



Core Healthcare Investment Holdings Ltd
確思醫藥投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 8250)

A circular collage of medical-related images including a stethoscope, a pill bottle, a pill tray, and a stethoscope. The collage is set against a light green background with a faint "Core" watermark.

2007/2008
Third Quarterly Report

For the nine months ended 31 March 2008

*For identification purpose only

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2008:

- Turnover for the nine months ended 31 March 2008 amounted to approximately HK\$1,111,000, representing an increase of approximately 12.09% as compared to that of the corresponding period in 2007.
- Loss attributable to shareholders of the Company amounted to approximately HK\$15,806,000 for the nine months ended 31 March 2008, while a profit of approximately HK\$6,154,000 was recorded for the corresponding period in 2007.
- The board of Directors does not recommend the payment of a dividend for the nine months ended 31 March 2008 (2007: 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 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

	Notes	(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
		2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Turnover	3	371,057	383,173	1,110,840	991,005
Cost of sales		(221,038)	(246,495)	(763,664)	(553,593)
Gross profit		150,019	136,678	347,176	437,412
Other income		1,486,881	133,139	2,913,905	751,928
Gain/(Loss) on fair value changes on held for trading investments		(13,506,127)	(3,223,871)	(12,144,501)	10,483,589
		(11,869,227)	(2,954,054)	(8,883,420)	11,672,929
Selling and distribution expenses		(164)	(40,298)	(9,890)	(78,586)
Administration expenses		(3,203,300)	(1,268,117)	(6,426,901)	(4,760,201)
Other operating expenses		(292,069)	–	(485,604)	–
Profit/(Loss) before tax		(15,364,760)	(4,262,469)	(15,805,815)	6,834,142
Income tax expense	4	–	–	–	(680,000)
Profit/(Loss) attributable to equity holders of the Company		(15,364,760)	(4,262,469)	(15,805,815)	6,154,142
Earnings/(Loss) per share					
– basic	5	(0.21 cents)	(0.11) cents	(0.24 cents)	0.17 cents
– diluted	5	N/A	N/A	N/A	0.16 cents

Notes:

1. GENERAL

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”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of diagnostic testing services and products and related research and development, investment holding, and sales of health food and pharmaceutical products.

2. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The unaudited consolidated results have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those adopted in preparing the Group’s annual financial statements for the year ended 30 June 2007.

Convertible Bonds

On 31 January 2008, the Company issued 1% convertible bonds with an aggregate principal amount of HK\$150,000,000 to Precious Success Group Limited, with maturity date on the fourth anniversary of the date of issue of the convertible bonds (the “Maturity Date”). There was no movement in the number of these convertible bonds during the period. Any convertible bonds not to be converted will be redeemed on the Maturity Date at 100% of the principal amount of the convertible bonds. The convertible bonds carry interest at a rate of 1% per annum, which is payable annually in arrears on 31 January.

The fair value of the financial liability component of the convertible bonds is calculated using the effective interest method. The amount is estimated by using a discounted cash flow model with assumptions on estimating the discount rate. The fair value of the derivative component of the convertible bonds is calculated using the Black-Scholes option pricing model.

3. TURNOVER

The Group's turnover represents turnover arising on sales of diagnostic testing services and products and sales of health food and pharmaceutical products. During the period, all of the Group's business were carried out in Hong Kong. An analysis of the Group's turnover for the period is as follows:

	(Unaudited) For the three months ended 31 March		(Unaudited) For the nine months ended 31 March	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Sales of diagnostic testing services and products	328,107	282,366	958,264	868,462
Sales of health food and pharmaceutical products	42,950	100,807	152,576	122,543
	371,057	383,173	1,110,840	991,005

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for the nine months ended 31 March 2008 (2007: HK\$680,000).

There was no material unprovided deferred taxation for the nine months ended 31 March 2008 (2007: Nil).

5. EARNINGS/(LOSS) PER SHARE

On 18 January 2008, the ordinary resolution to approve the subdivision of every issued or unissued existing ordinary share of the nominal value of HK\$0.01 each in the share capital of the Company into 10 ordinary shares of the nominal value of HK\$0.001 each in the share capital of the Company (the "Subdivided Shares") (referred to as the "Share Subdivision") was duly passed by the shareholders of the Company.

The calculation of the basic loss per share for the three months ended 31 March 2008 is based on the unaudited loss for the corresponding period attributable to the equity holders of the Company of HK\$15,364,760 (2007: loss of HK\$4,262,469) and the weighted average number of Subdivided Shares of 7,378,615,556 (2007: 3,745,233,330) in issue during the period after adjusting for the effect on the Share Subdivision.

The calculation of the basic loss per share for the nine months ended 31 March 2008 is based on the unaudited loss for the corresponding period attributable to the equity holders of the Company of HK\$15,805,815 (2007: profit of HK\$6,154,142) and the weighted average number of Subdivided Shares of 6,525,736,324 (2007: 3,740,584,230) in issue during the period after adjusting for the effect on the Share Subdivision.

No diluted loss per share has been presented for the three months and nine months ended 31 March 2008 and for the three months ended 31 March 2007 because the assumed exercises of share options, convertible bonds and consideration shares, which were outstanding during the relevant periods, had anti-dilutive effects on the basic loss per share.

The calculation of the diluted earning 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 and 3,771,424,390 Subdivided Shares, being the weighted average number of Subdivided Shares outstanding during the period, adjusted for the effects on the Share Subdivision and potential shares issued upon exercise of share options.

6. RESERVES

The movement in reserves for the nine months ended 31 March 2008 is as follows:

	Issued capital	Share premium	Share option reserve	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at 1 July 2007	3,825,920	46,952,988	1,700,386	(14,423,916)	38,055,378
placement	3,343,880	51,958,231	-	-	55,302,111
Issue of shares upon exercise of share option	211,945	2,275,594	-	-	2,487,539
Transfer of reserve upon exercise of share option	-	2,984,539	(1,700,386)	-	1,284,153
Loss for the period	-	-	-	(15,805,815)	(15,805,815)
Balance at 31 March 2008	<u>7,381,745</u>	<u>104,171,352</u>	<u>-</u>	<u>(30,229,731)</u>	<u>(81,323,366)</u>

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

	Issued capital	Share premium	Share option reserve	Accumulated losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at 1 July 2006	3,735,920	45,244,638	1,919,326	(23,036,088)	27,863,796
Issued 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
Balance at 31 March 2007	<u>3,756,920</u>	<u>45,661,459</u>	<u>1,718,505</u>	<u>(16,881,946)</u>	<u>34,254,938</u>

7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 March 2008, the Group recorded a turnover of HK\$1,111,000, representing an increase of 12.09% as compared with the same period of last year. During the period, the Group recorded a loss of approximately HK\$15,806,000, as compared with the profit of approximately HK\$6,154,000 in the same period of last year.

Carcinoma diagnosis and testing service continues to be primary sources of our operation revenue. In order to strengthen its market competitiveness, the Group worked closely with healthcare institutions to provide a wide range of testing services. As a result, there was an improvement in our operations with a 10.34% increase in turnover compared with the same period of last year. For the sales of healthcare products, due to the surge in the imported food price and the increase in operating cost, the sales operation was affected to a certain extent.

During this period, the Group and Xizang Rhodiola Pharmaceutical Co., Ltd. (“Xizang Medicine”) entered into an unconditional legally binding agreement (the “Co-operation Agreement”). According to the Co-operation Agreement, the Group and Xizang Medicine will form a joint venture company to develop China pharmaceutical market which has huge potential. The Group cooperated with Xizang Medicine and agreed to invest approximately RMB200 million into the joint venture company (whereas the Group and Xizang Medicine owns 51% and 49% interest in it respectively) by way of capital injection. Following the launch of the national Class 1 New Drug which is used for treating of heart failure, the preliminary response was satisfactory.

Stepping into the first quarter of 2008, the stock market of Hong Kong decreased significantly and has become the worst performing market. Although the Group adopted a more conservative investment strategy during this quarter and minimize its investment in securities, the Group still recorded a nominal loss of approximately HK\$12,145,000.

Future Prospect

China healthcare and pharmaceutical market has great development potential. The cooperation with Xizang Medicine is a major breakthrough for the Group’s business, which provides the Group an opportunity to tap into the PRC pharmaceutical and healthcare market. In the future, the Group will continue to identify potential pharmaceutical investment projects in the hope of accelerating the pace of development in the PRC pharmaceutical and healthcare industry.

The business of carcinoma diagnosis and testing service remains stable and the trend is expected to continue in the future. For the sales of healthcare products, in view of the operating environment with rising costs, the Group will adopt a more prudent operating strategy.

The financial shock plaguing from the US sub-prime crisis has gradually calmed down and the Wall Street's Market begins to recover. Hong Kong's economy maintains its growth momentum and has not been affected by the US sub-prime crisis. The China economy continues to grow at a high speed, and given solid economic foundation of the China and Hong Kong, current stock prices in Hong Kong has fall off to a relatively low level. Therefore, the Board is still confidence with the investment prospect in Hong Kong stock market and believes that it will continue to generate satisfactory profit stream for the Group.

Financial Review

The Group's turnover for the nine months ended 31 March 2008 amounted to HK\$1,111,000, while a turnover of approximately HK\$991,000 was recorded for the corresponding period in 2007. The gross profit margin for the nine months period amounted to 31.25%, which showed a decrease of 12.89% as compared to that of the corresponding period in 2007.

For the nine months ended 31 March 2008, the Group recorded a loss attributable to shareholders of the Company of approximately HK\$15,806,000, while a profit of approximately HK\$6,154,000 for the corresponding period in 2007.

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

As at 31 March 2008, the interests of the Directors and the chief executives of the Company and their associates in the shares, underlying shares 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"), were as follows:

The Company

Long positions in Subdivided Shares of HK\$0.001 each:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the Company's issued share capital
Mr. Lui Chi Wah, Johnny	Beneficial owner	187,160,000	2.54%

Saved 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 executives 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 2008 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 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests or short position in the shares or underlying shares of the Company:

Long positions in Subdivided Shares of HK\$0.001 each of the Company:

Name of shareholders	Notes	Number of shares held, capacity and nature of interests				Total	Percentage of the Company's enlarged share capital upon full conversion of the Convertible Bonds or upon the issue of the Consideration Shares
		Beneficially owned	Beneficially owned through holding of Convertible Bonds	Beneficially owned through holding of Consideration Shares	Through a jointly controlled entity/a controlled corporation		
Precious Success Group Limited ("Precious Success")	1	-	6,842,105,262	-	-	6,842,105,262	44.79%
ClassicTime Investments Limited	1&2	-	-	-	7,368,421,051	7,368,421,051	48.23%
Charm Advance Limited	2	-	-	-	7,368,421,051	7,368,421,051	48.23%
Hong Kong Health Check and Laboratory Holdings Company Limited ("HK Health Check")	2	-	-	-	7,368,421,051	7,368,421,051	48.23%
Town Health (BVI) Limited	2	-	-	-	7,368,421,051	7,368,421,051	48.23%
Top Act Group Limited	2	-	-	-	7,368,421,051	7,368,421,051	48.23%
Spring Biotech Limited	1&3	328,955,240	-	-	7,368,421,051	7,697,376,291	50.39%
Town Health Bio-Medical Technology Limited	3	-	-	-	7,697,376,291	7,697,376,291	50.39%
Town Health International Holdings Company Limited ("Town Health")	2,3&4	-	-	-	8,223,692,080	8,223,692,080	53.83%
Broad Idea International Limited	4	-	-	-	8,223,692,080	8,223,692,080	53.83%
Dr. Cho Kwai Chee	4	-	-	-	8,223,692,080	8,223,692,080	53.83%
Dr. Francis Choi Chee Ming, JP	4	-	-	-	8,223,692,080	8,223,692,080	53.83%
Mr. U Man long	5	-	-	3,000,000,000	-	3,000,000,000	28.90%
Chu Yuet Wah		504,440,000	-	-	-	504,440,000	6.83%

Notes:

1. On 6 November 2007, the Company has entered into a conditional subscription agreement with Precious Success, a jointly controlled entity which is owned as to 50% by Classictime Investments Limited and as to 50% by Spring Biotech Limited, in connection with the subscription of the convertible bonds by Precious Success (the "Convertible Bonds") with an aggregate principal amount of HK\$150 million which can be exercised and converted into 7,894,736,840 conversion shares at an initial conversion price of HK\$0.019 per conversion share after adjusting for the effect on the Share Subdivision. Details of this issue of Convertible Bonds are disclosed in the circular of the Company dated 6 December 2007.
2. Classictime Investments Limited is wholly owned by HK Health Check through its wholly owned subsidiary, Charm Advance Limited. HK Health Check is a company with its shares listed on the main board of the Stock Exchange. Top Act Group Limited holds approximately 58.35% interest in HK Health Check through its holding of issued ordinary shares and shares to be issued upon the conversion of convertible notes in HK Health Check. Top Act Group Limited is a wholly owned subsidiary of Town Health (BVI) Limited which in turn wholly owned by Town Health.
3. Spring Biotech Limited is wholly owned by Town Health Bio-Medical Technology Limited which in turn wholly owned by Town Health.
4. Town Health is a company with its shares listed on GEM of the Stock Exchange. Town Health is beneficially owned as to approximately 46.75% by Broad Idea International Limited. Broad Idea International Limited is beneficially owned as to 50.1% by Dr. Cho Kwai Chee and as to 49.9% by Dr. Francis Choi Chee Ming, JP.
5. On 6 November 2007, the Company has entered into a referral agreement (the "Referral Agreement") with Mr. U Man long (the "Referral Agent"), whereby, the Referral Agent has agreed to identify for the Company (i) potential Class 1 New Drugs acquisition targets in the PRC; and (ii) potential PRC Drugs Distribution Network acquisition targets. Upon completion of the aforesaid acquisitions (i) and (ii), the Company agreed to allot 2,000,000,000 and 1,000,000,000 consideration shares (the "Consideration Shares") respectively to the Referral Agent (after adjusting the effect on Share Subdivision). Details of this possible issue of Consideration Shares under the Referral Agreement are disclosed in the circular of the Company dated 6 December 2007.

Saved as disclosed above, the Company has not been notified by any person (other than Directors or chief executives of the Company) who had an interest or short positions in the shares or underlying shares of the Company as at 31 March 2008 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTIONS

1. A share option scheme (the "Share Option Scheme") was adopted by the 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 2008 are as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per Subdivided Share HK\$	Number of underlying shares in respect of which share options were granted			
				Outstanding at 01/07/2007	Granted	Exercised/Cancelled/Lapsed	Outstanding at 31/03/2008
Mr. Lau Kam Shan	20/06/2005	20/06/2005 – 19/06/2008	0.0225	11,111,110	-	11,111,110	-
	19/06/2006	19/06/2006 – 18/06/2008	0.0105	5,000,000	-	5,000,000	-
Mr. Chan Po Kwong	19/06/2006	19/06/2006 – 18/06/2016	0.0105	9,484,930	-	9,484,930	-
Total				<u>25,596,040</u>	<u>-</u>	<u>25,596,040</u>	<u>-</u>

Movements of share options granted to eligible participants other than Directors under the Share Option Scheme for the nine months ended 31 March 2008 are as follows:

Eligible participant	Date of grant	Exercisable period	Exercise price per Subdivided Share HK\$	Number of underlying shares in respect of which share options were granted			
				Outstanding at 01/07/2007	Granted	Exercised/Cancelled/Lapsed	Outstanding at 31/03/2008
Employees	26/06/2006	26/06/2006 – 25/06/2016	0.0116	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>-</u>

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 2008 are as follows:

Date of grant	Exercisable period	Exercise price per Subdivided Share HK\$	Number of underlying shares in respect of which share options were granted			
			Outstanding at 01/07/2007	Granted	Exercised/Cancelled/Lapsed	Outstanding at 31/03/2008
28/06/2005	28/12/2005 – 27/06/2010	0.0223	44,843,050	-	44,843,050	-
26/06/2006	26/12/2006 – 25/06/2011	0.0116	94,827,580	-	94,827,580	-
22/06/2007	22/12/2007 – 21/06/2012	0.0295	<u>40,677,960</u>	<u>-</u>	<u>40,677,960</u>	<u>-</u>
Total			<u>180,348,590</u>	<u>-</u>	<u>180,348,590</u>	<u>-</u>

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 2008 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 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares (2007: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

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 2008, except that: (i) the roles of the chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

SECURITIES TRANSACTIONS BY DIRECTORS

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.

AUDIT COMMITTEE

The Company has 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 comprises three independent non-executive Directors, namely Mr. Kwok Shun Tim, Mr. Chan Po Kwong and Mr. Lam Yan Wing. Mr. Kwok Shun Tim is the chairman of the committee since his appointment on 13 September 2006.

This report, including the Group's unaudited consolidated results for the nine months ended 31 March 2008, had been reviewed by the audit committee of the Company.

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

Hong Kong, 8 May 2008

As at the date of this report, the executive Directors are Mr. Lui Chi Wah, Johnny, Dr. Hui Ka Wah Ronnie, JP 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.