



CORE HEALTHCARE INVESTMENT HOLDINGS LTD.



FIRST QUARTERLY
REPORT **2008**



Core Healthcare Investment Holdings Limited

確思醫藥投資控股有限公司*

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



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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 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, (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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 three months ended 30 September 2008:

- Turnover for the three months ended 30 September 2008 amounted to approximately HK\$487,000, representing an increase of approximately 49.63% as compared to that of the corresponding period in 2007.
- Profit attributable to equity holders of the Company amounted to approximately HK\$57,481,000 for the three months ended 30 September 2008, while a profit of approximately HK\$11,405,000 was recorded for the corresponding period in 2007.
- The board of Directors does not recommend the payment of an interim dividend for the three months ended 30 September 2008 (2007: Nil).



FIRST 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 ended 30 September 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

	Note	For the three months ended 30 September	
		2008 HK\$ (Unaudited)	2007 HK\$ (Unaudited)
Turnover	3	486,905	325,411
Cost of sales and services		(180,053)	(255,357)
Gross profit		306,852	70,054
Other income		962,117	246,539
Selling and distribution expenses		(22,386)	(6,174)
Administrative expenses		(1,804,093)	(1,225,264)
Other operating expenses		(917,417)	(43,874)
Net (loss)/gain of financial assets at fair value through profit or loss (held for trading)		(7,921,018)	12,363,800
Fair value gain of convertible bonds		66,876,612	–
Profit before tax		57,480,667	11,405,081
Income tax expense	4	–	–
Profit for the period attributable to equity holders of the Company		57,480,667	11,405,081
Earnings per share (restated)			
– basic	5	0.779 cents	0.220 cents
– diluted		0.413 cents	0.217 cents



Notes:

1. GENERAL

The Company was incorporated in the Cayman Islands 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 holdings, 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 valuation of investments and convertible bonds 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 audited financial statements for the year ended 30 June 2008.

3. TURNOVER

The Group’s turnover represents turnover arising on provision of diagnostic testing services and sales of health food and pharmaceutical products. An analysis of the Group’s turnover for the period is as follows:

	For the three months ended 30 September	
	2008 HK\$ (Unaudited)	2007 HK\$ (Unaudited)
Provision of diagnostic testing services	455,967	277,622
Sales of health food and pharmaceutical products	30,938	47,789
	486,905	325,411



4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months ended 30 September 2008 (2007: Nil).

There was no material unprovided deferred taxation for the three months ended 30 September 2008 (2007: Nil).

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 September 2008 is based on the unaudited profit for the corresponding period attributable to the equity holders of the Company of HK\$57,480,667 (2007: HK\$11,405,081) and the weighted average number of ordinary shares of 7,381,744,630 (2007: 5,175,268,600, as restated) in issue during the period.

The calculation of the diluted earnings per share for the three months ended 30 September 2008 is based on the unaudited profit for the corresponding period attributable to the equity holders of the Company of HK\$57,855,667 (2007: HK\$11,405,081) and 14,015,341,401 shares (2007: 5,256,553,510, as restated), being the weighted average number of ordinary shares outstanding during the period, adjusted for the effects on potential shares issued upon exercise of share options and conversion of convertible bonds.

6. RESERVES

The movement in reserves for the three months ended 30 September 2008 is as follows:

	Share capital HK\$	Share premium HK\$	Share option reserves HK\$	Accumulated profit/(loss) HK\$	Total HK\$
Balance at 1 July 2008	7,381,745	104,171,352	837,295	(375,348,766)	(262,958,374)
Profit for the three months ended 30 September 2008	-	-	-	57,480,667	57,480,667
Balance at 30 September 2008	7,381,745	104,171,352	837,295	(317,868,099)	(205,477,707)



The movement in reserves for the three months ended 30 September 2007 is as follows:

	Share capital HK\$	Share premium HK\$	Share option reserves HK\$	Accumulated profit/(loss) HK\$	Total HK\$
Balance at 1 July 2007	3,825,920	46,952,988	1,700,386	(14,423,916)	38,055,378
Issue of shares upon placements	3,043,880	47,158,231	-	-	50,202,111
Issue of shares upon exercise of share options	105,828	1,116,272	-	-	1,222,100
Transfer of reserve upon exercise of share options	-	824,779	(824,779)	-	-
Profit for the three months ended 30 September 2007	-	-	-	11,405,081	11,405,081
Balance at 30 September 2007	6,975,628	96,052,270	875,607	(3,018,835)	100,884,670

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2008 (2007: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first quarter ended 30 September 2008, the Group reported a significant increase in turnover of almost 50% to approximately HK\$487,000 as compared with the corresponding period in the previous financial year. Performance on our health food retail business weakened with a 35.26% drop in turnover as Hong Kong's economy began slowing down. Nevertheless, our carcinoma diagnostic and testing services posted encouraging performance with a 64.24% increase in turnover to approximately HK\$456,000, which more than offset the drop in retail and helped boost total turnover.

Gross profit for the period under review surged by almost three-fold to approximately HK\$307,000 as diagnostic and testing services commanded a much higher profit margin. Operating expenses increased 115.15% to approximately HK\$2,744,000, which was mainly attributable to the increase in legal and professional expenses and consultancy fees as the contemplated investment in the joint-venture with Xizang Rhodiola Pharmaceutical Co., Ltd. required pre-completion works. Thanks to the interest income from bank deposits, other income jumped about 2.9 times to approximately HK\$962,000. Investments held for trading recorded a loss of approximately HK\$7,921,000, most of which were unrealized, comparing with a gain of approximately HK\$12,364,000 in the prior corresponding period. Nevertheless, a fair value gain of approximately HK\$66,877,000 on the revaluation of the convertible bonds was recorded, resulting in a net profit of approximately HK\$57,481,000. That represented an increase of approximately 403.99% when compared with the same period in the last financial year.

FUTURE PROSPECTS

The domino effect of the US financial meltdown has exacerbated the woe on the US economy and has finally stormed Europe and, to a lesser extent, China and Hong Kong. The extreme volatility and recent free falls of the stock markets of Hong Kong and China have further shaken Hong Kong's otherwise strong economy with China beginning to feel the pain.

There is now a consensus in the business community that the worst has yet to come for Hong Kong and China. And it is very likely that the recession in the US and Europe will drag on to the first quarter of 2009. Hong Kong is forecasted to see zero, if not negative, growth some time next year. Hence, we will continue to enhance our operation in diagnostic and testing services where we believe stronger growth will be seen as the synergy with our controlling shareholders begins to bear fruit. On securities investment, we have stopped putting new money into the stock market and will continue to do so. It is our plan to gradually unload the investment on hand when the stock market stages a meaningful comeback. As a result, we are still enjoying a very liquid cash flow position and will show extreme cautiousness in any major spending in this "cash-is-king" economic environment. And in order to deleverage and decrease the debt gearing ratio, so as to



lower the financial stress and risk, and to maintain high degree of flexibility, we would consider gradually lowering our exposure in convertible bonds, of which the nominal value amounted to HK\$150,000,000 as of 30 June 2008.

On 7 November 2008, the Company entered into a termination agreement with Xizang Rhodiola Pharmaceutical Co., Ltd. as the necessary approval for the proposed co-operation arrangement contemplated under the co-operational agreement entered in February this year has not been obtained. As for the Group's future development, we are still committed to developing the mainland pharmaceutical market so as to tap the huge growth potential. We will actively look into other pharmaceutical investment opportunities, such as distribution networks, etc., in the PRC.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$487,000 for the three months ended 30 September 2008 (2007: approximately HK\$325,000), representing an increase of approximately 49.63% as compared with the corresponding period in 2007.

The Group's gross profit for the three months ended 30 September 2008 amounted to approximately HK\$307,000, reflecting a significant increase when compared to the gross profit of approximately HK\$70,000 recorded in the corresponding period in prior year.

Profit attributable to equity holders of the Company for the three months ended 30 September 2008 was approximately HK\$57,481,000 (2007: approximately HK\$11,405,000).



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

As at 30 September 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, were as follows:

THE COMPANY

Long positions in ordinary 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%

Save as disclosed above, 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 30 September 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 30 September 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 ordinary shares of HK\$0.001 each:

Name of shareholders	Notes	Number of shares held, capacity and nature of interests			Percentage of the Company's issued share capital
		Directly beneficially owned	Through a controlled corporation	Total	
Dr. Choi Chee Ming, <i>J.P.</i>	1	–	12,661,447,671	12,661,447,671	171.52%
Dr. Cho Kwai Chee	1	–	12,661,447,671	12,661,447,671	171.52%
Broad Idea International Limited ("Broad Idea")	2	–	12,661,447,671	12,661,447,671	171.52%
Town Health International Holdings Company Limited ("Town Health")	3	–	12,661,447,671	12,661,447,671	171.52%
Town Health Bio-Medical Technology Limited ("Town Health Bio")	3	–	7,697,376,291	7,697,376,291	104.20%
Spring Biotech Limited ("Spring Biotech")	3	855,271,029	6,842,105,262	7,697,376,291	104.20%
Hong Kong Health Check and Laboratory Holdings Company Limited ("HK Health Check")	4	4,437,755,591	7,368,421,051	11,806,176,642	159.94%
Charm Advance Limited	4	–	7,368,421,051	7,368,421,051	99.82%
Classictime Investments Limited ("Classictime Investments")	4	526,315,789	6,842,105,262	7,368,421,051	99.82%
Precious Success Group Limited ("Precious Success")	5	6,842,105,262	–	6,842,105,262	92.69%
Mr. U Man long	6	3,000,000,000	–	3,000,000,000	40.64%



Notes:

1. Dr. Cho Kwai Chee and Dr. Choi Chee Ming, J.P. are interested in 50.1% and 49.9% of the issued share capital of Broad Idea respectively and each of them is deemed, pursuant to the SFO, to have a long position in the Conversion Shares and an interest in the same block of 328,955,240 shares of the Company held by Spring Biotech and 4,437,755,591 shares of the Company held by HK Health Check that Broad Idea is deemed to be interested in.
2. Broad Idea is interested in 44.72% of the issued share capital of Town Health and pursuant to the SFO, is deemed to have a long position in the Conversion Shares and an interest in the same block of 328,955,240 shares of the Company held by Spring Biotech and 4,437,755,591 shares of the Company held by HK Health Check that Town Health is deemed to be interested in.
3. Spring Biotech owns 50% of Precious Success and is deemed under the SFO to have a long position over the Conversion Shares. Spring Biotech also owns 328,955,240 shares of the Company. Town Health owns 100% of Town Health Bio which in turn owns 100% of Spring Biotech. Pursuant to the SFO, each of Town Health Bio and Town Health is deemed to have a long position over the Conversion Shares and an interest in the same block of 328,955,240 shares of the Company held by Spring Biotech.
4. HK Health Check owns 100% of Classictime Investments through its wholly-owned subsidiary Charm Advance Limited. Classictime Investments owns 50% of Precious Success. Pursuant to the SFO, each of Classictime Investments, Charm Advance Limited and HK Health Check is deemed to have a long position in the Conversion Shares. HK Health Check also owns 4,437,755,591 shares of the Company.
5. Pursuant to the convertible bonds subscription agreement dated 6 November 2007, Precious Success, together with Spring Biotech and Classictime Investments, have long positions in 7,894,736,840 shares of the Company to be allotted and issue upon the exercise in full of the convertible bonds to be issued pursuant to the convertible bonds subscription agreement (the "Conversion Shares"). As at the date of this report, each of Precious Success, Spring Biotech and Classictime Investments holds convertible bonds with principal amounts of HK\$130 million, HK\$10 million and HK\$10 million respectively.
6. Mr. U Man long is deemed to have a long position over 3,000,000,000 shares of the Company which may be allotted and issue pursuant to the referral agreement as disclosed in the circular of the Company dated 13 March 2008.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2008.



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.

No share options were granted under the Share Option Scheme during the three months ended 30 September 2008.

2. Pursuant to an agreement entered into between the Company and 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, 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 during the three months ended 30 September 2008 are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 01/07/2008	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 30/09/2008
27/06/2008	27/12/2008 – 26/06/2013	0.1220	10,655,738	-	-	10,655,738



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save 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 three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 2008, except that the roles of the chairman and chief executive officer of the Company are not separate and are performed by the same individual.



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 period. 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 the 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 audit committee since his appointment on 13 September 2006.

This report, including the Group's unaudited consolidated results for the three months ended 30 September 2008, had been reviewed by the audit committee of the Company.

By order of the Board
Core Healthcare Investment Holdings Limited
Hui Ka Wah, Ronnie
Executive Director

Hong Kong, 11 November 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.