

Third Quarterly Report 2011



PublicHealthcare
中國公共醫療

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”)

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

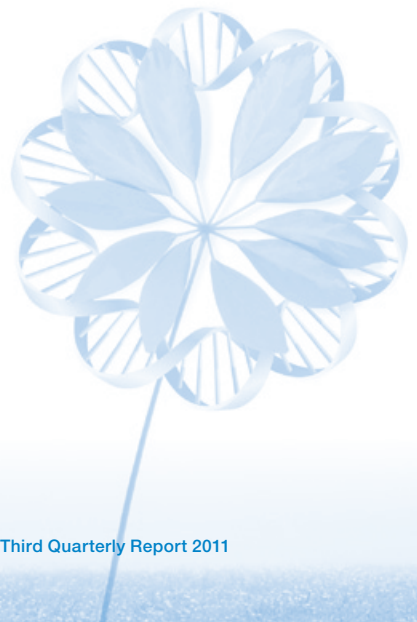
Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

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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\$113.68 million for the nine months ended 30 September 2011;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$5.24 million for the nine months ended 30 September 2011;
- The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2011.



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 and nine months ended 30 September 2011, together with the unaudited comparative figures for the corresponding period in 2010, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2011 (Unaudited)

NOTES	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Continuing Operations				
Turnover	2	5,064	25,717	113,679
Cost of sales and services		(2,894)	(1,621)	(67,598)
Gross profit		2,170	24,096	46,081
Other income	2	572	68	3,445
Distribution expenses		(3,295)	(5,625)	(10,909)
Administrative expenses		(10,830)	(12,143)	(34,571)
Realised loss on disposal of financial assets held for trading		–	(1,019)	(2,783)
Unrealised (loss)/gain on financial assets held for trading		(2,325)	762	(4,595)
Gain on disposal of JV company		–	15,565	–
(Loss)/profit from operations		(13,708)	21,704	(3,332)
Finance costs		(1,661)	(1,605)	(4,940)
(Loss)/profit before tax		(15,369)	20,099	(8,272)
Income tax expenses	3	–	(1)	–
(Loss)/profit for the period from continuing operations		(15,369)	20,098	(8,272)
Discontinued operations				
Loss for the period from discontinued operations		–	(6,969)	–
(Loss)/profit for the period		(15,369)	13,129	(8,272)
Other comprehensive (expenses)/income: Exchange differences on translation of: – financial statements of foreign operations		(3,349)	1,031	2,430
Other comprehensive (expenses)/income for the period, net of tax		(3,349)	1,031	2,430
Total comprehensive (expenses)/income for the period		(18,718)	14,160	(5,842)

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to:					
Owners of the Company		(14,005)	13,867	(5,244)	137,335
Non-controlling interests		(1,364)	(738)	(3,028)	(2,462)
		<u>(15,369)</u>	<u>13,129</u>	<u>(8,272)</u>	<u>134,873</u>
Total comprehensive (expenses)/income attributable to:					
Owner of the Company		(17,354)	14,898	(2,814)	140,335
Non-controlling interests		(1,364)	(738)	(3,028)	(2,462)
		<u>(18,718)</u>	<u>14,160</u>	<u>(5,842)</u>	<u>137,873</u>
(Loss)/profit per share	4				
From continuing and discontinued operations:					
Basic (<i>HK cents per share</i>)		<u>(0.13)</u>	<u>0.12</u>	<u>(0.05)</u>	<u>1.24</u>
Diluted (<i>HK cents per share</i>)		<u>(0.13)</u>	<u>0.15</u>	<u>(0.05)</u>	<u>0.91</u>
From continuing operations:					
Basic (<i>HK cents per share</i>)		<u>(0.13)</u>	<u>0.18</u>	<u>(0.05)</u>	<u>1.31</u>
Diluted (<i>HK cents per share</i>)		<u>(0.13)</u>	<u>0.19</u>	<u>(0.05)</u>	<u>0.96</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note (ii))	General reserve HK\$'000 (Note (i))	Convertible bonds equity reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
Nine months ended 30 September 2010											
At 1 January 2010	107,384	966,082	(46,815)	1,852	25,432	30,082	2,449	(363,538)	722,928	4,509	727,437
Recognition of equity-settled share-based payment	-	-	-	-	-	30,943	-	-	30,943	-	30,943
Elimination on disposal of JV Company	-	-	-	-	-	-	(1,464)	-	(1,464)	-	(1,464)
Conversion of convertible bonds	5,341	17,013	-	-	(2,433)	-	-	-	19,921	-	19,921
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	3,000	137,335	140,335	(2,462)	137,873
At 30 September 2010	112,725	983,095	(46,815)	1,852	22,999	61,025	3,985	(226,203)	912,663	2,047	914,710
Nine months ended 30 September 2011											
At 1 January 2011	112,725	983,095	(46,815)	11,512	22,999	57,173	6,636	(233,192)	914,133	1,233	915,366
Additional non-controlling interest arising on the setting up a subsidiary	-	-	-	-	-	-	-	-	-	26,912	26,912
Total comprehensive (expenses)/income attributable to shareholder	-	-	-	-	-	-	2,430	(5,244)	(2,814)	(3,028)	(5,842)
At 30 September 2011	112,725	983,095	(46,815)	11,512	22,999	57,173	9,066	(238,436)	911,319	25,117	936,436

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.

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 2010. 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 not early 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)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1 ²
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters ⁵
HKFRS 3 (Amendments)	Business Combination (2008) – Improvements to HKFRSs (2010) ³
HKFRS 9 (Revised)	Financial Instruments ⁷
HKAS 1 (Amendments)	Presentation of Financial Statements – Improvements to HKFRSs (2010) ⁴
HKAS 12 (Amendments)	Income Taxes – Amendments ⁶
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ¹
HK(IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010) ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 July 2011

⁶ Effective for annual periods beginning on or after 1 January 2012

⁷ 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 standards, amendments 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 in the PRC. Revenues recognised are as follow:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover				
Provision of HIT Services	5,064	25,717	113,679	304,777
Mining	–	–	–	–
Sales of radio trunking systems integration	–	–	–	–
	<u>5,064</u>	<u>25,717</u>	<u>113,679</u>	<u>304,777</u>
Other revenues				
Interest income	388	37	489	178
Others	184	31	2,956	2,802
	<u>572</u>	<u>68</u>	<u>3,445</u>	<u>2,980</u>
Total revenues	<u>5,636</u>	<u>25,785</u>	<u>117,124</u>	<u>307,757</u>

3. Income tax expenses

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Continuing operations:					
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	-	1	-	6
		<u>-</u>	<u>1</u>	<u>-</u>	<u>6</u>

Notes:

- (i) No provision for Hong Kong profits tax is required as the Group has no assessable profits in Hong Kong for the period (2010: 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. (Loss)/profit per share

From continuing and discontinued operations

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

	(Unaudited) For the nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
(Loss)/profit for the period		
(Loss)/profit for the period attributable to owners of the Company	(5,244)	134,873
Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax)	<u>2,950</u>	<u>10,669</u>
(Loss)/profit for the purpose of diluted earnings per share	<u>(2,294)</u>	<u>145,542</u>

	(Unaudited) As at 30 September	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	10,986,984,230	10,893,533,978
Effect of dilutive potential ordinary share:		
Convertible bonds and share options	<u>5,054,940,932</u>	<u>5,055,095,080</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/profit per share	<u>16,041,925,162</u>	<u>15,948,629,058</u>

From continuing operations

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

(Loss)/profit figures are calculated as follows:

	(Unaudited) For the nine months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to owners of the Company	(5,244)	134,873
Loss for the period from discontinued operations	—	(7,504)
(Loss)/profit for the purpose of basic (loss)/earnings per share from continuing operations	(5,244)	142,377
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	<u>2,950</u>	<u>10,669</u>
(Loss)/profit for the purpose of diluted (loss)/earnings per share from continuing operations	<u>(2,294)</u>	<u>153,046</u>

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

From discontinued operations

Basic loss per share for the discontinued operation is nil (2010: loss per share of HK0.07 cents) based on the loss for the period from the discontinued operations of HK\$nil (2010: loss for the period of HK\$8 million) and the denominators detailed above for both basic and diluted loss per share.

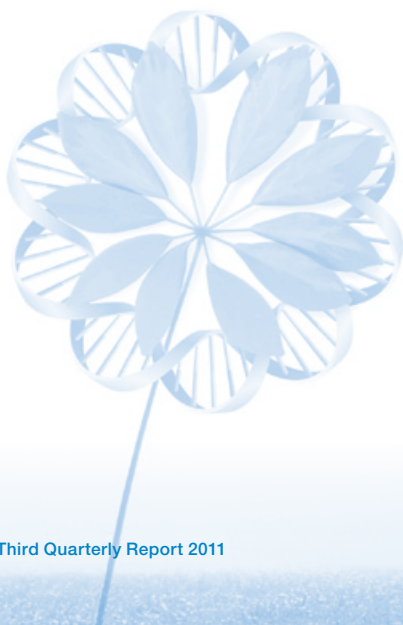
No diluted loss per share from discontinued operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both periods.

5. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2011 (2010: Nil).

6. Comparative figures

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



BUSINESS REVIEW AND OUTLOOK

Healthcare information technology in the PRC

The Company began to step into healthcare information technology market in the PRC since October 2009 by holding 100% interest in Beijing Upway Science & Technology Development Co. Ltd (“Upway”), 100% interest in Beijing Lian Jin Medical Technology Company Limited (“Lian Jin”) and 60% interest in China Chief Medical Standards Database Co. Ltd. (“CCMSD”).

The National Institute of Hospital Administration (“NIHA”) of the PRC and the China National Institute of Standardization and the China Health Promotion Foundation are partners in the development of the Company’s services.

Upway, Lian Jin and CCMSD, the subsidiaries of the Company, recorded a total revenue of HK\$388 million in 2010, and they had become the major suppliers of Healthcare Information Technology (“HIT”) demanded by the PRC’s hospital system through their provision of products and services. Upway, Lian Jin and CCMSD will continue to strive for expansion of their market share in 2011. The followings are their principal products:

1) Electronic Medical Records (EMR) Systems

The Company has applied its proprietary software and technology to develop and complete the professional Electronic Medical Records (EMR) software for Mainland China. The software has obtained the certificate from Ministry of Health of China and penetrated into China’s high-grade hospital market in large scale.

The Company’s EMR system is compatible with various types of hospital HIS systems in Mainland China. All medical records information could be used for multiple search applications.

In the opinion of the Board, the technology employed in the Company’s products is in leading positions and absolutely ahead of the competitors.



The Company will continue to expand its cooperation with traditional Chinese medical specialist hospitals in Mainland China through the association with China Academy of Chinese Medical Sciences, with an aim to encourage the application of our EMR systems among traditional Chinese medical specialist hospitals.

In addition, in order to increase its sales and enhance its market shares, the Company has been adjusting its marketing strategies and actively employing intermediate agents. Among the sales of the Company in this year, the sales through intermediate agents in such cities as Tianjin and Hangzhou achieved good results.

Affected by the formal commencement of EMR piloting work by the Ministry of Health of China in October 2010, the government supporting funds for EMR in hospitals in Mainland China is not yet provided and results in further delay of the original schedule for public hospitals in various regions in adopting EMR. During this quarter, only a small amount of sales was recorded for the Company's EMR systems, and it is expected that the entering into of sales contracts will be resumed in late 2011.

II) Medical Imaging Service System

After the research and development during this phase, the Medical Imaging Service System continues to integrate with the latest research achievements across engineering and modern medical fields and has entered into an important phase of online testing. Under the policy guidance of the Ministry of Health in China and its subunits and the incitement within the industry, the testing of the Medical Imaging Service System Platform is progressing at a speed and effectiveness exceeding expectations.



With the commencement of the online testing, the first professional Medical Imaging System Platform in Mainland China has begun to take shape. The launch of the internet platform will complete the top and bottom cycles of the Medical Imaging Service System which enables it to become really capable of serving the PRC health institutions at all levels as well as achieving long term medical target with an overwhelming pioneer advantage in this field.

Leveraging on its proprietary medical imaging software, the Company establishes the “Cloud Services” system on the internet in the long run, enabling the Medical Imaging Service System to cover medical imaging service contents, which will be widely used for a long period of time in the future in Mainland China.

The medical imaging database is enriching continuously to provide support for the smooth operation of the network platform. Through in-depth, flexible and diversified cooperation with health departments in various areas, medical imaging data in various areas of Mainland China was continuously added into the database adopting ACR international standards.

At the beginning of data collection, we adopted the internationally accepted ACR standards, which allowed the Company’s own medical imaging service system to become an international leading database immediately upon its establishment and realize the customizable medical imaging data service. In addition, it had the following functions:

- a. Medical imaging application and development: Trial run was commenced in various fields.
- b. Expert level science and research training platform: It already created certain influence among the Ministry of Health of China and its institutions.
- c. Patient self enquiry: The establishment of network platform make it become feasible.
- d. Medical appliances and instruments logistics platform: With in-depth development of various applications, the platform has begun to take shape.

III) **Regional Public Health Medical System**

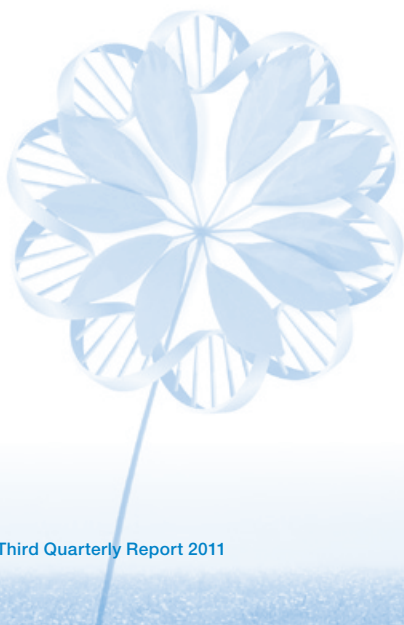
A) *Urban Regional Healthcare Platform*

The Company will use its proprietary software and technology to work with government healthcare management institutions in Mainland China to establish health archives information system for urban area residents according to the requirements and standards of Ministry of Health of China ("MOHC").

The project is generally last for 3 years, from the fourth quarter of 2010, the revenue for the quarter was mainly from the projects of Xizang Autonomous Region and Xinjiang Autonomous Region Government. As the projects are progressing slowly due to factors such as geographical conditions and national policies, no revenue was recorded for the third quarter.

B) *Rural Regional Health Platform*

The Company has applied its proprietary systems and products to establish the Rural Regional Health Platform. These projects are developed by subsidiaries which work closely with city health bureaus for 20 years already by using tele-medical technology to provide medical and healthcare services to rural residents. The tele-medical center will cost about RMB40 million to build, however, as the Company is licensed and entitled to collect all the fees from the patients and 50% to 80% of all the medical expenses are subsidized by government health institutions. The Company is adjusting its operation model and therefore, no revenue was recorded for this quarter.

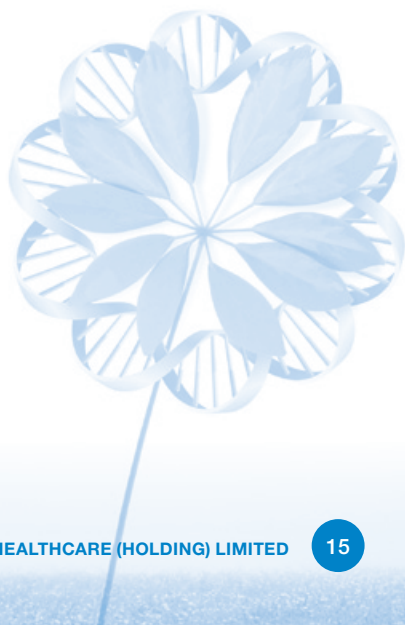


IV) Hospital Pre-evaluation Service

The Company's proprietary Hospital Pre-evaluation software meets the requirements of NIHA and the Chinese Hospital Association, and is authorized by such institutions. The primary function of the said software is to analyze the hospital management operation deficiencies in conjunction with national renowned hospital management consultants to facilitate improvement works.

The above mentioned products are aimed at digitizing patients' medical records, matching historical symptoms for 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 are targeted at better identification and medication of various diseases, more accurate matching of diagnosis and prescriptions, more optimal uses and production of medicines, more economical allocation of hospital resources, and more effective public hygiene management.

The 2011 year's work plan for the Hospital Pre-evaluation Service shall be undertaken in coordination with the Ministry of Health's 2011 Hospital Management Work Plan. The recent economic conditions became uncertain, the negotiation and discussion of such work plans are suspended currently, so the Company has not recorded any service income from such project.



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 allows it to enhance performance of the Group.

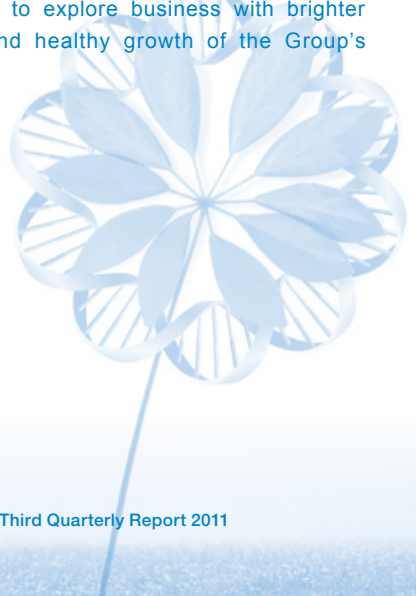
The mining business has not started contributing revenues during the year. It is still subject to revision of production plans.

Radio Trunking System Integration

For the nine months ended 30 September 2011, the radio trunking business did not record any turnover. There was no change in turnover as compared to the corresponding period in 2010. The zero turnover of the business was mainly due to the fact that the requirement of the customers for radio trunking system is moving towards digitalized products in line with the advancement of technology. As such, it triggered a new round of product research and development as well as market restructuring among suppliers of radio trunking system in the Mainland. The Group's self-developed software technology, namely FDMA system, could not be launched to the market as affected by these changes of the overall trend of the industry.

Group Development

In 2011, 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 nine months period ended 30 September 2011, the unaudited consolidated turnover of the Group from continuing operations was approximately HK\$113.68 million and as compared of HK\$304.78 million for the corresponding period in 2010. The unaudited loss attributable to shareholders for the nine months ended 30 September 2011 amounted to approximately HK\$5.24 million.

The turnover of approximately HK\$113.68 million from the business of healthcare information technology (“HIT”) compare to the same period in 2010, the turnover have recorded HK\$304.78 million which represents a decrease of HK\$191.10 million or decreased by 62.70%. The decrease was mainly due to the terms of contract from customers are still not yet finalized. No turnover of continuing operations from the business of radio trunking systems integration for the corresponding period in the current year and year 2010.

During the period, the other revenue is contributed by the refund of business tax from HIT business of approximately HK\$2.53 million, bank interest income of approximately HK\$0.49 million and other operating income of approximately HK\$0.43 million.

Distribution expenses for the nine months period ended 30 September 2011 of approximately HK\$10.91 million was mainly represented marketing and promotions expenses from HIT business for the period in the year 2011 and no distribution cost incurred from inactive business of radio trunking systems software integration for the corresponding period in the current year.



The decrease in administrative expenses from HK\$62.51 million to HK\$34.57 million was mainly due to the absence of the share based payment for the period. Share options in sum of 270 million shares was granted to certain consultants and employees for services rendered amounted to approximately HK\$27 million in fair value equivalent for the corresponding period in the last year.

Finance cost for the period of approximately HK\$4.94 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 loss attributable to shareholders of approximately HK\$5.24 million for the nine months period ended 30 September 2011, but recorded the profit of approximately HK\$137.34 million for the corresponding period in last year.

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

As at 30 September 2011, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Mr. Lu Chunming (<i>Note 1</i>)	Beneficial	830,000	–	830,000	0.01%

Note:

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

Long positions in the underlying shares

On 31 March 2010, share options of 10,000,000 shares at exercise price of HK\$0.186 were granted to a director of the Company, Mr. Stephen William Frostick, under the Share Option Scheme. These share options are exercisable for a period of 3 years from the date of granted unconditionally. Details of which are set out in "Share Option Scheme" on pages 21 and 22.

Save as disclosed above, as at 30 September 2011, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 September 2011, so far as is known to the Directors of the Company, the following persons (other than the director and the chief executive of the Company) had an interests or a short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

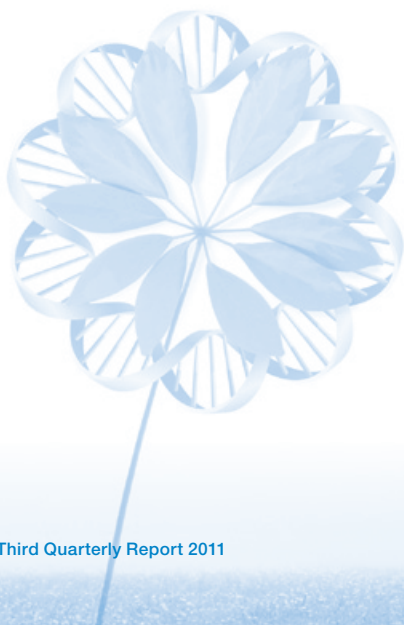
Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares (Note 6)	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Absolute Power International Limited ("Absolute Power") (Note 1)	Beneficial	-	2,727,000,000	2,727,000,000	24.19%
Way Capital Investments Limited ("Way Capital") (Note 2)	Beneficial	1,482,142,857	-	1,482,142,857	13.15%
Wide Treasure Investment Limited ("Wide Treasure") (Note 3)	Beneficial	-	1,327,946,932	1,327,946,932	11.78%
Lu Xing (Note 4)	Beneficial	-	1,000,000,000	1,000,000,000	8.87%
Glorywide Group Limited ("Glorywide") (Note 5)	Beneficial	575,142,857	-	575,142,857	5.10%

Notes:

1. Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.
2. Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.
3. Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.
4. Mr. Lu Xing is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. He is not involved in the management of the Company and its subsidiaries.
5. Glorywide is wholly owned by Zhang Jie who is deemed to be interested in the shares.
6. 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 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 30 September 2011, 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.



SHARE OPTION SCHEME

The Company adopted a new share option scheme (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 to grant options to any eligible person to subscribe for the shares of the Company (“Shares”) 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 Shares 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 the Group, any consultant, adviser, agent, supplier, customer, business partner and 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 for adopting the scheme.



Pursuant to the Scheme, as at 30 September 2011, 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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 September 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options
Directors									
Stephen William Frostick	10,000,000	-	-	-	-	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.186
	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>			
Employees	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\$0.186
	<u>81,220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,220,000</u>			
Consultants	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\$0.186
Consultants	50,000,000	-	-	-	-	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK\$0.186
Consultants	20,000,000	-	-	-	-	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK\$0.186
	<u>266,439,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,439,900</u>			
	<u>357,659,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,659,900</u>			

None of the employees and consultants of the Group had exercised their share options during the period ended 30 September 2011.

The total number of Shares available for issue under the Scheme as at the date thereof was 357,659,900 representing approximately 3.17% of the issued share capital of the Company.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 September 2011, any business or interests of each of the directors of the Company, management shareholders and their respective associates (as defined in the GEM Listing Rules) which competes or likely compete, either directly or indirectly with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2011.

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 nine months ended 30 September 2011 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 nine months ended 30 September 2011.

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

Hong Kong, 14 November 2011

As at the date hereof, 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.

