



**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)

**First Quarterly Report**  
**2009**



\*For identification purpose only

## **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.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the website of the Company at <http://www.corehealth.com.hk>.*

## FINANCIAL HIGHLIGHTS

For the three months ended 30 September 2009:

- Turnover for the three months ended 30 September 2009 amounted to approximately HK\$869,000, representing an increase of approximately 78.37% as compared to that of the corresponding period in 2008.
- Loss attributable to equity holders of the Company amounted to approximately HK\$16,892,000 for the three months ended 30 September 2009, while a profit of approximately HK\$57,481,000 was recorded for the corresponding period in 2008.
- The board of Directors does not recommend the payment of interim dividend for the three months ended 30 September 2009 (2008: Nil).

**FIRST QUARTERLY RESULTS (UNAUDITED)**

The board of Directors of the Company (the "Board") 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 2009, together with the comparative unaudited figures for the corresponding period in 2008 as follows:

		<b>For the three months ended 30 September</b>	
	<i>Note</i>	<b>2009 HK\$ (Unaudited)</b>	2008 HK\$ (Unaudited)
Turnover	4	<b>868,514</b>	486,905
Cost of sales and services		<b>(505,371)</b>	(180,053)
Gross profit		<b>363,143</b>	306,852
Other income	5	<b>51,079</b>	962,117
Selling and distribution expenses		–	(22,386)
Administrative expenses		<b>(5,080,781)</b>	(1,804,093)
Other operating expenses		<b>(11,511,491)</b>	(917,417)
Net loss of financial assets at fair value through profit or loss (held for trading)		<b>(713,697)</b>	(7,921,018)
Fair value gain of convertible bonds		–	66,876,612
(Loss)/profit before tax		<b>(16,891,747)</b>	57,480,667
Income tax expense	6	–	–
(Loss)/profit for the period attributable to equity holders of the Company		<b>(16,891,747)</b>	57,480,667
Dividends	7	–	–
(Loss)/earnings per share			(restated)
– basic	8	<b>(1.836) cents</b>	7.787 cents
– diluted		<b>N/A</b>	4.128 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 and healthcare services, related research and development and advertising and public relationship services and investment holding.

## 2. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 2009.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 July 2009. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial positions.

**4. TURNOVER**

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

	<b>For the three months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
Provision of diagnostic testing and healthcare services	<b>514,904</b>	455,967
Provision of advertising and public relationship services	<b>353,610</b>	–
Sales of health food and pharmaceutical products	–	30,938
	<u>–</u>	<u>30,938</u>
	<b>868,514</b>	486,905
	<u>868,514</u>	<u>486,905</u>

**5. OTHER INCOME**

	<b>For the three months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
Interest income	<b>30,486</b>	886,792
Dividend income from listed investments	–	75,325
Sundry income	<b>20,593</b>	–
	<u>–</u>	<u>–</u>
	<b>51,079</b>	962,117
	<u>51,079</u>	<u>962,117</u>

**6. 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 2009 (2008: Nil).

There was no material unprovided deferred taxation for the three months ended 30 September 2009 (2008: Nil).

**7. DIVIDENDS**

The Board does not recommend the payment of interim dividend for the three months ended 30 September 2009 (2008: Nil).

**8. (LOSS)/EARNINGS PER SHARE**

The calculation of the basic loss per share for the three months ended 30 September 2009 is based on the unaudited loss for the corresponding period attributable to equity holders of the Company of HK\$16,891,747 (2008: Profit of HK\$57,480,667) and the weighted average number of ordinary shares of 919,984,246 (2008: 738,174,463, as restated) in issue during the period.

The calculation of diluted loss per share for the three months ended 30 September 2009 did not consider the potential ordinary shares as the exercise price of the Company's outstanding options was higher than the average market share price of the Company for the relevant period.

The calculation of diluted earnings per share for the three months ended 30 September 2008 was based on the unaudited profit for the corresponding period attributable to equity holders of the Company of HK\$57,855,667 and 1,401,534,140 shares, 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.

**9. RESERVES**

The movement in reserves for the three months ended 30 September 2009 is as follows:

	Share capital HK\$	Share premium HK\$	Share option reserves HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 July 2009	<b>8,836,745</b>	<b>143,110,423</b>	<b>837,295</b>	<b>(62,929,810)</b>	<b>89,854,653</b>
Loss for the three months ended 30 September 2009	-	-	-	<b>(16,891,747)</b>	<b>(16,891,747)</b>
Issue of shares upon exercise of share options	<b>425,000</b>	<b>9,350,000</b>	-	-	<b>9,775,000</b>
Recognition of share-based payments	-	-	<b>9,098,393</b>	-	<b>9,098,393</b>
Transfer of reserve upon exercise of share options	-	<b>3,543,645</b>	<b>(3,543,645)</b>	-	-
Balance at 30 September 2009	<b>9,261,745</b>	<b>156,004,068</b>	<b>6,392,043</b>	<b>(79,821,557)</b>	<b>91,836,299</b>

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 (losses)/profit 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	<u>7,381,745</u>	<u>104,171,352</u>	<u>837,295</u>	<u>(317,868,099)</u>	<u>(205,477,707)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Turnover from operations for the first quarter ended 30 September 2009 reported an increase to approximately HK\$869,000, with attributable gross profit from operations of approximately HK\$363,000 that was an increase of 18.34% compared with the same period of the previous financial year.

During the quarter under review, Hong Kong economy showed signs of recovering from the global financial turmoil in 2008, which benefited our medical and healthcare business. Our carcinoma diagnostic and testing services posted encouraging performance with a 12.93% increase in turnover to approximately HK\$515,000 (2008: HK\$456,000).

### Future Prospects

In order to optimally utilize its surplus resources and earn a reasonable investment return, we are enhancing the Company's treasury function and expanding the investment portfolio to include different asset classes. On 2 October 2009, the Company entered into an agreement to purchase several properties at an aggregate consideration of HK\$17,200,000. We believe the properties and the rental incomes generated will create a stable income stream for the Company in the future and bring additional value to its shareholders.

Nonetheless, the Group remains optimistic about Hong Kong and China's healthcare and pharmaceutical markets in the long run. We will continue to grow our core-competent carcinoma diagnosing and testing services, however, a stronger growth will hinge on acquisition of new businesses. Healthcare and pharmaceutical players both in China and Hong Kong markets will continue to be our acquisition target as the pharmaceutical markets are huge and full of business opportunities.

On 23 October 2009, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 185,000,000 new shares (the "Placing Share(s)") to not fewer than six places who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules) at a price of HK\$0.13 per Placing Share (the "Placing"). The Placing was completed on 5 November 2009.

The net proceeds of approximately HK\$23.3 million from the Placing are intended to be used for general working capital and future business development.



## Financial Review

For the three months ended 30 September 2009, the Group recorded a turnover from operations of approximately HK\$869,000 (2008: HK\$487,000), representing an increase of 78.37% as compared with that of the corresponding period in 2008.

Gross profit from operations for the period under review was approximately HK\$363,000 (2008: HK\$307,000), representing an increase of 18.34% as compared with that of the prior corresponding period.

Loss attributable to equity holders of the Company for the three months ended 30 September 2009 was approximately HK\$16,892,000 (2008: Profit of approximately HK\$57,481,000).

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

As at 30 September 2009, 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\$0.01 each:

<b>Name of Director</b>	<b>Capacity</b>	<b>Interest in the shares or underlying shares</b> <i>(notes 1 &amp; 2)</i>	<b>Percentage of the Company's issued share capital</b>
Mr. U Man long	Beneficial owner	300,000,000	32.39%

Notes:

- Mr. U Man long is deemed to have a long position over 300,000,000 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.
- The Company proposed to implement the share consolidation on the basis that every ten (10) issued and unissued shares of HK\$0.001 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK\$0.01 each ("Share Consolidation"). The number of shares has been adjusted according to the Share Consolidation with effect from 6 August 2009.

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 2009 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 2009, the Company has not been notified by any person who had an interests or short positions in the shares or underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to 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.

Details of the movements in share options granted under the Share Option Scheme during the three months ended 30 September 2009 are as follows:

Date of grant	Exercisable period	Exercise price per share (note) HK\$	Outstanding at 01/07/2009	Granted (note)	Exercised/ Cancelled/ Lapsed (note)	Outstanding at 30/09/2009
09/07/2009	09/07/2009 – 08/07/2010	0.230	–	42,500,000	42,500,000	–
14/08/2009	14/08/2009 – 13/08/2010	0.181	–	92,600,000	–	92,600,000
			–	135,100,000	42,500,000	92,600,000

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.

Details of the movements in share options granted to the Chinese University during the three months ended 30 September 2009 are as follows:

Date of grant	Exercisable period	Exercise price per share (note) HK\$	Outstanding at 01/07/2009 (note)	Granted	Exercised/ Cancelled/ Lapsed	Outstanding at 30/09/2009 (note)
27/06/2008	27/12/2008 – 26/06/2013	1.22	1,065,573	-	-	1,065,573

Note: The exercise price and the number of options outstanding and exercised in the respect of the options granted before 6 August 2009 have been adjusted according to the Share Consolidation.

## 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 2009 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 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares (2008: 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 2009, 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 (the "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. Chan Yip Man, Norman, Mr. Chan Po Kwong and Mr. Hui Sin Kwong. Mr. Chan Yip Man, Norman is the chairman of the Audit Committee.

This report, including the Group's unaudited consolidated results for the three months ended 30 September 2009, had been reviewed by the Audit Committee.

By order of the Board

**Core Healthcare Investment Holdings Limited**

**Hui Ka Wah, Ronnie**

*Chairman*

Hong Kong, 10 November 2009

*As at the date of this report, the executive Directors are Dr. Hui Ka Wah Ronnie, JP, Mr. U Man long, Mr. Li Wai Hung and Mr. Wu Kai; and the independent non-executive Directors are Mr. Chan Yip Man, Norman, Mr. Chan Po Kwong and Mr. Hui Sin Kwong.*