



# 2010

First Quarterly Report



**CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8116)

## **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 of China Public Healthcare (Holding) 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 of the Company, 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 HIGHLIGHT

- Recorded an unaudited turnover of approximately HK\$89 million for the three months ended 31 March 2010, representing an approximately 100% increase over the same period of the previous year;
- Sustained an unaudited profit attributable to the equity holders of the Company of approximately HK\$54 million, for the three months ended 31 March 2010;
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2010.

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2010, together with the unaudited comparative figures for the corresponding period in 2009, are as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

		(Unaudited) For the three months ended 31 March	
	NOTES	2010 HK\$'000	2009 HK\$'000 (restated)
<b>Continuing operations</b>			
Turnover	2	89,818	–
Cost of sales and services		<u>(4,590)</u>	<u>–</u>
Gross profit		85,228	–
Other income	2	2,667	410
Distribution expenses		(3,043)	(896)
Administrative expenses		(30,768)	(6,069)
Realised (loss)/gain on disposal of financial assets held for trading		(3,303)	3
Unrealised gain/(loss) on financial assets held for trading		<u>4,982</u>	<u>(1,902)</u>
Profit/(loss) from operations		55,763	(8,454)
Finance costs		<u>(1,745)</u>	<u>(3,768)</u>
Profit/(loss) before tax		54,018	(12,222)
Income tax expenses	3	<u>–</u>	<u>–</u>
Profit/(loss) for the period from continuing operations		54,018	(12,222)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		(181)	(2,143)
Income tax expenses		<u>(57)</u>	<u>–</u>
Profit/(loss) for the period		53,780	(14,365)
<b>Other comprehensive (expenses) income</b>			
Exchange difference on translation of:			
– financial statements of foreign operations		<u>724</u>	<u>71</u>
Other comprehensive income for the period, net of tax		<u>724</u>	<u>71</u>
Total comprehensive income/(expenses) for the period		<u>54,504</u>	<u>(14,294)</u>

		(Unaudited)	
		For the three months ended 31 March	
	NOTES	2010 HK\$'000	2009 HK\$'000 (restated)
Profit/(Loss) attributable to:			
Owner of the Company		54,728	(14,365)
Non-controlling interests		(948)	–
		<u>53,780</u>	<u>(14,365)</u>
Total comprehensive expenses attributable to:			
Owner of the Company		55,452	(14,294)
Non-controlling interests		(948)	–
		<u>54,504</u>	<u>(14,294)</u>
<b>Earning/(Loss) per share</b>	4		
From continuing and discontinued operations			
Basic ( <i>HK cents per share</i> )		<u>0.51</u>	<u>(1.09)</u>
Diluted ( <i>HK cents per share</i> )		<u>0.39</u>	<u>N/A</u>
From continuing operations			
Basic ( <i>HK cents per share</i> )		<u>0.51</u>	<u>(0.93)</u>
Diluted ( <i>HK cents per share</i> )		<u>0.39</u>	<u>N/A</u>

Notes:

## 1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2009. The condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendments)	Additional Exemptions of First-time Adopters <sup>3</sup>
HKFRS 2 (Revised)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>7</sup>
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfer of Assets from Customers <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Company.

## 2. Turnover and other income

The Group is principally engaged in provision of healthcare information technology ("HIT") services, mining business and radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services in PRC. Revenues recognized are as follows:

	(Unaudited)	
	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Turnover		
Provision of HIT services	89,818	–
Mining	–	–
Sales of radio trunking systems integration	–	–
	89,818	–
Other income		
Interest income	4	11
Others	2,663	399
	2,667	410
Total revenues	92,485	410

### *Geographical segments*

During the period ended 31 March 2010 and 2009, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China (the "PRC"), no geographical segmental information is presented.

### 3. Income tax expenses

The amount of tax charged to the condensed consolidated income statement represents:

		<b>(Unaudited)</b> <b>For the three months</b> <b>ended 31 March</b>	
	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Continuing operations:			
Hong Kong profits tax	(i)	-	-
Overseas taxation	(ii)	-	-
		<u>-</u>	<u>-</u>

*Notes:*

- (i) No provision for Hong Kong profits tax is required as the Group has no assessable profit for the period (2009: HK\$Nil).
- (ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

### 4. Profit/(loss) per share

#### *From continuing and discontinued operations*

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	<b>(Unaudited)</b> <b>For the three months</b> <b>ended 31 March</b>	
	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>Profit/(loss) for the period</b>		
Profit/(loss) for the period attributable to owners of the Company	<b>54,728</b>	(14,365)
Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax)	<b>8,579</b>	13,164
Profit/(loss) for the purpose of diluted earnings/(loss) per share	<b>63,307</b>	(1,201)



	(Unaudited) As at 31 March	
	2010	2009
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<b>10,738,445,814</b>	1,317,748,989
Effect of dilutive potential ordinary share:		
Convertible bonds and share options	<u>5,589,148,148</u>	<u>10,766,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	<u><b>16,327,593,962</b></u>	<u>12,083,748,989</u>

***From continuing operations***

The calculation of the basic and diluted profit/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

Profit/(loss) figures are calculated as follows:

	(Unaudited) For the three months ended 31 March	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to owners of the Company	<b>54,728</b>	(14,365)
Profit/(loss) for the period from discontinued operations	<u>(238)</u>	<u>(2,143)</u>
Profit/(loss) for the purpose of basic loss per share from continuing operations	<b>54,966</b>	(12,222)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	<u>8,579</u>	<u>13,164</u>
Profit/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	<u><b>63,545</b></u>	<u>(942)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

No diluted loss per share from continuing operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both years.

#### **From discontinued operations**

Basic loss per share for the discontinued operation is HK0.002 cents (2009: loss per share of HK0.16 cents) based on the loss for the period from the discontinued operations of approximately HK\$0.2 million (2009: loss for the period of HK\$2.1 million) and the denominators detailed above for both basic and diluted loss per share.

No diluted loss per share from discontinued operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both period.

## **5. Condensed consolidated statement of changes in equity**

*For the three months ended 31 March 2010 (unaudited)*

	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000 (Note (ii))	Convertible Bonds Equity Reserve HK\$'000	General Reserve HK\$'000 (Note (i))	Exchange Reserve HK\$'000	Share – based Compensation Reserve HK\$'000	Accumulated Losses HK\$'000	Attributable to Owners of the Company HK\$'000	Non- Controlling Interest HK\$'000	Total HK\$'000
Three months ended 31 March 2009											
At 1 January 2009	11,682	212,802	(46,815)	-	1,852	5,813	30,082	(9,253)	206,163	-	206,163
Issuing convertible bonds	-	-	-	52,898	-	-	-	-	52,898	-	52,898
Conversion of convertible bonds	8,500	25,940	-	(3,909)	-	-	-	-	30,621	-	30,621
Total comprehensive income attributable to shareholders	-	-	-	-	1,942	71	-	(16,307)	(14,294)	-	(14,294)
At 31 March 2009	<u>20,272</u>	<u>238,742</u>	<u>(46,815)</u>	<u>48,989</u>	<u>3,794</u>	<u>5,884</u>	<u>30,082</u>	<u>(25,560)</u>	<u>275,388</u>	<u>-</u>	<u>275,388</u>
Three months ended 31 March 2010											
At 1 January 2010	107,384	966,082	(46,815)	25,432	1,852	2,449	30,082	(363,538)	722,928	4,509	727,437
Recognition of equity-settled share-based payments	-	-	-	-	-	-	20,609	-	20,609	-	20,609
Total comprehensive income attributable to shareholders	-	-	-	-	-	724	-	54,728	55,452	(948)	54,504
At 31 March 2010	<u>107,384</u>	<u>966,082</u>	<u>(46,815)</u>	<u>25,432</u>	<u>1,852</u>	<u>3,173</u>	<u>50,691</u>	<u>(308,810)</u>	<u>798,989</u>	<u>3,561</u>	<u>802,550</u>

*Notes:*

- (i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.
- (ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation.

**6. Dividend**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

**7. Comparative figures**

Certain comparative figures have been reclassified to conform with current period's presentation.

## **BUSINESS REVIEW AND OUTLOOK**

### **Healthcare information technology in the PRC**

On 23 October 2009, the Company completed the acquisition of the entire equity interest of Wealthy China Group Limited (“Wealthy China”), which holds a 100% interest in Beijing Upway Science & Technology Development Co., Ltd (“Upway”) and 60% interest in China Chief Medical Standards Database Co., Ltd. (“CCMSD”). The total investment by the Company was approximately HK\$498 million which provides entry into China’s hospital information technology market. The total acquisition was transacted by the issuance of convertible bonds with the conversion price of HK\$0.168 per share.

For the three months ended 31 March 2010, outstanding convertible bonds in the amount of HK\$498 million had been fully converted into 2,964,285,714 ordinary shares.

The Hospital Management Institute of the Ministry of Health of China and the China National Institute of Standardization were partners in development of the product mentioned below. It would accelerate its positioning in Healthcare Information Technology (“HIT”) demanded by Chinese hospital system through its products and service through its subsidiaries Upway and CCMSD. The followings are their principal products:

- (1) Electronic Health Records EMR System
- (2) Regional Public Health Medical System
- (3) Hospital Pre-evaluation Service

The above mentioned products are aimed at digitizing patients’ medical records, matching historical symptoms to suggested diagnosis and prescriptions, whereas the hospital pre-evaluation service is able to aggregate all medical data into standardized and categorized medical analysis for evaluation of cost-benefit efficiency. These products target at better identification and medication of various diseases, more accurate matching of diagnoses and prescriptions, more optimal use and production of medicines, more economical allocation of hospital resources, and more effective public hygiene management. The business coverage includes Beijing, Hebei Province, Liaoning Province, Jilin Province, Shanxi Province, Inner Mongolia, Gansu Province, Xinjiang Province, Tibet, Hainan Province and Jiangsu Province.

For the three months ended 31 March 2010, sales recorded by the domestic company from Healthcare Information Technology business amounted to approximately HK\$89 million.

Total sales recorded by the domestic company from Electronic Health Records EMR System amounted to HK\$38 million, while sales from Chinese Medicine Electronic Health Records by Single Disease Category business amounted to HK\$36 million, and sales from Hospital Pre-evaluation Service business amounted to HK\$15 million.

For the urban area network development of Regional Public Health Medical System, intentions of cooperation had been reached between municipal governments of Langfang of Hebei Province; Taiyuan of Shanxi Province and Suzhou of Jiangsu Province. Formal agreements would be entered into while prepayment income would be recognised in between the second and third quarter of 2010.

For the rural area long distance medical system within the Regional Public Health Medical System, hardware installation had commenced in Fuxin, Liaoning Province, with operating income to be duly recognised from May 2010. The domestic company had signed framework agreements with municipals of Danzhou of Hainan Province and Yanbian Autonomous Prefecture of Jilin Province, and formal agreements would be signed in June 2010 to duly commence rural area long distance medical cooperation. In the second quarter of 2010, the domestic company and the municipals of Hetian of Xinjiang Autonomous Region and Baoji of Shaanxi Province would also entered into framework agreements to commence rural area long distance medical projects there.

In the second quarter of 2010, the domestic company would continue to explore sales opportunities of Electronic Health Records EMR System in the scope of electronic health record by single disease category. It is expected to join hands with Wujiaping Fund (吳階平基金會) to complete the sale of the Electronic Health Records EMR System by Single Disease Category specifically for liver diseases.

### **Mining Business**

The Directors are of the view that the long term prospect of mineral resource prices remain bullish due to the continued demand from developing countries such as the PRC, India and Russia. Thus the outlook for the mining industry in the PRC is promising. The Acquisition represents a good opportunity for the Group to tap into the mining industry and also allow it to enhance performance to the Group.

The mining business has not started contributing revenues during the year. It is still subject to revision of production plans.

For the three months ended 31 March 2010, the converted bonds of HK\$241 million issued were converted into 6,036 million shares and the outstanding Convertible Bonds of HK\$223 million may convert into 5,589 million ordinary shares.

### **Automobile stamping and welding**

On 26 February 2010, the Group announced that its wholly owned subsidiary, Hong Kong Chang Kang (Holdings) Limited, entered into an agreement with Chongqing Changan Jinling Automobile Parts Co., Ltd., pursuant to which the subsidiary has agreed to sell all of its equity interest, which accounts for 49% in the JV Company at the consideration of RMB47 million in cash that will be used as general working capital, allowing the Group to focus its resources on its HIT related business which the Group considers should provide better return to the Group.

For the year ended 31 December 2009, the JV company's assets and liabilities were classified as held for sale on the consolidated statement of financial position and its operation results were classified as discontinued operations in the consolidated statement of comprehensive income for the first quarter of 2010.

As at the balance sheet date, the loss after tax from discontinued operations for the first quarter of 2010 was HK\$238,000. For the quarter ended 31 March 2010, the JV Company has sold 281 thousands (same period in 2009: 134 thousands) ancillary stamping and welding parts for automobiles, and recorded sales of approximately HK\$391 million (same period in 2009: HK\$128 million). The Group has accounted for the sales on proportion and recorded turnover of HK\$191 million for the year in 2009. Its major customers include ChangAn Auto Co Ltd, ChangAn Ford Mazda, and ChangAn Ford Nanjing Corp etc.

### **Radio Trunking System Integration**

For the first quarter ended 31 March 2010, the radio trunking business did not record any turnover. There was no change in turnover as compared to the turnover in 2009. The zero turnover of the business was mainly due to the fact that most customers will place their orders in the second half of the year, so there is still yet to finalise the terms of software services and the business with customers in coming year.

The Group has actively promoted its own digital trunking communication system based on the software technology FDMA system. This facilitated new, existing and potential users to have better understanding towards the features of this technical product while pushed further in market development.

### **Group development**

In 2010, the Group continues to stick with its operation strategy to integrate its resources and make adjustment to its business, the non-performing business will be gradually peeled off through disposal or other means to the same effect, so as to optimize the Group's asset and allocate the limited resources to explore business with brighter prospect, thus pursue the rapid development and healthy growth of the Group's business.

## FINANCIAL REVIEW

For the three months period ended 31 March 2010, the unaudited consolidated turnover of the Group from continuing operations was approximately HK\$89.8 million and none for the corresponding period in 2009. The unaudited profit attributable to shareholders for the three months ended 31 March 2010 amounted to approximately HK\$54.7 million.

The turnover approximately HK\$89.9 million from the business of healthcare information technology (“HIT”) that is a new business and was introduced into the Group since October 2009, thus there is no comparative figure for the corresponding period in 2009. No turnover of continuing operations from the business of radio trunking systems integration for the corresponding period in the current year and year 2009 because the purchasing orders from customers are still yet to finalised the terms of software services.

During the period, the Group obtained approximately HK\$2.6 million in other income that was all attributable to refund of business tax from HIT business. The Group generated minor interest income of approximately HK\$4 thousand during the period. The increase in other income by approximately HK\$2.2 million was due to the refund of business tax of approximately HK\$2.6 million and decrease in value added tax refund of approximately HK\$0.4 million.

An increase in distribution costs by approximately HK\$2.2 million to HK\$3.0 million mainly represented marketing and promotions expenses from HIT business of approximately HK\$3 million for the period in the year 2010 and minor distribution cost were incurred from inactive business of radio trunking systems software integration for the corresponding period in the current year.

Administrative expenses increase by approximately HK\$24.7 million to HK\$30.7 million was due to share based payment of approximately HK\$20 million from granted 200 million new share options to certain consultants and employees for services rendered with fair value equivalent, the extra administrative expenses brought from the new HIT business of approximately HK\$7.1 million and decrease in wages and other operating expenses from radio trunking system integrations business of approximately HK\$2.4 million.

Finance cost for the period of approximately HK\$1.7 million was convertible bonds imputed interest. The remaining convertible bonds were issued as consideration for acquisition of mining business located in Jiangxi in the year 2009 with imputed compound interest rate of 3.4% per annum.

As a result, the Group recorded the profit attributable to shareholder of approximately HK\$54.7 million for the first quarter in the year 2010, but recorded the loss of approximately HK\$ 14.3 million for the corresponding period in last year.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interests of the Directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

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

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Lu Chunming ( <i>Note 1</i> )	Beneficial	830,000	0.04%

#### Notes:

1. Mr. Lu Chunming, an Executive Director of the Company, has interest in the Company directly.

Save as disclosed above, as at 31 March 2010, none of the Directors or Chief Executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associates corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2010, so far as is known to the Directors of the Company, the following persons (other than a Director and the Chief Executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares (Note 5)	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Absolute Power International Limited ("Absolute Power") (Note 1)	Beneficial	533,000,000	2,727,000,000	3,260,000,000	30.36%
Wide Treasure Investment Limited ("Wide Treasure") (Note 2)	Beneficial	716,000,000	2,862,000,000	3,578,000,000	33.32%
Way Capital Investments Limited ("Way Capital") (Note 3)	Beneficial	1,482,142,857	–	1,482,142,857	13.80%
Glorywide Group Limited ("Glorywide Group") (Note 4)	Beneficial	1,482,142,857	–	1,482,142,857	13.80%

#### Notes:

1. Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.
2. Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.
3. Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.
4. Glorywide is wholly owned by Zhang Jie who is deemed to be interested in the shares.
5. The underlying shares of Absolute Power and Wide Treasure are in respect of the convertible bonds issued by the Company on 9 January 2009. The convertible bonds issued by the Company to Way Capital and Glorywide Group on 23 October 2009 were converted to 1,482,142,857 shares and 1,482,142,857 shares respectively on 4 December 2009.

Save as disclosed above, as at 31 March 2010, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **SHARE OPTION SCHEME**

The Company adopted a new share option scheme on 30 July 2007 (“the Scheme”), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company (“Share”) at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

Pursuant to the Scheme, as at 31 March 2010, the employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name or category of participant	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 March 2010	Date of granted of share options	Exercise period of share options	Exercise price of share options
<b>Directors</b>									
Stephen William Frostick	-	10,000,000	-	-	-	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.168
	-	10,000,000	-	-	-	10,000,000			
<b>Employees</b>	29,220,000	-	-	-	-	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK\$0.380
Employees	-	52,000,000	-	-	-	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.168
	29,220,000	52,000,000	-	-	-	81,220,000			
<b>Consultants</b>	58,439,900	-	-	-	-	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK\$0.380
Consultants	-	138,000,000	-	-	-	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.168
	58,439,900	138,000,000	-	-	-	196,439,900			
	<b>87,659,900</b>	<b>200,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>287,659,900</b>			

The total number of Shares available for issue under the Scheme as at the date thereof was 287,659,900 Shares representing approximately 2.6% of the issued share capital of the Company.

## COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2010, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa, Joshua (Chairman), Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The Group's unaudited results for the three months ended 31 March 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2010.

On behalf of the Board  
**China Public Healthcare (Holding) Limited**  
**Stephen William Frostick**  
*Chairman*

Hong Kong, 14 May 2010

*As at the date of thereof, the board of directors of the Company comprises three executive directors, being Mr. Stephen William Frostick, Mr. Lu Chunming and Mr. Shao Heng; and three independent non-executive directors, being Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua.*