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 Health Walk 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 Health Walk 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 the end of each reporting period 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.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to ultimate holding company, amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a minority shareholder) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Health Walk 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 Health Walk Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Health Walk Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

Provisions

Provisions are recognized when the Health Walk Group has a present obligation as a result of a past event, and it is probable that the Health Walk Group will be required to settle that obligation. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

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.

4. CAPITAL RISK MANAGEMENT

The Health Walk Group manages its capital to ensure that entities in the Health Walk Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Health Walk Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Health Walk Group consists of debt, which includes advances from group companies and equity attributable to equity holders of Health Walk, comprising issued share capital and retained profits/accumulated losses.

The director of Health Walk reviews the capital structure regularly. As part of this review, the director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Health Walk Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

5. CATEGORIES OF FINANCIAL INSTRUMENTS

The Health Walk Group	*Notes*	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Financial assets					
Loans and receivables:					
– Deposit paid on acquisition of property, plant and equipment	*18*	6,846,400	6,846,400	–	–
– Trade and other receivables	*20*	1,089,863	802,865	1,325,276	1,253,398
– Amount due from immediate holding company	*21*	8	8	8	–
– Amount due from a subsidiary	*21*	3,000,000	–	–	–
– Amounts due from related companies	*22*	655,950	1,595,048	1,310,100	1,976,000
– Amount due from an investee company	*21*	787,500	638,900	626,650	599,700
– Amounts due from minority shareholders	*21*	5,531,691	2,265,339	463,974	–
– Bank balances and cash	*23*	9,165,758	6,227,563	1,928,282	2,125,020
Available-for-sale financial assets:					
– Available-for-sale investment	*17*	1	1	1	1
Financial liabilities					
Amortized costs:					
– Trade and other payables	*24*	7,448,603	403,658	67,486	87,831
– Amount due to ultimate holding company	*21*	37,917,823	22,486,310	11,296,528	–
– Amount due to immediate holding company	*21*	–	–	–	42,187,835
– Amounts due to fellow subsidiaries	*21*	1,989,575	1,989,575	1,989,575	–
– Amount due to a minority shareholder	*21*	–	–	1,485,000	47,727

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Health Walk 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 Financial Information 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 Health Walk 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.

Impairment loss on receivables

The policy for allowance for bad and doubtful debts of the Health Walk Group is based on the evaluation of collectability of accounts and on management's estimate. In determining whether impairment is required, the Health Walk 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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Health Walk Group's major financial instruments include deposit paid on acquisition of property, plant and equipment, trade and other receivables, amount due from immediate holding company, amount due from a subsidiary, amounts due from related companies, amount due from an investee company, amounts due from minority shareholders, bank balances and cash, trade and other payables, amount due to ultimate holding company, amount due to immediate holding company, amounts due to fellow subsidiaries and amount due to a minority shareholder. 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 Health Walk Group's exposure to market risk or the manner in which it manages and measures the risk.

Currency risk

During the Relevant Periods, the Health Walk Group mainly operated in Hong Kong and the majority of the Health Walk Group's transactions and balances were denominated in Hong Kong dollars. The director of Health Walk considers that the currency risk is not significant and the Health Walk 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.

Interest rate risk

The Health Walk Group is exposed to minimal interest rate risk as the Health Walk Group's financial assets and liabilities are non-interest bearing.

Price risk

The Health Walk Group is not exposed to commodity price risk because the Health Walk Group does not hold any listed equity security during the Relevant Periods.

Credit risk

At 31 March 2007, 2008 and 2009 and 31 July 2009, the Health Walk Group's maximum exposure to credit risk which will cause a financial loss to the Health Walk 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 statements of financial position.

In order to minimize the credit risk, the management of the Health Walk 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 Health Walk Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of Health Walk considers that the Health Walk 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 Health Walk Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for all the total trade receivables at 31 March 2007, 2008 and 2009 and 31 July 2009. The Health Walk 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 Health Walk Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Health Walk Group's operations and mitigate the effects of fluctuations in cash flows.

The Health Walk Group relies on financial support from ultimate holdings company which has agreed to provide adequate funds for the Health Walk Group as a significant source of liquidity.

The following table details the Health Walk Group's remaining 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 Health Walk Group can be required to pay.

The Health Walk Group	**On demand or less than 1 year** *HK$*	**Total undiscounted cash flows** *HK$*	**Total carrying amount** *HK$*
At 31 March 2007			
Trade and other payables	7,448,603	7,448,603	7,448,603
Amount due to ultimate holding company	37,917,823	37,917,823	37,917,823
Amounts due to fellow subsidiaries	1,989,575	1,989,575	1,989,575
	47,356,001	47,356,001	47,356,001
At 31 March 2008			
Trade and other payables	403,658	403,658	403,658
Amount due to ultimate holding company	22,486,310	22,486,310	22,486,310
Amounts due to fellow subsidiaries	1,989,575	1,989,575	1,989,575
	24,879,543	24,879,543	24,879,543
At 31 March 2009			
Trade and other payables	67,486	67,486	67,486
Amount due to ultimate holding company	11,296,528	11,296,528	11,296,528
Amounts due to fellow subsidiaries	1,989,575	1,989,575	1,989,575
Amount due to a minority shareholder	1,485,000	1,485,000	1,485,000
	14,838,589	14,838,589	14,838,589
At 31 July 2009			
Trade and other payables	87,831	87,831	87,831
Amount due to immediate holding company	42,187,835	42,187,835	42,187,835
Amount due to a minority shareholder	47,727	47,727	47,727
	42,323,393	42,323,393	42,323,393

Fair value

The fair value of 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.

The director of Health Walk considers that the carrying amounts of financial assets and financial liabilities recorded at either amortized cost or fair value through profit or loss in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Health Walk Group's turnover, represents net income from provision of isotopes for medical uses in Hong Kong. Accordingly, no further business or geographical segment information is presented.

9. OTHER INCOME AND GAINS

The Health Walk Group	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Interest income from bank deposits	34,095	138,325	34	18	1
Dividend income	240,149	2,765,406	–	–	–
Sundry income	7,500	–	–	–	308,018
Gain on disposal of property, plant and equipment	7,970	–	–	–	–
	289,714	2,903,731	34	18	308,019

10. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Auditors' remuneration	129,500	59,000	57,000	–	18,333
Depreciation of property, plant and equipment	762,480	796,376	456,065	144,446	176,951
Impairment loss recognized on amount due from a minority shareholder	–	–	–	–	508,000
Operating lease rental in respect of rented premise	–	–	–	–	40,000

11. EMPLOYEE BENEFITS EXPENSE

The Health Walk Group	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Director's emoluments	–	–	–	–	–
Other staff costs	1,522,659	1,550,807	2,174,241	567,442	844,754
Other staff retirement benefits scheme contributions	61,686	62,763	86,310	22,893	28,336
	1,584,345	1,613,570	2,260,551	590,335	873,090

(a) Director's emoluments

The emoluments paid or payable to the director of Health Walk for each of the years ended 31 March 2007, 2008 and 2009 and the four months ended 31 July 2008 and 2009 were as follows:

The Health Walk Group	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Dr. Cho Kwai Chee	–	–	–	–	–

(b) Employees' emoluments

The five highest paid individuals solely include employees of the Health Walk Group during the Relevant Periods. The details of the emoluments paid to the five highest paid individuals for the Relevant Periods were as follows:

The Health Walk Group	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Four months ended 31 July 2008 HK$ (Unaudited)	Four months ended 31 July 2009 HK$
Salaries and other benefits	1,278,557	1,231,999	1,412,212	394,836	542,669
Contributions to retirement benefits schemes	51,351	49,451	49,723	16,129	17,465
	1,329,908	1,281,450	1,461,935	410,965	560,134

	(Number of employees)	*(Number of employees)*	*(Number of employees)*	*(Number of employees)* (Unaudited)	*(Number of employees)*
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments have been paid by the Health Walk Group to any of the five highest paid individuals as an inducement to join or upon joining the Health Walk Group or as compensation for loss of office. The director of Health Walk did not waive any emoluments during the Relevant Periods.

12. INCOME TAX EXPENSE

The Health Walk Group	**Year ended 31 March 2007** *HK$*	**Year ended 31 March 2008** *HK$*	**Year ended 31 March 2009** *HK$*	**Four months ended 31 July 2008** *HK$* (Unaudited)	**Four months ended 31 July 2009** *HK$*
Current tax:					
Provision for					
Hong Kong profits tax	1,785,986	2,630,750	3,041,541	1,000,000	876,998
Over provision in previous year	(44,469)	(98,510)	(107,368)	–	–
	1,741,517	2,532,240	2,934,173	1,000,000	876,998

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced Hong Kong profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for each of the years ended 31 March 2007 and 2008 and at 16.5% of the estimated assessable profit for the year ended 31 March 2009 and each of the four months ended 31 July 2008 and 2009.

The tax charge can be reconciled to the profit/(loss) before tax per the consolidated statements of comprehensive income as follows:

The Health Walk Group	**Year ended 31 March 2007** *HK$*	**Year ended 31 March 2008** *HK$*	**Year ended 31 March 2009** *HK$*	**Four months ended 31 July 2008** *HK$* (Unaudited)	**Four months ended 31 July 2009** *HK$*
Profit/(loss) before tax	10,480,402	(4,932,754)	16,573,555	6,054,828	5,482,730
Tax at the Hong Kong profits tax rate	1,834,070	(863,232)	2,734,636	999,047	904,650
Tax effects of:					
– Expenses not deductible for tax purposes	18,300	3,980,291	295,071	1,587	27,543
– Income not taxable for tax purposes	(42,027)	(483,946)	(19,785)	–	(50,823)
– Temporary difference not recognized	(24,357)	(2,363)	31,619	(634)	(4,372)
– Over provision in previous year	(44,469)	(98,510)	(107,368)	–	–
Tax charge for the year/period	1,741,517	2,532,240	2,934,173	1,000,000	876,998

No deferred tax assets and liabilities are recognized in the Financial Information as the Health Walk Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2007, 2008 and 2009 and 31 July 2009.

13. EARNINGS/LOSS PER SHARE

Earnings/loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

The Health Walk Group	Medical equipment	Computers	Furniture and equipment	Leasehold improvement	Motor Vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
COST						
At 1 April 2006	12,731,416	281,342	228,170	90,675	227,864	13,559,467
Additions	1,612,418	2,488	18,500	–	–	1,633,406
Disposals	–	–	(12,350)	–	–	(12,350)
At 31 March 2007	14,343,834	283,830	234,320	90,675	227,864	15,180,523
Additions	920,264	66,035	43,091	–	–	1,029,390
At 31 March 2008	15,264,098	349,865	277,411	90,675	227,864	16,209,913
Additions	22,000	2,413	–	207,280	–	231,693
At 31 March 2009	15,286,098	352,278	277,411	297,955	227,864	16,441,606
Additions	195,405	5,608	3,992	–	325,300	530,305
At 31 July 2009	15,481,503	357,886	281,403	297,955	553,164	16,971,911
DEPRECIATION AND IMPAIRMENT						
At 1 April 2006	11,798,874	259,269	174,501	90,675	18,989	12,342,308
Provided for the year	687,816	9,223	19,868	–	45,573	762,480
Eliminated on disposals	–	–	(12,350)	–	–	(12,350)
At 31 March 2007	12,486,690	268,492	182,019	90,675	64,562	13,092,438
Provided for the year	699,815	28,188	22,800	–	45,573	796,376
At 31 March 2008	13,186,505	296,680	204,819	90,675	110,135	13,888,814
Provided for the year	331,088	27,285	24,482	27,637	45,573	456,065
At 31 March 2009	13,517,593	323,965	229,301	118,312	155,708	14,344,879
Provided for the period	115,125	8,505	8,047	13,819	31,455	176,951
At 31 July 2009	13,632,718	332,470	237,348	132,131	187,163	14,521,830
CARRYING AMOUNTS						
At 31 July 2009	1,848,785	25,416	44,055	165,824	366,001	2,450,081
At 31 March 2009	1,768,505	28,313	48,110	179,643	72,156	2,096,727
At 31 March 2008	2,077,593	53,185	72,592	–	117,729	2,321,099
At 31 March 2007	1,857,144	15,338	52,301	–	163,302	2,088,085

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

Medical equipment	12.50%
Computers	33.33%
Furniture and equipment	20%
Leasehold improvement	20%
Motor vehicles	20%

15. GOODWILL

The Health Walk Group	*HK$*
At 1 April 2006, 2007 and 2008 and 31 March 2009	8,366,944
Additions arising from acquisition of additional interests in a subsidiary *(Note 27 (b))*	30,132,022
At 31 July 2009	38,498,966

The Health Walk Group tests for impairment of goodwill annually and in the Relevant Periods in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired. Particulars regarding the impairment testing on goodwill are as follows:

Impairment testing on goodwill

As explained in note 8, the Health Walk Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the cash-generating units ("CGU") representing the business segment which is principally engaged in the provision of isotopes for medical uses in Hong Kong. The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% per annum. Another key assumption for the value-in-use calculation is the budgeted gross margins, which are determined based on the CGU's past performance and management's expectations for the market development. In the opinion of the director of Health Walk, no material impairment loss of goodwill is identified at 31 March 2007, 2008 and 2009 and 31 July 2009.

16. INTERESTS IN SUBSIDIARIES

The Health Walk Group	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Unlisted equity investments at cost *(Note (i))*	29,626,994	–	–	–

Health Walk	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Unlisted equity investments at cost *(Notes (i), (ii)* and *(iii))*	42,962,872	13,335,878	13,335,878	45,335,878

Notes:

(i) The interests in a subsidiary of HK$29,626,994 as shown on the consolidated statement of financial position at 31 March 2007 represents the investment of 56.13% equity interests in Pacific Medical at cost of HK$29,626,994. As explained in note 1 to the Financial Information, the underlying assets and liabilities, results and cash flows of Pacific Medical and its subsidiaries are not included in the preparation of the Financial Information. During the year ended 31 March 2008, the investment cost had been adjusted to reflect the reduction in purchase consideration of HK$1,107,545 arising from compensation on amount of profit guarantee provided by the former shareholders of Pacific Medical.

(ii) On 10 March 2008, Health Walk disposed of its 56.13% equity interests in Pacific Medical at a cash consideration of HK$5,806,626 (Note 28).

(iii) First Oriental Medical Technology Group Limited was a 51% owned subsidiary of the Health Walk Group at 31 March 2007, 2008 and 2009. On 8 July 2009, Health Walk further acquired 27% equity interests from a minority shareholder at a consideration of HK$32,000,000. Immediately after the acquisition, First Oriental Medical Technology Group Limited became a 78% owned subsidiary of the Health Walk Group (Note 27 (b)).

17. AVAILABLE-FOR-SALE INVESTMENT

The Health Walk Group	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Unlisted equity security *(Notes)*	1	1	1	1

Notes:

(i) During the Relevant Periods, the Health Walk Group held 10% equity interests in the issued share capital of Kam Hope Company Limited, a private entity incorporated in Hong Kong.

(ii) The above unlisted investment represents investment in an unlisted equity security and is measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the director of Health Walk is of the opinion that the fair value cannot be measured reliably.

18. DEPOSIT PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 March 2007 and 2008, the deposit was paid by the Health Walk Group in connection with the acquisition of certain advanced medical equipment for future expansion. The related capital commitments are set out in note 29 to the Financial Information.

19. INVENTORIES

The Health Walk Group	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Isotopes for medical use, at cost	381,196	361,316	380,492	439,135

20. TRADE AND OTHER RECEIVABLES

The Health Walk Group	At 31 March 2007 HK$	At 31 March 2008 HK$	At 31 March 2009 HK$	At 31 July 2009 HK$
Trade receivables *(Notes)*	854,720	603,440	1,138,510	418,990
Other receivables, deposits and prepayments	315,119	289,803	356,147	1,259,498
	1,169,839	893,243	1,494,657	1,678,488

Notes:

(i) The Health Walk Group's trade receivables are denominated in Hong Kong dollars. The Health Walk Group allowed average credit periods of 53 days, 49 days, 46 days and 45 days to its trade customers for the three years ended 31 March 2007, 2008 and 2009 and for the four months ended 31 July 2009 respectively.

(ii) The Health Walk Group's trade receivables at 31 March 2007, 2008 and 2009 and 31 July 2009 were of age within the credit period of 60 days. The Health Walk Group had no trade receivable which was past due but not impaired at the end of each reporting period.

(iii) These receivables relate to a number of independent customers that have a good track record with the Health Walk Group. The management considered that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit risk and the balances were still considered fully recoverable during the Relevant Periods. The Health Walk Group did not hold any collateral over these balances during the Relevant Periods.

21. AMOUNTS DUE FROM/(TO) IMMEDIATE HOLDING COMPANY/AN INVESTEE COMPANY/ ULTIMATE HOLDING COMPANY/SUBSIDIARIES/FELLOW SUBSIDIARIES/MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. A provision of impairment against the amount due from a minority shareholder of HK$508,000 was recognized at 31 July 2009 due to unexpected difficulty in collecting the outstanding amount.

22. AMOUNTS DUE FROM RELATED COMPANIES

The Health Walk Group	At 31 March 2007 *HK$*	At 31 March 2008 *HK$*	At 31 March 2009 *HK$*	At 31 July 2009 *HK$*
First Oriental Nuclear Medicine Limited *(Note (i))*	409,950	797,550	458,400	944,000
Hong Kong Health Check and Laboratory Holdings Company Limited *(Note (ii))*	246,000	537,498	620,000	1,032,000
Union Crown International Limited *(Note (iii))*	–	260,000	231,700	–
	655,950	1,595,048	1,310,100	1,976,000
Maximum balances outstanding during the year/period				
First Oriental Nuclear Medicine Limited	519,150	889,100	950,100	944,000
Hong Kong Health Check and Laboratory Holdings Company Limited	246,000	540,000	1,024,000	1,032,000
Union Crown International Limited	–	260,000	358,700	358,700

The amounts due are unsecured, interest-free and repayable on demand.

Notes:

(i) A company in which Dr. Yeung Wah Hin, Alex ("Dr. Yeung") is a director and shareholder. Dr. Yeung is also a director of First Oriental Cyclotron Limited, a non-wholly owned subsidiary of Health Walk.

(ii) The director of Health Walk, Dr. Cho Kwai Chee is also a former director of Hong Kong Health Check and Laboratory Holdings Company Limited.

(iii) Union Crown International Limited is an associate of Health Walk's ultimate holding company, Town Health International Holdings Company Limited ("Town Health").

23. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Health Walk Group and bank balances that bear interest at the prevailing market rates and have original maturity of three months or less.

24. TRADE AND OTHER PAYABLES

The Health Walk Group	At 31 March 2007 HK$	At 31 March 2008 HK$	At 31 March 2009 HK$	At 31 July 2009 HK$
Trade payables	118,982	145,000	5,823	–
Other payables and accruals	7,329,621	258,658	61,663	87,831
	7,448,603	403,658	67,486	87,831

The following is an aged analysis of trade payables at the end of the reporting periods:

The Health Walk Group	At 31 March 2007 HK$	At 31 March 2008 HK$	At 31 March 2009 HK$	At 31 July 2009 HK$
0 – 60 days	118,982	145,000	5,823	–

25. SHARE CAPITAL

Health Walk and The Health Walk Group	At 31 March 2007 HK$	At 31 March 2008 HK$	At 31 March 2009 HK$	At 31 July 2009 HK$
Authorized				
50,000 ordinary shares of US$1 each	US$50,000	US$50,000	US$50,000	US$50,000
Issued and fully paid				
1 ordinary share of US$1	US$1	US$1	US$1	US$1
Shown in the Financial Information	HK$8	HK$8	HK$8	HK$8

26. SHARE OPTION SCHEME

Details of the share option schemes adopted by ultimate holding company, Town Health are as follows:

(a) 2002 Scheme

Town Health's share option scheme was adopted on 24 April, 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible employees.

Pursuant to a resolution passed at an extraordinary general meeting, Town Health adopted the 2002 Scheme, which will expire on 23 April, 2011, Town Health may grant options to the eligible persons falling within the definition prescribed in the 2002 Scheme including directors, employees and consultants etc. of Town Health or its subsidiaries to subscribe for shares in Town Health at a consideration of HK$1 for each lot of share options granted.

Options granted should be accepted within 21 days from the offer date. Options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of Town Health from time to time excluding any shares issued upon the exercise of options granted pursuant to the 2002 Scheme.

The exercise price per share is determined by the directors of Town Health, and shall be at least the highest of the closing price of Town Health's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant or the nominal value of the shares of Town Health.

The total number of shares in respect of which options may be granted to an eligible employee under the 2002 Scheme is not permitted to exceed 1% of the aggregate number of shares issued for the time being and issuable under the 2002 Scheme.

Details of the share options granted under the 2002 Scheme to employees of the Health Walk Group during the Relevant Periods and movement in such holding during the Relevant Periods are as follows:

Year ended 31 March 2008

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 April 2007	Granted during the year	Exercised during the year	Outstanding at 31 March 2008
An employee	9/10/2007	9/10/2007 to 8/10/2017	HK$0.111	–	10,000,000	–	10,000,000
Exercisable at the end of the year							10,000,000

Year ended 31 March 2009

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Outstanding at 31 March 2009
An employee	9/10/2007	9/10/2007 to 8/10/2017	HK$0.111	10,000,000	–	(10,000,000)	–
Exercisable at the end of the year							–

Options granted were fully vested at the date of grant.

Town Health recognized share option expense of HK$Nil, HK$172,000, HK$Nil and HK$Nil for the three years ended 31 March 2007, 2008 and 2009 and the four months ended 31 July 2009 respectively in relation to the share options granted under the 2002 Scheme to an employee of the Health Walk Group. No share-based payment expense was charged to the Health Walk Group.

(b) 2008 Scheme

Town Health has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), terminated the 2002 Scheme and adopted a new share option scheme (the "2008 Scheme"), as approved by the shareholders of Town Health at the extraordinary general meeting held on 16 September, 2008.

Upon termination of the 2002 Scheme, no further options may be granted thereunder. However, in respect of the outstanding options, the provisions of the 2002 Scheme shall remain in force. According to the 2008 Scheme, the directors of Town Health may grant options to the eligible persons fall within the definition prescribed in the 2008 Scheme including directors, employees and consultants etc. of each member of Town Health and entity in which member of Town Health holds an equity interest, to subscribe for shares in Town Health for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 21 days from the date of grant. The directors of Town Health may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of the adoption of the 2008 Scheme. The directors of Town Health may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the directors of Town Health, and shall be at least the highest of: (i) the closing price of Town Health's shares on the date of grant; (ii) the average closing price of Town Health's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2008 Scheme and any other share option schemes of Town Health shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2008 Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Details of the share options granted under the 2008 Scheme to employees of the Health Walk Group during the Relevant Periods and movement in such holding during the Relevant Periods are as follows:

Year ended 31 March 2009

				Number of share options			
	Date of grant	Exercisable period	Exercise price per share	Outstanding at 1 April 2008	Granted during the year	Exercised during the year	Outstanding at 31 March 2009
An employee	28/10/2008	28/10/2008 to 27/10/2009	HK$0.016	–	176,900,000	(176,900,000)	–
Exercisable at the end of the year							–

Options granted were fully vested at the date of grant.

Town Health recognized share option expense of HK$672,220 and HK$Nil for the year ended 31 March 2009 and the four months ended 31 July 2009 respectively in relation to the share options granted under the 2008 Scheme to an employee of the Health Walk Group. No share-based payment expense was charged to the Health Walk Group.

27. ACQUISITION OF SUBSIDIARIES

During the Relevant Periods, the Health Walk Group has the following acquisition of subsidiaries:

(a) Acquisition of remaining 49% equity interests in Hong Kong Cyclotron Laboratories Limited

On 12 March 2007, the Health Walk Group further acquired the remaining 49% equity interests of Hong Kong Cyclotron Laboratories Limited from minority shareholders at a cash consideration of HK$49. Immediately after the acquisition, Hong Kong Cyclotron Laboratories Limited became a wholly-owned subsidiary of the Health Walk Group. As the consideration paid for the acquisition was equal to 49% of the fair value of the net assets of Hong Kong Cyclotron Laboratories Limited at the date of acquisition, there was no goodwill and profit or loss arising from the acquisition.

(b) Acquisition of additional 27% equity interests in First Oriental Medical Technology Group Limited

First Oriental Medical Technology Group Limited was a 51% owned subsidiary of the Health Walk Group at 31 March 2007, 2008 and 2009. On 8 July 2009, Health Walk further acquired 27% equity interests from a minority shareholder at a consideration of HK$32,000,000 which was settled by issue and allotment of 21,361,815 new ordinary shares of HK$0.01 each in the share capital of Town Health, the ultimate holding company, at an issue price of HK$1.498 per new ordinary share to the minority shareholder. Immediately after the acquisition, First Oriental Medical Technology Group Limited became a 78% owned subsidiary of the Health Walk Group. The amount of goodwill arising from the acquisition was HK$30,132,022.

28. DISPOSAL OF SUBSIDIARIES

During the Relevant Periods, the Health Walk Group has the following disposal of subsidiaries:

(a) Disposal of 56.13% equity interests in Pacific Medical (Holding) Company Limited

On 10 March 2008, the Health Walk Group disposed of its 56.13% equity interests in Pacific Medical at a cash consideration of HK$5,806,626. As explained in note 1 to the Financial Information, the underlying assets and liabilities, results and cash flows of Pacific Medical and its subsidiaries are not included in the preparation of the Financial Information. Accordingly, the loss arising on the disposal of investment in Pacific Medical is measured at the cash consideration of HK$5,806,626 over the carrying amount of the investment in Pacific Medical of HK$28,519,449 at the date of disposal. The amount of loss arising on the disposal was HK$22,712,823.

(b) Disposal of 100% equity interests in Hong Kong Cyclotron Laboratories Limited

On 12 December 2008, the Health Walk Group disposed of its entire equity interests in Hong Kong Cyclotron Laboratories Limited for a cash consideration of HK$100. The net liabilities of Hong Kong Cyclotron Laboratories Limited at the date of disposal were as follows:

	HK$
Net liabilities disposed of:	
Deposit paid on acquisition of property, plant and equipment	9,793,471
Trade and other receivables	495,794
Bank balances	560,924
Trade and other payables	(10,970,000)
	(119,811)
Gain on disposal of a subsidiary	119,911
Total consideration	100
Satisfied by:	
Cash	100
Net cash outflow arising on disposal:	
Cash consideration	100
Bank balances disposed of	(560,924)
	(560,824)

29. CAPITAL COMMITMENTS

The Health Walk Group	**At 31 March 2007** *HK$*	**At 31 March 2008** *HK$*	**At 31 March 2009** *HK$*	**At 31 July 2009** *HK$*
Capital expenditure contracted for but not provided for in the Financial Information in respect of acquisition of property, plant and equipment	2,257,491	1,711,600	231,300	1,616,706

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these Financial Information, the Health Walk Group entered into the following significant related party transactions during the Relevant Periods:

The Health Walk Group

Name of related companies	*Notes*	**Nature of transactions**	**Year ended 31 March 2007** *HK$*	**Year ended 31 March 2008** *HK$*	**Year ended 31 March 2009** *HK$*	**Four months ended 31 July 2008** *HK$* (Unaudited)	**Four months ended 31 July 2009** *HK$*
First Oriental Nuclear Medicine Limited	*(i)*	Sales of goods	4,948,000	5,252,300	5,105,150	1,783,450	1,878,250
Hong Kong Health Check and Laboratory Holdings Company Limited	*(ii)*	Sales of goods	246,000	2,165,000	6,197,600	1,984,000	1,945,200
		Rental fee paid	–	–	–	–	40,000
Unique Prosperity Limited	*(iii)*	Consultancy fee paid	405,000	450,000	600,000	200,000	200,000
St. Teresa's Hospital	*(iv)*	License fee paid	379,512	379,512	379,512	126,504	126,504
		Electricity and water paid for the laboratory	171,024	160,251	158,729	59,071	59,213
Union Crown International Limited	*(v)*	Sales of goods	–	407,000	1,232,700	399,700	61,600

Notes:

(i) A company in which Dr. Yeung is a director and shareholder. Dr. Yeung is also a director of First Oriental Cyclotron Limited, a non-wholly owned subsidiary of Health Walk.

(ii) The director of Health Walk, Dr. Cho Kwai Chee is also a former director of Hong Kong Health Check and Laboratory Holdings Company Limited.

(iii) A company in which Mr. Ng Yau Sing and Mr. Yeung Wai Hong, Tommy are directors. Mr. Ng Yau Sing and Mr. Yeung Wai Hong, Tommy are also directors of First Oriental Cyclotron Limited, a non-wholly owned subsidiary of Health Walk.

(iv) St. Teresa's Hospital is a shareholder of First Oriental Cyclotron Limited, a non-wholly owned subsidiary of Health Walk.

(v) Union Crown International Limited is an associate of Health Walk's ultimate holding company, Town Health International Holdings Company Limited.

31. ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY

At 31 July 2009, the director of Health Walk regards Health Walk's ultimate holding company and immediate holding company to be Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, and Town Health (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, respectively.

II. SUBSEQUENT EVENTS

On 14 October 2009, an amount owing to immediate holding company by Health Walk of HK$42,187,835 was capitalized by the allotment and issue of share capital of Health Walk to immediate holding company.

Save as disclosed elsewhere in the Financial Information, no other significant event took place subsequent to 31 July 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies comprising the Health Walk Group have been prepared in respect of any period subsequent to 31 July 2009.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the full text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's auditors, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

5 November 2009

The Board of Directors
Hong Kong Health Check and Laboratory Holdings Company Limited
Shop 2B & 2C, Level 1
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

Dear Sirs,

REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

Introduction

We report on the unaudited pro forma consolidated balance sheet (the "Unaudited Pro Forma Financial Information") of Hong Kong Health Check and Laboratory Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), and Health Walk Limited and its subsidiaries (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the Completion (as defined in the Circular) might have affected the net assets of the Group as if the Completion had taken place on 31 March 2009, for inclusion in the Company's circular dated 5 November 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section 2 of Appendix IV to the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of:

- the Group had the Completion actually taken place on the dates indicated therein; or

- the Group at any future date or for any future periods.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

Introduction

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company to illustrate the effect of the Completion as if the Completion had taken place on 31 March 2009. The Unaudited Pro Forma Financial Information has been prepared based on the consolidated balance sheet of the Group at 31 March 2009 as set out in Appendix I to the Circular and the audited consolidated balance sheet of the Health Walk Group at 31 July 2009 as set out in Appendix III to the Circular, after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Completion.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group at 31 March 2009 or any future date.

The Unaudited Pro Forma Financial Information does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Financial Information (i.e. 31 March 2009). In particular, no adjustment has been made to reflect the acquisition by the Group of additional 49.66% equity interest in Group Benefit Development Limited, further details of which are disclosed in a circular dated 29 May 2009 issued by the Company.

Scenario A assuming that the FOMT Acquisition Completion had taken place prior to the Completion and that the Completion had taken place on 31 March 2009

	The Group At 31 March 2009 (Audited) *HK$'000*	**The Health Walk Group At 31 July 2009** (Audited) *HK$'000*	**Pro forma adjustments** (Unaudited) *HK$'000*	*Notes*	**Pro Forma Enlarged Group** (Unaudited) *HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	119,164	2,450			121,614
Goodwill	–	38,499	17,013	2.1	42,870
			(55,512)	2.3	
			42,870	2.3	
Available-for-sale investments	23,785	1			23,786
	142,949	40,950			188,270
CURRENT ASSETS					
Inventories	891	439			1,330
Trade and other receivables	34,625	1,678			36,303
Amount due from an investee company	–	600			600
Amounts due from related companies	–	1,976			1,976
Held-for-trading investments	35,437	–			35,437
Pledged bank deposits	10,000	–			10,000
Bank balances and cash	152,472	2,125	(700)	2.4	153,897
	233,425	6,818			239,543

	The Group At 31 March 2009 (Audited) *HK$'000*	The Health Walk Group At 31 July 2009 (Audited) *HK$'000*	Pro forma adjustments (Unaudited) *HK$'000*	*Notes*	Pro Forma Enlarged Group (Unaudited) *HK$'000*
CURRENT LIABILITIES					
Trade and other payables	15,364	88			15,452
Amount due to Town Health	–	–	19,000	2.1	–
			(19,000)	2.2	
Amount due to immediate holding company	–	42,188	(42,188)	2.2	–
Amount due to a minority shareholder	–	47			47
Tax payable	–	1,516			1,516
	15,364	43,839			17,015
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9,514	–			9,514
NET ASSETS	351,496	3,929			401,284
CAPITAL AND RESERVES					
Share capital and premium	960,642	1	61,188	2.2	960,642
			(61,189)	2.4	
Reserves	(632,701)	1,941	(1,941)	2.4	(632,701)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	327,941	1,942			327,941
Minority interests	23,555	1,987	(1,987)	2.1	73,343
			3,733	2.4	
			46,055	2.4	
TOTAL EQUITY	351,496	3,929			401,284

Notes to the Unaudited Pro Forma Financial Information:

For the purpose of preparation of the Unaudited Pro Forma Financial Information under Scenario A, it has been assumed that the FOMT Acquisition Completion had taken place prior to the Completion and that the Completion had taken place on 31 March 2009.

2.1 These pro forma adjustments are made to reflect the FOMT Acquisition, as if the FOMT Acquisition Completion had taken place on 31 March 2009. The FOMT Acquisition principally involved the acquisition of the minority interests of FOMT by Health Walk at a consideration of HK$19,000,000 to be settled by the allotment and issue of 14,548,238 new ordinary shares of HK$0.01 each in the share capital of Town Health ("Town Health Shares") at HK$1.306 each. The adjustments therefore reflect:

(i) recognition of goodwill of approximately HK$17,013,000 (representing the difference between the consideration for the FOMT Acquisition of HK$19,000,000 and the minority interests of approximately HK$1,987,000) in the consolidated balance sheet of the Health Walk Group;

(ii) recognition of an amount of HK$19,000,000 owing to Town Health by the Health Walk Group relating to the settlement of the cost of the FOMT Acquisition by the allotment and issue of 14,548,238 new Town Health Shares at HK$1.306 each; and

(iii) elimination of minority interests of the Health Walk Group of approximately HK$1,987,000 relating to the FOMT Acquisition.

2.2 The adjustments reflect the capitalization of the amounts owing to the Town Health Group by the Health Walk Group of approximately HK$61,188,000 (being the aggregate of the amount due to Town Health of approximately HK$19,000,000 and the amount due to immediate holding company of approximately HK$42,188,000) by the allotment and issue of share capital of Health Walk to Town Health, as if the FOMT Acquisition Completion had taken place on 31 March 2009.

2.3 The adjustments reflect the excess of approximately HK$42,870,000, representing the difference between the estimated fair value of the cost of combination of 100% of the issued share capital of Health Walk of approximately HK$50,488,000 (see below) and the estimated fair value of the adjusted consolidated net assets of the Health Walk Group acquired of approximately HK$7,618,000 (see below). This excess is recognized as goodwill arising from the Transaction on the unaudited pro forma consolidated balance sheet for the purpose of preparation of the Unaudited Pro Forma Financial Information.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the estimated fair value of the cost of combination of 100% of the issued share capital of Health Walk of approximately HK$50,488,000 was determined by the Directors and comprised:

(i) An amount of approximately HK$46,055,000, representing 49% of the adjusted consolidated net assets of Luck Key and its subsidiaries (the "Luck Key Group") before the Completion of approximately HK$93,989,000 (see below);

(ii) An amount of approximately HK$3,733,000, representing 49% of the adjusted consolidated net assets of the Health Walk Group acquired upon the FOMT Acquisition Completion of approximately HK$7,618,000 (see below) as if the FOMT Acquisition Completion had taken place on 31 March 2009; and

(iii) the estimated costs directly attributable to the Transaction of approximately HK$700,000.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the adjusted consolidated net assets of the Luck Key Group before the Completion of approximately HK$93,989,000 was determined by the Directors as follows:

	HK$'000
Consolidated net liabilities of the Health Check BVI Group at 31 March 2009	(138,430)
Adjustments:	
To reflect the capitalization of an amount owing by the Health Check BVI Group to the Company with a carrying amount of approximately HK$211,804,000, as if the capitalization had taken place on 31 March 2009	211,804
To reflect the capitalization of the Health Check BVI Loan with a carrying amount of approximately HK$20,615,000, as if the FOMT Acquisition Completion had taken place on 31 March 2009	20,615
Adjusted consolidated net assets of the Luck Key Group before the Completion	93,989

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the estimated fair value of the adjusted consolidated net assets of the Health Walk Group acquired of approximately HK$7,618,000 was determined by the Directors as follows:

	HK$'000
Net assets as shown on the audited consolidated balance sheet of the Health Walk Group at 31 July 2009	3,929
Adjustments:	
To recognize goodwill of approximately HK$17,013,000 (representing the difference between the consideration for the FOMT Acquisition of HK$19,000,000 and the minority interests of approximately HK$1,987,000) in the consolidated balance sheet of the Health Walk Group	17,013
To recognize an amount of HK$19,000,000 owing to Town Health by the Health Walk Group relating to the settlement of the cost of the FOMT Acquisition by the allotment and issue of 14,548,238 new Town Health Shares at HK$1.306 each	(19,000)
To reflect the capitalization of the amounts owing to the Town Health Group by the Health Walk Group of approximately HK$61,188,000 (being the aggregate of the amount due to Town Health of approximately HK$19,000,000 and the amount due to immediate holding company of approximately HK$42,188,000) by the allotment and issue of share capital of Health Walk to Town Health, as if the FOMT Acquisition Completion had taken place on 31 March 2009	61,188
To exclude the goodwill of approximately HK$55,512,000 (being the aggregate of the goodwill as shown on the consolidated balance sheet of the Health Walk Group at 31 July 2009 of approximately HK$38,499,000 and the additional goodwill arising from the FOMT Acquisition of approximately HK$17,013,000) recognized by the Health Walk Group upon the FOMT Acquisition Completion	(55,512)
Estimated fair value of the adjusted consolidated net assets of the Health Walk Group	7,618

Since the actual fair values of the assets, liabilities and contingent liabilities of the Health Walk Group and the Luck Key Group on the Completion would be different from their estimated fair values used in the preparation of the Unaudited Pro Forma Financial Information presented above, the actual amount of goodwill to be recognized by the Group might be materially different from the estimated amount as shown in this Appendix.

2.4 The adjustments reflect:

(i) settlement of the estimated costs directly attributable to the Transaction of approximately HK$700,000 from internal resources of the Group;

(ii) elimination of the share capital and premium of approximately HK$61,189,000 and pre-acquisition reserves of approximately HK$1,941,000 of the Health Walk Group; and

(iii) recognition of minority interests of the Luck Key Group relating to Town Health BVI's holding of 49% of the issued share capital of Luck Key comprising (i) an amount of approximately HK$46,055,000, representing 49% of the adjusted consolidated net assets of the Luck Key Group before the Completion of approximately HK$93,989,000 (see above) and (ii) an amount of approximately HK$3,733,000, representing 49% of the adjusted consolidated net assets of the Health Walk Group acquired by the Group upon the FOMT Acquisition Completion of approximately HK$7,618,000 (see above).

Since the actual dates of payment of the estimated costs directly attributable to the Transaction would be different from the assumptions used in the preparation of the Unaudited Pro Forma Financial Information presented above, the actual financial position arising from the Transaction might be materially different from the financial position as shown in this Appendix.

Scenario B assuming that the FOMT Acquisition Completion did not take place prior to the Completion but the Completion had taken place on 31 March 2009

	The Group At 31 March 2009 (Audited) *HK$'000*	**The Health Walk Group At 31 July 2009** (Audited) *HK$'000*	**Pro forma adjustments** (Unaudited) *HK$'000*	*Notes*	**Pro Forma Enlarged Group** (Unaudited) *HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	119,164	2,450			121,614
Goodwill	–	38,499	(38,499)	*2.6*	33,781
			33,781	*2.6*	
Available-for-sale investments	23,785	1			23,786
	142,949	40,950			179,181
CURRENT ASSETS					
Inventories	891	439			1,330
Trade and other receivables	34,625	1,678			36,303
Amount due from an investee company	–	600			600
Amounts due from related companies	–	1,976			1,976
Held-for-trading investments	35,437	–			35,437
Pledged bank deposits	10,000	–			10,000
Bank balances and cash	152,472	2,125	(700)	*2.7*	153,897
	233,425	6,818			239,543
CURRENT LIABILITIES					
Trade and other payables	15,364	88			15,452
Amount due to immediate holding company	–	42,188	(42,188)	*2.5*	–
Amount due to a minority shareholder	–	47			47
Tax payable	–	1,516			1,516
	15,364	43,839			17,015

	The Group At 31 March 2009 (Audited) HK$'000	The Health Walk Group At 31 July 2009 (Audited) HK$'000	Pro forma adjustments (Unaudited) HK$'000	Notes	Pro Forma Enlarged Group (Unaudited) HK$'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9,514	–			9,514
NET ASSETS	351,496	3,929			392,195
CAPITAL AND RESERVES					
Share capital and premium	960,642	1	42,188	2.5	960,642
			(42,189)	2.7	
Reserves	(632,701)	1,941	(1,941)	2.7	(632,701)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	327,941	1,942			327,941
Minority interests	23,555	1,987	2,759	2.7	64,254
			35,953	2.7	
TOTAL EQUITY	351,496	3,929			392,195

Notes to the Unaudited Pro Forma Financial Information:

For the purpose of preparation of the Unaudited Pro Forma Financial Information under Scenario B, it has been assumed that the FOMT Acquisition did not take place prior to the Completion but the Completion had taken place on 31 March 2009.

2.5 The adjustments reflect the capitalization of the amount owing to immediate holding company by the Health Walk Group of approximately HK$42,188,000 by the allotment and issue of share capital of Health Walk to Town Health, assuming that the FOMT Acquisition Completion did not take place prior to the Completion.

2.6 The adjustments reflect the excess of approximately HK$33,781,000, representing the difference between the estimated fair value of the cost of combination of 100% of the issued share capital of Health Walk of approximately HK$39,412,000 (see below) and the estimated fair value of the adjusted consolidated net assets of the Health Walk Group acquired of approximately HK$5,631,000 (see below). This excess is recognized as goodwill arising from the Transaction on the unaudited pro forma consolidated balance sheet for the purpose of preparation of the Unaudited Pro Forma Financial Information.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the estimated fair value of the cost of combination of 100% of the issued share capital of Health Walk of approximately HK$39,412,000 was determined by the Directors and comprised:

(i) An amount of approximately HK$35,953,000, representing 49% of the adjusted consolidated net assets of the Luck Key Group before the Completion of approximately HK$73,374,000 (see below);

(ii) An amount of approximately HK$2,759,000, representing 49% of the adjusted consolidated net assets of the Health Walk Group acquired of approximately HK$5,631,000 (see below), assuming that the FOMT Acquisition Completion did not take place prior to the Completion; and

(iii) the estimated costs directly attributable to the Transaction of approximately HK$700,000.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the adjusted consolidated net assets of the Luck Key Group before the Completion of approximately HK$73,374,000 was determined by the Directors as follows:

	HK$'000
Consolidated net liabilities of the Health Check BVI Group at 31 March 2009	(138,430)
Adjustments:	
To reflect the capitalization of an amount owing by the Health Check BVI Group to the Company with a carrying amount of approximately HK$211,804,000, as if the capitalization had taken place on 31 March 2009	211,804
Adjusted consolidated net assets of the Luck Key Group before the Completion	73,374

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the estimated fair value of the adjusted consolidated net assets of the Health Walk Group acquired of approximately HK$5,631,000 was determined by the Directors as follows:

	HK$'000
Net assets as shown on the audited consolidated balance sheet of the Health Walk Group at 31 July 2009	3,929
Adjustments:	
To reflect the capitalization of the amount owing to immediate holding company by the Health Walk Group of approximately HK$42,188,000 by the allotment and issue of share capital of Health Walk to Town Health, assuming that the FOMT Acquisition Completion did not take place prior to the Completion	42,188
To exclude the goodwill as shown on the consolidated balance sheet of the Health Walk Group at 31 July 2009 of approximately HK$38,499,000	(38,499)
To include the minority interests as shown on the consolidated balance sheet of the Health Walk Group at 31 July 2009 of approximately HK$1,987,000	(1,987)
Estimated fair value of the adjusted consolidated net assets of the Health Walk Group	5,631

Since the actual fair values of the assets, liabilities and contingent liabilities of the Health Walk Group and the Luck Key Group on the Completion would be different from their estimated fair values used in the preparation of the Unaudited Pro Forma Financial Information presented above, the actual amount of goodwill to be recognized by the Group might be materially different from the estimated amount as shown in this appendix.

2.7 The adjustments reflect:

(i) settlement of the estimated costs directly attributable to the Transaction of approximately HK$700,000 from internal resources of the Group;

(ii) elimination of the share capital and premium of approximately HK$42,189,000 and pre-acquisition reserves of approximately HK$1,941,000 of the Health Walk Group; and

(iii) recognition of minority interests of the Luck Key Group relating to Town Health BVI's holding of 49% of the issued share capital of Luck Key comprising (i) an amount of approximately HK$35,953,000, representing 49% of the adjusted consolidated net assets of the Luck Key Group before the Completion of approximately HK$73,374,000 (see above); and (ii) an amount of approximately HK$2,759,000, representing 49% of the adjusted consolidated net assets of the Health Walk Group acquired by the Group of approximately HK$5,631,000 (see above), assuming that the FOMT Acquisition Completion did not take place prior to the Completion.

Since the actual dates of payment of the estimated costs directly attributable to the Transaction would be different from the assumptions used in the preparation of the Unaudited Pro Forma Financial Information presented above, the actual financial position arising from the Transaction might be materially different from the financial position as shown in this appendix.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
China Alpha Focus Fund Limited	Beneficial owner *(Note 1)*	42,500,000	5.77%
China Alpha Fund Management Limited	Investment manager *(Note 1)*	78,500,000	10.66%
CITIC Securities International Investment Management (HK) Limited	Investment manager *(Note 1)*	78,500,000	10.66%
Wang Jun Yan	Investment manager *(Note 1)*	78,500,000	10.66%
Kingsway Lion Spur Technology Limited	Beneficial owner *(Note 2)*	62,500,000	8.48%
Festival Developments Limited	Interest of controlled corporation *(Note 2)*	62,500,000	8.48%
SW Kingsway Capital Holdings Limited	Interest of controlled corporations *(Note 2)*	62,500,000	8.48%
World Developments Limited	Interest of controlled corporations *(Note 2)*	62,500,000	8.48%
Innovation Assets Limited	Interest of controlled corporations *(Note 2)*	62,500,000	8.48%
Kingsway International Holdings Limited	Interest of controlled corporations *(Note 2)*	62,500,000	8.48%
Choi Koon Shum Jonathan	Interest of controlled corporations *(Notes 2 and 3)*	62,500,000	8.48%
Kwan Wing Kam, Janice	Interest of spouse *(Notes 2 and 4)*	62,500,000	8.48%
Lam Wong Yuk Sin Mary	Interest of controlled corporations *(Notes 2 and 5)*	62,500,000	8.48%

Notes:

1. China Alpha Fund Management Limited is the fund manager of China Alpha Focus Fund Limited and China Alpha II Fund Limited (holder of 36,000,000 Shares). CITIC Securities International Investment Management (HK) Limited is the investment adviser of China Alpha Focus Fund Limited and China Alpha II Fund Limited. Wang Jun Yan is the sole owner of China Alpha Fund Management Limited.

2. These 62,500,000 Shares are held by Kingsway Lion Spur Technology Limited, a company wholly owned by Festival Developments Limited which is, in turn, wholly owned by SW Kingsway Capital Holdings Limited. SW Kingsway Capital Holdings Limited is a company owned as to 74% by World Developments Limited. World Developments Limited is a company wholly owned by Innovation Assets Limited which is, in turn, wholly owned by Kingsway International Holdings Limited.

3. Choi Koon Shum Jonathan holds 47% of Kingsway International Holdings Limited, and is deemed to be interested in 62,500,000 Shares pursuant to Part XV of the SFO.

4. Kwan Wing Kam, Janice is the spouse of Choi Koon Shum Jonathan. Accordingly, Kwan Wing Kam, Janice is deemed to be interested in 62,500,000 Shares pursuant to Part XV of the SFO.

5. Lam Wong Yuk Sin Mary holds 40% of Kingsway International Holdings Limited, and is deemed to be interested in 62,500,000 Shares pursuant to Part XV of the SFO.

(b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Enlarged Group:

Name of subsidiary	**Name of shareholder**	**Number of shares**	**Approximate percentage of interest**
FOMT	Kingdom Hill	242 shares of US$1 each	22%

(c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. LITIGATION

Neither the Company nor any other member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Enlarged Group as at the Latest Practicable Date.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) the joint venture agreement dated 6 November 2007 between Classictime Investments Limited, Spring Biotech Limited and Precious Success Group Limited in relation to the advancement of the loan to Precious Success Group Limited for the subscription of convertible bonds in the principal amount of HK$150 million, further details of which are set out in the circular of the Company dated 6 December 2007;

(b) the service agreement dated 6 November 2007 between the Company and Core Healthcare Investment Holdings Limited ("**Core Healthcare**") in relation to, among others, provision of consultancy services in relation to the design and implementation of medical testing procedures to be adopted for testing of the effectiveness of any targeted drugs, further details of which are set out in the circular of the Company dated 6 December 2007;

(c) the joint cooperation agreement dated 20 February 2008 between Guangdong Town Health Hospital Management Co. Ltd. (a wholly-owned subsidiary of the Company), The Sixth Affiliated (Gastrointestinal) Hospital, Sun Yat-sen University and Guangzhou Zhongshanyi Boji Hospital Management Co. Ltd. in relation to, among other matters, Zhongshanyi Town Health Medical Centre, pursuant to which the Group would inject RMB50,000,000 to Zhongshanyi Town Health Medical Centre, further details of which are set out in the announcement of the Company dated 22 February 2008 ("**Management Agreement**");

(d) the placing agreement dated 12 September 2008 entered into between the Company and Kingston Securities Limited in relation to the placing of 1,500,000,000 shares of Core Healthcare at HK$0.113 per share on a fully underwritten basis, further details of which are set out in the announcement of the Company dated 17 September 2008;

(e) the placing agreement dated 27 November 2008 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 2,600,000,000 shares of HK$0.01 each at HK$0.011 per share on a best efforts basis, further details of which are set out in the announcement of the Company dated 28 November 2008;

(f) the agreement dated 30 December 2008 entered into between the Company and Kingston Securities Limited in relation to the placing of a maximum of 3,800,000,000 Shares at HK$0.011 per Share, which was subsequently terminated by a letter agreement dated 31 December 2008 between the Company and Kingston Securities Limited, further details of which are set out in the announcement of the Company dated 31 December 2008;

(g) the shareholders' agreement dated 9 April 2009 entered into by National Charm Holdings Limited, Fair Jade Group Limited (a wholly-owned subsidiary of the Company), Profit Sources Limited and Hoarder Rich Investments Limited in relation to, among other matters, the investment and management of Profit Sources Limited, further details of which are set out in the announcement of the Company dated 9 April 2009;

(h) the agreement dated 29 April 2009 entered into between the Company, Core Healthcare and Kingston Securities Limited in relation to the placing of and subscription for 1,200,000,000 shares of Core Healthcare, further details of which are set out in the announcement of the Company dated 29 April 2009;

(i) the sale and purchase agreement dated 11 May 2009 entered into between Health Check BVI (formerly known as Charm Advance Limited) and Town Health BVI in relation to the sale and purchase of one issued share of Fair Jade Group Limited and all shareholder's loan due to Health Check BVI for an aggregate consideration of HK$26,368,000, further details of which are set out in the announcement of the Company dated 11 May 2009;

(j) the agreement dated 11 May 2009 entered into between the Company and Kingston Securities Limited in relation to the placing of a maximum of 1,200,000,000 Shares at HK$0.15 per Share, further details of which are set out in the announcement of the Company dated 11 May 2009, which was subsequently terminated by a letter agreement dated 18 May 2009 between the Company and Kingston Securities Limited;

(k) the conditional sale and purchase agreement dated 11 May 2009 entered into by, among others, Joy Surplus International Limited, a wholly-owned subsidiary of the Company, and Info Allied Limited in relation to the acquisition of approximately 49.66% equity interest in Group Benefit at a consideration of HK$29,424,928 (subject to adjustment), details of which are set out in the circular of the Company dated 29 May 2009;

(l) the conditional sale and purchase agreement dated 1 June 2009 entered into between, inter alia, Health Walk and Helix Overseas Holdings Limited in relation to the acquisition by Health Walk of 297 shares of US$1.00 each in the share capital of FOMT at a consideration of HK$32,000,000;

(m) a conditional placing agreement dated 30 July 2009 entered into between the Company, Fordjoy Securities and Futures Limited and Kingsway Financial Services Group Limited in relation to the placing of 232,500,000 Shares by Fordjoy Securities and Futures Limited and Kingsway Financial Services Group Limited on a several and fully underwritten basis at HK$0.40 per Share;

(n) a conditional placing agreement dated 30 July 2009 entered into between the Company, Fordjoy Securities and Futures Limited and Kingsway Financial Services Group Limited in relation to the placing of a maximum of 134,400,000 Shares by Fordjoy Securities and Futures Limited and Kingsway Financial Services Group Limited on a best effort basis at HK$0.50 per Share;

(o) the provisional sale and purchase agreement dated 28 August 2009 entered into between Town Health Food and Beverage Culture Company Limited and Funa Assets Limited (an indirect wholly-owned subsidiary of the Company) for the sale and purchase of the property located at Shop Nos. 12A, 12B and 12C, Ground Floor, Hip Wo House, No.167A-167C Hip Wo Street, Kwun Tong, Kowloon, Hong Kong at a consideration of HK$24,000,000;

(p) the provisional sale and purchase agreement dated 28 August 2009 entered into between Town Health Food and Beverage Culture Company Limited and Dragon Oriental Investment Limited (an indirect wholly-owned subsidiary of the Company) for the sale and purchase of the property located at Shop F, Ground Floor, Yenfu Mansion, Nos. 121-125, 129-135 and 141 Hip Wo Street, Nos. 92 and 112 Shui Wo Street, Kowloon, Hong Kong at a consideration of HK$14,500,000;

(q) an agreement dated 14 October 2009 entered into between Guangdong Town Health Hospital Management Co. Ltd. (a wholly-owned subsidiary of the Company) and 廣州宜康醫療投資管理有限公司 (Guangzhou Yikang Medical Investment and Management Limited) ("**Yikang**") pursuant to which all the benefits, interests, rights, liabilities and obligations of Guangdong Town Health Hospital Management Co. Ltd. under the Management Agreement would be transferred to and taken up by Yikang;

(r) the FOMT Agreement; and

(s) the Agreement.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

9. EXPERT AND CONSENT

The following is the qualification of the expert whose statements have been included in this circular:

Name	Qualification
HLB Hodgson Impey Cheng ("**HLB**")	Chartered Accountants, Certified Public Accountants

HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which they appears.

As at the Latest Practicable Date, HLB had not had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, HLB had not had any direct or indirect interests in any assets which have been, since 31 March 2009 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Shops 2B & 2C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong.

(c) The branch registrar of the Company in Hong Kong is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Lam Chun Kei who is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong at Shops 2B & 2C, Level 1, Hilton Plaza Commercial Centre, 3-9 Shatin Centre Street, Shatin, New Territories, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2009;

(c) the accountants' report on the Health Walk Group as set out in Appendix III to this circular;

(d) the accountants' report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(e) the written consent referred to in the section headed "Expert and consent" in this appendix;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(g) the circular of the Company dated 29 May 2009 and the circular of the Company dated 15 June 2009.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Hong Kong Health Check and Laboratory Holdings Company Limited ("**Company**") will be held at 9:30 a.m. on Monday, 23 November 2009 at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, No. 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(A) the conditional sale and purchase agreement dated 15 October 2009 entered into between Luck Key Investment Limited, Town Health (BVI) Limited and the Company in relation to the Transaction (as defined in the circular of the Company dated 5 November 2009 ("**Circular**"), a copy of which is marked "**A**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) ("**Agreement**") (a copy of the Agreement is marked "**B**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(B) any one of the directors of the Company be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company as he may consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Agreement and all transactions contemplated thereunder."

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

Hong Kong, 5 November 2009

* *For identification purpose only*

Registered office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Shops 2B and 2C, Level 1
Hilton Plaza Commercial Centre
3-9 Shatin Centre Street
Shatin, New Territories
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the special general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the special general meeting or any adjournment thereof, should he so wish.

(3) Completion and return of an instrument appointing a proxy should not preclude a shareholder of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of a poll.

At the date hereof, the Board comprises two executive Directors, namely Dr. Fung Yiu Tong, Bennet and Mr. Cho Kwai Yee, Kevin, and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Lo Chun Nga and Mr. Chik Chi Man.