



## Core Healthcare Investment Holdings Ltd

確思醫藥投資控股有限公司\*

(formerly known as Plasmagene Biosciences Limited\*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8250)

# 2006/2007

## Third Quarterly Report

For the nine months ended 31 March 2007

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Core Healthcare Investment Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**FINANCIAL HIGHLIGHTS**

*For the nine months ended 31 March 2007*

- Turnover for the nine months ended 31 March 2007 amounted to approximately HK\$991,005, representing a decrease of approximately 1.38% as compared to that of the corresponding period in 2006.
- Profit attributable to shareholders of the Company amounted to approximately HK\$6,154,142 for the nine months ended 31 March 2007, while a loss of approximately HK\$3,327,731 was recorded for the corresponding period in 2006.
- The board of Directors do not recommend the payment of a dividend for the nine months ended 31 March 2007 (2006: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 March 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March (Unaudited)		For the nine months ended 31 March (Unaudited)	
		2007	2006	2007	2006
		HK\$	HK\$	HK\$	HK\$
	Notes				
Turnover	3	<b>383,173</b>	403,658	<b>991,005</b>	1,004,867
Cost of sales		<b>(246,495)</b>	(291,545)	<b>(553,593)</b>	(786,877)
		<b>136,678</b>	112,113	<b>437,412</b>	217,990
Other revenue		<b>133,139</b>	321,442	<b>751,928</b>	919,188
Fair value adjustment on listed securities		<b>(3,223,871)</b>	–	<b>10,483,589</b>	–
Selling and distribution expenses		<b>(40,298)</b>	(20,498)	<b>(78,586)</b>	(67,807)
Administration expenses		<b>(1,268,117)</b>	(1,597,643)	<b>(4,760,201)</b>	(4,397,102)
Profit/(Loss) before taxation		<b>(4,262,469)</b>	(1,184,586)	<b>6,834,142</b>	(3,327,731)
Taxation	4	–	–	<b>(680,000)</b>	–
Profit/(Loss) attributable to shareholders		<b>(4,262,469)</b>	(1,184,586)	<b>6,154,142</b>	(3,327,731)
Earnings/(Loss) per share					
– basic	5	<b>(1.14) cents</b>	(0.32) cents	<b>1.65 cents</b>	(0.88) cents
– diluted	5	<b>N/A</b>	N/A	<b>1.63 cents</b>	N/A

*NOTES:***1. Corporate Information**

The Company is incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM Board") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**2. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and with applicable disclosures requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of this consolidated financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 30 June 2006.

**3. Turnover**

The Group's turnover is derived principally from the sales of diagnostic testing services and products, and sales of health food and pharmaceutical products. During the period, all of the Group's businesses were carried out in Hong Kong.

**4. Taxation**

The charge for the nine months ended 31 March 2007 represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit.

No provision for Hong Kong profits tax was made in the financial statements as the Group had no estimated assessable profits for the nine months ended 31 March 2006.

There was no material unprovided deferred taxation for the nine months ended 31 March 2007 (2006: Nil).

## 5. Earnings/(Loss) per share

The calculation of the basic loss per share for the three months ended 31 March 2007 is based on the unaudited loss attributable to the shareholders of the Company of HK\$4,262,469 (2006: HK\$1,184,586) and the weighted average number of 374,523,333 (2006: 373,592,000) ordinary shares in issue during the period.

The calculation of the basic earnings/(loss) per share for the nine months ended 31 March 2007 is based on the unaudited profit attributable to the shareholders of the Company of HK\$6,154,142 (2006: loss of HK\$3,327,731) and the weighted average number of 374,058,423 (2006: 376,775,985) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the nine months ended 31 March 2007 is based on the unaudited profit attributable to shareholders of the Company of HK\$6,154,142 and the weighted average number of 377,142,439 shares, being the weighted average number of ordinary shares outstanding during the period, adjusted for the effects on assumed exercise of share options.

No diluted earnings/(loss) per share have been presented for the three months ended 31 March 2007 and for the same period in 2006 and nine months ended 31 March 2006 because the assumed exercises of share options, which were outstanding during the relevant periods, had anti-dilutive effects on the basic loss per share.

## 6. Reserves

The movement in reserves for the nine months ended 31 March 2007 is as follows:

	Issued Capital HK\$	Share premium HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2006	3,735,920	45,244,638	1,919,326	(23,036,088)	27,863,796
Issue of shares upon exercise of share option	21,000	216,000	-	-	237,000
Transfer of reserves upon exercise of share option	-	200,821	(200,821)	-	-
Profit for the period	-	-	-	6,154,142	6,154,142
At 31 March 2007	3,756,920	45,661,459	1,718,505	(16,881,946)	34,254,938

The movement in reserves for the nine months ended 31 March 2006 is as follows:

	Issued Capital HK\$	Share premium HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2005	3,830,760	46,628,204	-	(13,465,628)	36,993,336
Shares repurchase	(94,840)	(1,383,566)	-	-	(1,478,406)
Recognition of share-based payment	-	-	138,856	-	138,856
Loss for the period	-	-	-	(3,327,731)	(3,327,731)
At 31 March 2006	<u>3,735,920</u>	<u>45,244,638</u>	<u>138,856</u>	<u>(16,793,359)</u>	<u>32,326,055</u>

## 7. Dividend

The Board do not recommend the payment of a dividend for the nine months ended 31 March 2007 (2006: Nil).

## BUSINESS REVIEW

The Group's turnover slowed down slightly for the 9 months ended 31 March 2007 with a decrease of 1.38% comparing with the same period of last year. Revenue from Fibrosan testing service provided by Hong Kong Hepatitis Diagnostic Centre and the hepatitis B DNA test accounted for majority of the decline. Cancer diagnostic testing service also eased as a result of the negative impact of the immense competition from certain hospitals that provided similar diagnostic services.

The Group's retail business on healthcare products was making progress until March this year when the fire in Hau Tak Market of Tseung Kwan O occurred. It is anticipated that our retailing shop in the market may not be able to resume business within a short period of time. In order to enhance our retailing revenues, the Group was negotiating the acquisition of a company engaging in the sales of healthcare products during the period under review. As there have been no concrete results about the negotiation, we have temporarily shelved the negotiation.

During the 9 months period, the profit derived from securities and derivatives was still the Group's major income. The stock market in the first quarter of 2007 was rather cyclical and encountered an abrupt downturn from its record high, which affected the investment return of the Group.

## **FUTURE OUTLOOK**

The Group remains optimistic about its business performance for the fourth quarter and for the full year ended 30 June 2007. The US stock market is running its longest bull and the global economy is poised to sustain its growth. The more than 10% GDP growth in China and the strong recovery of its A share markets have benefited Hong Kong stock market and economy. Capitalizing on this opportunistic time, the Group will continue to invest in securities and its derivative products listed on the Stock Exchange of Hong Kong. Thus, we anticipate that majority of the Group's profit will remain to be derived from this business segment.

In spite of our short-term strategy of profiting from securities investment, the Group will endeavor to develop its core business. Although cancer diagnostic testing service is facing competition in the market, the Group will strive to boost its business performance. The Group will consolidate and enhance its customer base for health checks by organizing health forum and promotional events.

The retail business remains to be competitive and challenging in spite of Hong Kong's thriving economy. Rental charges should continue to rise and the demand for skilled workforce should drive up wages and salaries, thus putting more burdens on operating costs. However, the Group will strive to meet the original target of opening 8 to 10 healthcare retail chain stores ultimately albeit with a slower pace, and will continue to explore appropriate acquisition opportunities to expedite our development in this respect.

## **FINANCIAL REVIEW**

The Group's turnover for the 9 months ended 31 March 2007 amounted to HK\$991,005, as compare with HK\$1,004,867 for the corresponding period in 2006. With the new management's effort, the gross profit margin for this 9 months period amounted to 44.1%, which showed a 22.4% increase as compared with the corresponding period in 2006.



The Group's profit attributable to shareholders of the Company for the 9 months ended 31 March 2007 amounted to HK\$6,154,142 as compared with the HK\$3,327,731 loss attributable to the shareholders of the Company for the corresponding period in 2006. In addition to the contribution from the Group's principal business, the results were also attributed to the fair value changes in the listed securities held by the Group, which amounted to a fair value increase of HK\$10,483,589 for the 9 months period.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2007, the interests of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code"), are as follows:

Long positions in ordinary shares of HK\$0.01 each of the Company:

Name of Directors	Number of shares held, capacity and nature of interests			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Through a controlled corporation		
Mr. Lui Chi Wah, Johnny	18,716,000	-	-	18,716,000	4.98%

Save as disclosed above and share options granted to the Directors as disclosed under the paragraph headed "Share options" in this report, none of the Directors, the chief executive of the Company, nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations as at 31 March 2007 as recorded in the register required to be kept by the Company under section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests or short position in the shares or underlying shares of the Company:

Long positions in ordinary shares of HK\$0.01 each of the Company:

Name of shareholders	Notes	Number of shares held, capacity and nature of interests			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse	Through a controlled corporation		
Mr. Lui Chi Wah, Johnny	1	18,716,000	-	-	18,716,000	4.98%
Spring Biotech Limited	2	32,895,524	-	-	32,895,524	8.76%
Town Health Bio-Medical Technology Limited	2	-	-	32,895,524	32,895,524	8.76%
Town Health International Holdings Company Limited ("Town Health")	2 & 3	-	-	32,895,524	32,895,524	8.76%
Broad Idea International Limited	3	-	-	32,895,524	32,895,524	8.76%
Dr. Cho Kwai Chee	3	-	-	32,895,524	32,895,524	8.76%
Dr. Francis Choi Chee Ming J.P.	3	-	-	32,895,524	32,895,524	8.76%
The Applied Research Council		46,596,000	-	-	46,596,000	12.40%

*Notes:*

1. Mr. Lui Chi Wah, Johnny is also Director of the Company.
2. Spring Biotech Limited is beneficially wholly owned by Town Health Bio-Medical Technology Limited which in turn beneficially wholly owned by Town Health.
3. Town Health is a company whose shares listed on GEM. As at the date of this report, Town Health is beneficially owned as to approximately 51.56% by Broad Idea International Limited and as to approximately 5.13% by Atlantis Investment Management Limited. Broad Idea International Limited is beneficially owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.90% by Dr. Francis Choi Chee Ming *J.P.* Mr. Cho Kam Luk (the father of Dr. Cho Kwai Chee), directly beneficially owns 0.03% of Town Health.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company as at 31 March 2007 as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **SHARE OPTIONS**

1. Share option scheme (the "Share Option Scheme") was adopted by the then shareholders of the Company on 20 April 2004 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Board may, at its discretion, invite any employee, Directors, advisor, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers of and/or to any member of the Group whom the Board considers in its sole discretion, to have contributed to the Group from time to time to take up options to subscribe for shares of the Company.

Movements of share options granted to the Directors under the Share Option Scheme for the nine months ended 31 March 2007 are as follows:

Name of Director	Date of grant	Number of underlying shares in respect of which share options were granted				Exercise price HK\$
		Outstanding	Granted	Exercised	Outstanding	
		at 01/07/2006			at 31/03/2007	
Dr. Yeung Wah Hin, Alex	20/06/2005	2,222,222 <sup>(a &amp; c)</sup>	-	-	2,222,222	0.225
	19/06/2006	1,000,000 <sup>(a &amp; d)</sup>	-	-	1,000,000	0.105
Mr. Cheng Yan Tak, Angus Ronald	20/06/2005	669,711 <sup>(a &amp; c)</sup>	-	-	669,711	0.225
	19/06/2006	500,000 <sup>(a &amp; d)</sup>	-	-	500,000	0.105
Mrs. Yeung Tsui Mai Ling, Margaret	20/06/2005	1,111,111 <sup>(a &amp; c)</sup>	-	-	1,111,111	0.225
	19/06/2006	500,000 <sup>(a &amp; d)</sup>	-	-	500,000	0.105
Mr. Cho Kam Luk	20/06/2005	1,111,111 <sup>(a &amp; c)</sup>	-	-	1,111,111	0.225
	19/06/2006	500,000 <sup>(a &amp; d)</sup>	-	-	500,000	0.105
Mr. Lau Kam Shan	20/06/2005	1,111,111 <sup>(a &amp; c)</sup>	-	-	1,111,111	0.225
	19/06/2006	500,000 <sup>(a &amp; d)</sup>	-	-	500,000	0.105
Dr. Ngan Man Wong, Matthew	20/06/2005	1,333,333 <sup>(b &amp; c)</sup>	-	-	1,333,333	0.225
	19/06/2006	455,342 <sup>(b &amp; d)</sup>	-	-	455,342	0.105
Dr. Loh Kai Tsu, Kevin	20/06/2005	1,333,333 <sup>(b &amp; c)</sup>	-	-	1,333,333	0.225
Mr. Chan Siu Wing, Raymond	20/06/2005	1,333,333 <sup>(b &amp; c)</sup>	-	-	1,333,333	0.225
	19/06/2006	600,000 <sup>(b &amp; d)</sup>	-	(600,000)	-	0.105
Mr. Chan Po Kwong	19/06/2006	948,493 <sup>(b &amp; d)</sup>	-	-	948,493	0.105
Total		15,229,100	-	(600,000)	14,629,100	

Notes:

- (a) The share options are exercisable at any time for a period of three years from the date of grant.
- (b) The share options are exercisable at any time for a period of ten years from the date of grant.

- (c) The closing price of the shares of the Company immediately before 20 June 2005 on which the options were granted was HK\$0.225.
- (d) The closing price of the shares of the Company immediately before 19 June 2006 on which the options were granted was HK\$0.105.
- (e) No share options are cancelled or lapsed during the period.

Movements of share options granted to eligible participants other than Directors under the Share Option Scheme for the nine months ended 31 March 2007 are as follows:

	Date of grant	Number of underlying shares in respect of which share options were granted				Exercise price HK\$
		Outstanding at 01/07/2006	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 31/03/2007	
Employees	26/06/2006	4,700,000 <sup>(a &amp; b)</sup>	-	(1,500,000)	3,200,000	0.116
Other eligible participants	26/06/2006	3,600,000 <sup>(a &amp; b)</sup>	-	-	3,600,000	0.116

Notes:

- (a) The share options are exercisable at any time for a period of ten years from the date of grant.
- (b) The closing price of the shares of the Company immediately before 26 June 2006 on which the options were granted was HK\$0.115.
2. Pursuant to an agreement entered into by the Company with The Chinese University of Hong Kong (the "Chinese University") on 8 August 2002 relating to the grant of a right of first refusal to the Company 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"), share options would be granted to the Chinese University over the period of the term of such agreements of four years commencing from 18 June 2004.

Movements of share options granted to the Chinese University for the nine months ended 31 March 2007 are as follows:

	Date of grant	Number of underlying shares in respect of which share options were granted				Exercise price HK\$
		Outstanding at 01/07/2006	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 31/03/2007	
The Chinese	28/06/2005	4,484,305 <sup>(a)</sup>	-	-	4,484,305	0.223
University	26/06/2006	9,482,758 <sup>(b)</sup>	-	-	9,482,758	0.116

Notes:

- (a) The share options are exercisable at any time for a period from 28 December 2005 to 27 June 2010. The closing price of the shares of the Company immediately before 28 June 2005 on which the options were granted was HK\$0.223.
- (b) The share options are exercisable at any time for a period from 26 December 2006 to 25 June 2011. The closing price of the shares of the Company immediately before 26 June 2006 on which the options were granted was HK\$0.115.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the paragraph headed "Directors' and chief executive's interests in shares and underlying shares" and "Share options" in this report, at no time during the nine months ended 31 March 2007 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## COMPETING INTERESTS

None of the Directors or the management shareholders or controlling shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in a business which competes or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

For the nine months ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares (2005: 9,484,000 shares).

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The audit committee currently comprises three independent non-executive Directors, namely Mr. Kwok Shun Tim, Mr. Chan Po Kwong and Mr. Lam Yan Wing.

This report, including the Group's unaudited consolidated results for the nine months ended 31 March 2007, have been reviewed by the audit committee of the Company.

## **CORPORATE GOVERNANCE**

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 March 2007, except for the following deviations:

**Code Provision A.2.1**

This code stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. On 2 August 2006, Mr. Lui Chi Wah, Johnny ("Mr. Lui") was appointed as the chairman and chief executive officer of the Company. Mr. Lui is responsible for managing the Board and the Group's business. The Board considers that Mr. Lui's extensive experience in financial sector and strong business network will definitely contribute to the development and future growth of the Group. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the participation of experienced and high caliber members of the Board which meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Lui and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business development of the Group. Nevertheless, the Board will continually review the function of the Board and its relationship with the management, especially the necessity and the benefits of separating the roles of the chairman and chief executive officer.

**Code Provision A.4**

This code stipulates that all directors should be subject to re-election at regular intervals. The then Articles of Association of the Company do not provide for retirement by rotation of a director holding office as managing director or joint managing director. A resolution was put forward to the shareholders at the Company's last annual general meeting held on 31 October 2006 for amending the Articles to comply with the Code on Corporate Governance practices. The resolution was duly passed.



**Code Provision A.4.2**

This code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The then Articles of Association of the Company only requires such directors who are appointed to fill a casual vacancy to be re-elected at the next annual general meeting. A resolution was put forward to the shareholders at the Company's last annual general meeting held on 31 October 2006 for amending the Articles to comply with the Code on Corporate Governance practices. The resolution was duly passed.

**Code Provision A.4.4**

This code stipulates that listed issuers should establish a nomination committee with specific written terms of reference. The nomination committee should, among others, (i) reviews the structure, size and composition of the board and make recommendations to the board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on matters relating to the appointment or re-appointment of directors and succession planning for directors.

The Company has not established a nomination committee. Instead, the full Board is involved in the appointment of new Directors. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director's appointment. The Board will conduct in-depth assessment on the independence of candidates for post of independent Directors.

### **Directors' securities transactions**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by Directors.

By order of the Board  
**Core Healthcare Investment Holdings Limited**  
**Mr. Lui Chi Wah, Johnny**  
*Chairman*

Hong Kong, 9 May 2007

*As at the date of this report, the executive Directors are Mr. Lui Chi Wah, Johnny and Mr. Wu Kai; the non-executive Director is Mr. Lau Kam Shan; and the independent non-executive Directors are Mr. Kwok Shun Tim, Mr. Chan Po Kwong and Mr. Lam Yan Wing.*